



## Fare Hike in Delhi Metro

### What is the issue?

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  - A steep 100% fare hike was implemented by the DMRC within a span of five months.
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  - This ignores the fact that affordability is at the heart of all successful mass transit systems globally.

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### Why was fare hiked?

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  - The DMRC has justified the hike citing loan repayments, mounting operational expenses and financial sustainability.
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  - Other Indian cities like Kochi and Chennai too have comparable fares to DMRC - which makes them too a costly affair.
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  - This implies that despite India's commendable technical capacity to build and run metro systems their pricing policies are rudimentary.
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  - Costs are narrowly focused on financial sustainability disregarding affordability for the masses.
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  - The larger spillover benefits to the society due to affordable 'mass transit systems' are thereby mostly left unaccounted.

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### What is the affordability argument?

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- Pricing of urban mass transit systems has been a difficult challenge globally.
- It needs a careful balance between financial sustainability and affordability, especially for the lower income populations.
- These people usually stay in outermost pockets of the city and tend to travel the longest distances.
- Affordability of public transit is globally measured as percentage of income that is spent on transit.
- The following table on 'Affordability Index' of mass-transit systems across top global cities is an eye opener.

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GLOBAL COMPARISON OF AFFORDABILITY OF MASS TRANSIT SYSTEMS			
	Minimum Daily Wage in Local Currency	Highest Round Trip Fare	Affordability Index: % of Daily Wage Spent on Mass Transit
Paris	€ 84	€ 3.8	4.50%
New York City	\$88.00	\$5.50	6.30%
Beijing	¥168	¥12	7.10%
Singapore	\$48.00	\$5.00	10.50%
Tokyo	¥7,664	¥620	8.10%
Delhi*	₹513	₹108	21.10%

*\*Fare for Delhi assumes 10% Smart Card discount*

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- Clearly, Delhi - which by far has the highest poverty rate among the cities in comparison, has a strikingly high metro fare structure.
- Delhi metro's fare structure also ignores other equity concerns by not providing any targeted concessions to children, students, or senior citizens which is a norm elsewhere.

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**Is the estimate accurate?**

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- The estimated 'Affordability Index' for Delhi is at best a conservative figure and can be even worse in actuality.
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- This is because the table has assumed that the minimum wage, fixed by the Delhi government is a ground reality which usually isn't.
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- Also, the roundtrip fare on public transit is a lower estimate of the daily expense since it hasn't accounted further transport for lastmile connectivity (through buses, autos etc...).
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- As Delhi metro's last mile connectivity is considerably poor, this could eat-up almost 40% of a wages earned by casual labourers.
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### **What are the dominating trends in pricing policy research?**

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- A paper in the 'American Economic Review' on mass transit pricing models for 20 US cities was published recently.
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- It factored in the welfare effects of reduced congestion, pollution, accidents in fares.
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- The results supported the efficiency of large fare subsidies staring at upto 50% of operating costs.
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- In another study, that examined transit fares in London, subsidies were found to be the most effective way to usher in equity and re-distribute income.
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### **What could be the larger economic benefits?**

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- Arguements against transit subsidies often ignore the multiplier effect that an efficient and affordable mass transit system can have on the economy.
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- In Delhi itself, in the last two years, the GDP (State) has risen by 13% annually with a concurrent surge in tax collections.

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- While multiple factors enable this, the contribution of the Delhi metro in supporting high economic growth is far from negligible.
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### **What could be the strategy ahead?**

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- Like many western metros, the Delhi government and the Centre could jointly consider subsidising the costs of DMRC.
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- While financial obligations are worked out, care should be taken to retain the operational autonomy of DMRC.
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- DMRC should also work for generating substantially more revenues from its non-fare collections (property rentals, advertisements etc).
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- While such revenues for DMRC stands at 19% currently, Hong Kong metro generates as much as 37% from non-far revenue.
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### **What are the hopes?**

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- Delhi metro has been a model for all Indian cities.
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- It also remains the city's best bet to fight worsening air pollution, congestion, and the declining modal share of public transit.
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- It now has to make the curtail decision on whether to prioritise financial self-sustainability over enjoying an increased ridership.
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- Its choices will indeed impact on the lives of millions people and the economic trajectory of the national capital in a big way.
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**Source: Indian Express**

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