

**GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA**

STARRED QUESTION NO:463

ANSWERED ON:27.04.2015

TARIFF AUTHORITY

Adsul Shri Anandrao ;Yadav Shri Dharmendra

Will the Minister of RAILWAYS be pleased to state:

- (a) whether high freight rates on account of cross subsidisation tend to divert freight business to the road sector and the details thereof;
- (b) the reaction of the Railways thereto and the corrective action proposed to be taken in the matter;
- (c) whether the Railways propose to constitute a new authority for regulating the railway fares and freight charges;
- (d) if so, the details thereof along with the role and functions of the rail authority; and
- (e) the time by which the tariff regulator is likely to be appointed?

Answer

MINISTER OF RAILWAYS (SHRI SURESH PRABHAKAR PRABHU)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO.463 BY SHRI DHARMENDRA YADAV AND SHRI ANANDRAO ADSUL TO BE ANSWERED IN LOK SABHA ON 27.04.2015 REGARDING TARIFF AUTHORITY

(a) & (b): The decision to choose a mode of freight transport depends on several factors, freight rates being only one of those.

It is a fact that freight earnings are utilized for cross-subsidizing passenger business and thus making available affordable passenger services to the common man. Further, progressively mounting capacity constraints have inhibited Railway's ability to carry more freight. Underinvestment in rail sector has been on account of both inadequate budgetary support as well as insufficient internal generation of investible surplus. Internal generation has been limited as Indian Railways, unlike most other government departments, has to meet its' working expenditure through its own revenues.

Capacity creation would enable Railways to provide better services at lower costs and enhance its competitiveness vis-À-vis other modes of transport. Railways realize that they need to tap additional funds to supplement resources forthcoming from budgetary support and internal generation if the network has to be expanded and decongested. A beginning has been made in the Railway Budget 2015-16 presented to the Parliament wherein Railways have announced their intention to make an investment of Rs.8.5 lakh crore in the next five years through raising of resources from multilateral development banks, pension funds, etc in addition to existing sources. In addition Railways have also undertaken immediate short term measures like freight incentive schemes, automatic empty flow rebate, improving throughput per train,

running longer trains etc. Schemes for attracting private investment in wagons and terminals have also been put in place. It is expected that these short and long term measures would enable the Railways regain market share in both passenger and freight segments in the years ahead.

(c) to (e): It has been announced in the Railway Budget 2015-16, to have a regulatory mechanism, independent of the service provider which will be entrusted with making regulations, setting performance standards and determining tariffs, in lieu of only a tariff regulator contemplated earlier. Its likely role will be to ensure orderly development of infrastructure services, enabling competition and protection of customer interests.