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Panel for tweak in rail passenger fares

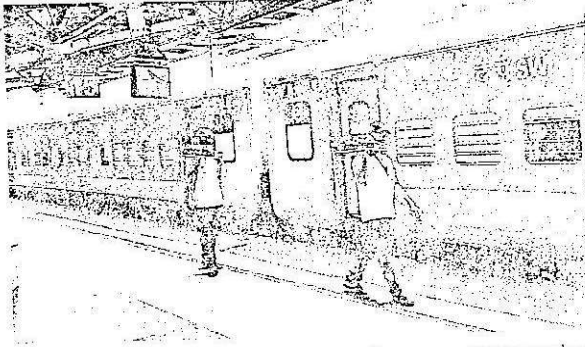
Parliamentary Committee for resumption of services to boost revenues

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A parliamentary committee has recommended that the Railway Ministry should undertake "prudent adjustment" of passenger fares to reduce the burden on freight segment, while highlighting that the Railways' operating ratio, which helps determine the financial health of the national carrier, has regularly deteriorated after 2015-16.

The committee, in its report tabled in Parliament on Monday, also said the actual earnings of the Railways have fallen short of projected earnings for all years since 2016-17, indicating that either unrealistic projections were made or the Ministry's efforts to actualise the accruals were not sufficient.

Noting that revenues from passenger services had deteriorated due to suspension of operations during COVID-19, the panel, headed by former Union Minister Radha Mohan Singh, asked Railways to consider resuming



Facing losses: The Railway's revenues from passenger services fell due to suspension of trains due to COVID-19. ■ FILE PHOTO

passenger services to boost their revenues.

No to cross subsidies

"...the tariff policy of the Indian Railways has traditionally followed the principle of cross subsidisation in order to offset the losses incurred in the heavily subsidised passenger and other coaching services through additional revenue from freight movement...The Committee feels that both passenger fares and freight rates have to be demand-cum-market driven

and fixed differently for different segments," it said, recommending that the Ministry undertake a "prudent adjustment" of passenger fares to reduce the burden on freight segment.

On the net revenues, the panel noted that over the past five years, Budget Estimates for revenues are being drastically reduced at Revised Estimate stage, and even the reduced targets nowhere matched the actuals.

Noting the regular dete-

rioration in Railways' operating ratio, the panel added that "Railway finances should be monitored and managed prudently by keeping a close and constant tab on the undesirable/unproductive expenditure so that the operating ratio (OR) may reach at acceptable level in the near future".

Operating ratio indicates how much the Railways spend to earn a rupee. For example, an operating ratio of 98.36% for 2019-20, indicates that to earn ₹100, the Railways will have to spend ₹98.36. "The Committee observed that for the fiscal year 2015-16, the Railways Operating Ratio was 90.5%. In contrast in the succeeding years the Operating Ratio has regularly deteriorated."

For 2016-17, the operating ratio rose sharply to 96.5%. Subsequently, the OR was 98.4% in 2017-18, 97.29% in 2018-19. For 2020-21, it is estimated to be 131.4%, while for 2021-22, Railways is targeting OR of 96.15%.