

# Rail Budget 2013 is a bit disappointing to us

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**The railway minister has decided to increase freight rates by as much as 5% to 6% and stayed silent on the passenger fare front. Do you believe that somewhere it is a little unfair to the corporate sector largely?**

Yes, I guess so. In fact, he began very promisingly saying that they look for paradigm shift. But whatever he spoke about giving the sops is for the passenger industry in terms of safety, high travel comfort, and the freight. He admitted that freight is the main measure of the revenue coming in and he is targeting about 9% growth in the freight, which I presume 4% is from the tonnage increase and 5% is from the increase in the freight, but he spoke nothing in terms of how that will come in.



PPP, so far, we have got about a billion dollars for the DFCs coming in and a billion dollars more does not seem to be likely this year. Nothing is there on the multi model and logistics parks. DFC is going to be there after five to seven years and the things will get a lot worse before they become better. So we need to look at the existing railway network and the logistics park coming in ASAP.

The current scenario with regards to freight rate movement is that the railway freight in India probably is the highest in the world. If you compare with anywhere in the world on the PPP on the purchasing power parity, we have the highest in terms of freight rate charge and any more increase may also be counter productive. If you look at the last 50 years, from an 86% share in the logistics spend, the railways' share is now at 36%. Somehow this budget is a bit disappointing to us.

**The railway minister started out seeming to suggest that there is going to be a very strong impetus, very strong focus on maintaining financial discipline. If you look closely at the numbers, he is**

**achieving the operating ratio of close to 89% by cutting back on planned expenditure. Is this just some sort of window dressing of sorts that the railway minister is doing to create the impression that there is financial discipline and that actually at an operational level there is still a lot more that the railways need to do?**

For the last four-five years the railways have been going a bit downhill and they are contracting. The need currently is to go the other way round in terms of actually investing in it. The investment for safety itself for about 37000 crores and that is over a longer period of time agreed. The **investments** are required for DFCs. Other corridor for freight is also high. I want to repeat his quote "resource constraint cannot be an excuse for substandard services". Now whatever he needs to get out of that will come either from the 1% **savings** he has assumed or out of 90,000 crores of freight, he gets about 900 crore. Some PPP he is assuming of 6000 crores which I would say is unlikely in this case. So the only he can probably balance the budget is to cut down on some expenses which may be okay for the short term, but not for long term.