

Higher-speed trains are critical to competing with airlines

According to a report in The Indian Express, a Railways study points out that, over the next three years, domestic airlines will overtake it as the most preferred mode of long-distance travel for upper-class passengers. While government subsidies such as on UDAN will only accelerate the process, this has actually been happening for a long time. As the report of the Parliamentary Standing Committee on Railways headed by former railway minister Dinesh Trivedi pointed out, from a small fraction of the Railways upper class business—as represented by the AC -1 and AC-2 category of travel—in early 2000, the number of domestic air travelers today (largely on low-cost carriers, or LCCs) is more than 50 times the number travelling in AC-1 and six times the number travelling on AC-2. The combined business of all four AC classes is a fifth smaller than the number of passengers flying—indeed, while the domestic air travel business has been growing in double-digits over the past few years, and 15% in FY16, the Railways registered a negative growth in all four AC classes in FY16.

While it is important for Railways to keep track of the competition, it is also important not to get frightened into inaction. If LCCs compete in the long-distance traffic, the travel time to/from most airports and the time taken for security ensure the Railways have a sweet spot when it comes to short-distance traffic of 5-6 hours. And even in long-distance traffic—Delhi-Mumbai—with some adjustments, there are a lot of passengers to cater to if the price-time equation is right; this year, with Railways refunding Rs 8,000 crore of the Rs 48,000 crore it collected in passenger revenues, it has a large unmet passenger demand. While most compare air-fare with Railway fare, if the Delhi-Mumbai Rajdhani leaves at 8 or 9 in the evening instead of 4 or 5 as today and reaches Mumbai at 8 in the morning, a business traveller reaches fresher, in time for his meeting and without paying for an overnight hotel.

The fact that half the DFC will be complete by December 2018 offers great opportunity for Railways as, with its network freed—freight uses 35% of the network—it can work on faster trains (our page one story is about one such effort). While doing so, it is critical Railways doesn't squander the opportunity by introducing more loss-making trains—in FY15, second-class trains lost Rs 19,000 crore and AC-2 Rs 496 crore. So far, Railways has done a good job in introducing a new class of trains like Hamsafar and Tejas where the returns are higher. But even if more traditional trains have to be introduced, keep in mind Railways charge Rs 1.78 per km for AC travel vs Rs 2.52 for buses and 92 paise for the sleeper vs 57 paise for buses—that is, the scope for rationalising fare is large.

Saurabh's front-page story

With low-cost airlines steadily eating into the railways' share of long-distance travel for the upper segments, the transporter's strategy to retain traffic centres around much faster travel times coupled with more amenities like on-board entertainment and Wi-Fi facilities. So, if the Delhi-Mumbai Rajdhani, for instance, can leave at 8 in the evening and arrive the next day at 8 in the morning, this will be ideal for travellers who want to finish their work for the day and reach in time for meetings the next day — without having to pay for an overnight stay. As part of this, the railways will spend Rs 18,000 crore to upgrade the Delhi-Mumbai and Delhi-Kolkata routes to increase train speeds from 110 kmph to 160 kmph. This will include fencing tracks, upgrading tracks and track infrastructure/signalling, power plants along the route, etc. Thanks to the Tejas, it is already making better quality coaches and with two new engine factories being set up, better locomotives are also on their way.

Unlike in the past, the railways won't tender each part of the work separately but will bid out for end-to-end solutions. The winning bidder will have to get contractors to work on the entire fencing, upgrade all the tracks and signalling, and work on upgrading the power plants, building ROBs, etc — according to an official, even the time at which various sections of the track will be shut for upgrading will have to be specified in advance.

A large part of the new plans are based on the Dedicated Freight Corridor being completed by March 2020 and half of this will be functional by December 2018. With freight occupying 30-35% of railway infrastructure, the DFC allows the railways to increase the speed of existing trains. The railways has been losing passenger traffic since 2012 but in FY17, passenger traffic grew to 822.1 crore passengers from 815.1 crore in 2015-16. During the first three months of the current financial year, too, passenger traffic is up around 8.5%. Thanks to surge-pricing and introduction of new categories of trains such as Tejas and Humsafar, the carrier for 2016-17 was able to increase its passenger earnings by Rs 1,996 crore over 2015-16. The revised estimates for 2016-17 of Rs 48,000 crore though remained unmet as the railways managed to

Making Railways take off

Wednesday, 26 July 2017 03:45 -

garner Rs 46,279 crore.