

# Should RAILWAY BUDGET Be Scrapped?



## WHY IN NEWS?



The 92-year-old practice of presenting a separate Rail Budget is set to come to an end from the next fiscal, with the Finance Ministry accepting Railway Ministry proposal to merge it with the General Budget

## BACKGROUND



Railway budget based on a report by British politician **William Ackworth** in 1924



Recommended a separate railway budget, as most of the infrastructure spending by the British government went towards building railway lines



Union budget is a Constitutional requirement, presented under **Article 112**, there is no constitutional or legal requirement for a separate railway budget

## What Are the IMPLICATIONS?



Post-merger, raising passenger fares will be the Finance Minister's call



Cost overrun of ₹ 1.07 lakh crore due to delays in completion of projects



Post-merger, Indian Railway will get rid of the annual dividend it has to pay for gross budgetary support



Post-merger, Indian Railways suffering from a massive revenue deficit will pass on the burden to the finance ministry



Additional burden of about ₹ 40,000 crore on account of implementation of the 7th Pay Commission awards on railways



five-member committee, constituted by Finance Ministry, to work out the modalities for the merger



An annual outgo of ₹ 32,000 crore on subsidies



## Arguments IN FAVOUR of Merger



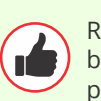
India has 66,000 km of railway lines, of which only 17,000 km have been added since Independence -dismal performance of railways under rail ministry - need for change



Committee headed by NITI Aayog member **Bibek Debroy**



Merger as part of the restructuring of the Railways



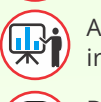
Recommended that the railway budget should be phased out progressively and merged with the general budget



Railway budget has become **political Tool**



To announce populist measures



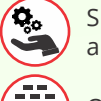
Announcing new projects irrespective of its viability



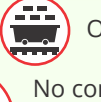
Demanding new trains and opposing hikes in train fares



**Cross-Subsidies** has led to



Substandard passenger services, and



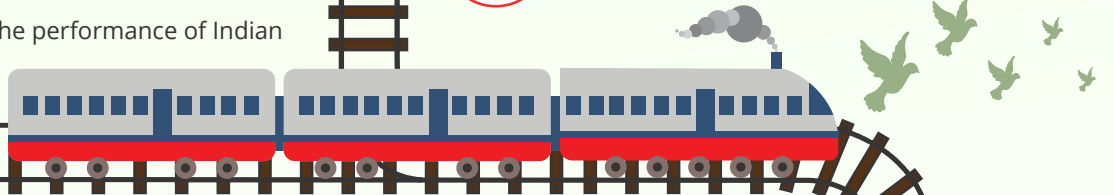
Over-priced freight transport.



No constitutional or legal requirement for separate railway budget. A lot of resources are wasted in the process



Enhance the performance of Indian railways



## Arguments AGAINST the Merger



post-merger railways **need to wait for annual budget** for any changes. Railways cannot afford such long wait



Railways require to react swiftly with greater flexibility, be it in



Terms of raising or lowering fares, or



Adapting to new technologies or



Improving safety standards.



Indian Railways faces increasingly **tough competition** from road and civil aviation. To compete with them it needs separate budget system



Scrapping separate budget would allow more ad-hoc approaches in its handling



Merger may transform the Railways to just another Government Department, as it may lose its commercial character



No mechanism to cater to possible revenue shortfall



May also slow the pace of privatisation plans of the Railways

## WAY FORWARD



Separate railway budget has its own advantages and disadvantages. But its disadvantages outweigh the advantages



Separate railway budget is colonial legacy and extra exercise. Most of the time it is used to gain political mileage



A possibility of **combined infrastructure budget** - would lead to better convergence and coordination between different transport sectors

