Source : www.livemint.com Date : 2018-12-05

OPINION

Relevant for: Indian Economy | Topic: Infrastructure: Railways

Indian Railways' revenue receipts in the past few years have been in the range of 1.5-1.9 trillion. Close to 90% comes from freight and passenger earnings. Non- fare revenue, termed as "sundry and other earnings" by the ministry of railways, was in the range 3-7% in the period 2014 to 2018 on an annual basis. In terms of absolute value, non-fare revenue ranged annually from 5,000 crore to 14,000 crore in the period 2014 to 2018.

There has been a substantial increase in non-fare revenue in 2016-17, of around 75% as compared to 2015-16. The key observations that one can discern comparing the data of two years are as follows:

-Earnings from Rail Land Development Authority and IRCTC (Indian Railway Catering and Tourism Corporation) account for a substantially higher percentage of non-fare revenue in 2017-18 as compared to 2015-16. This indicates the focussed approach taken by the ministry to monetize land as well digital assets;

-Reimbursement of loss on strategic lines contributed close to 665 crore in 2015-16. With the merger of the railway budget with the general budget this stream of revenue is no longer available to the ministry of railways;

-The target for "advertisement and publicity" was 2,000 crore in 2017-18. This indicates the focus on enhancing revenue from initiatives related to out of home advertising, train branding, rail display network and content on demand;

-Revenue from the categories "land lease" and "right of way/way leave to others" account for close to 1,700 crore in both 2017-18 and 2015-16. Within these two categories, there is a decrease under "land lease" and increase under "right of way";

-A very large share comes from "other sundry earnings" which has substantially increased in 2017-18. However no further details related to this category is available in the public domain.

Land monetization is a large source of non-fare revenue for railway systems globally. The station redevelopment programme of the Indian Railways will play a key role in increasing non-fare revenue for the railways. The policy related to station redevelopment has been evolving in the past few years and the Swiss challenge method that was initially conceptualized has now been changed to a hybrid model in which stations would be developed by Indian Railways themselves and the commercial land would be monetized separately. This unbundling is the right strategy and has higher chances of success.

Advertising and publicity has not taken off to the extent envisaged. However substantial ground work has been done and there are clear learnings on what works and what does not in the Indian scenario. Just as the model has been redone in the case of station redevelopment, a similar recalibration of the model for tapping advertising and publicity revenue streams will need to be done. The underlying potential of enhancing this non-fare revenue stream is not in doubt and has been proven by the interest shown by various stakeholders related to these initiatives.

Rajaji Meshram is partner at EY India. The views expressed are personal.

END