**DEPARTMENT OF CAREER DEVELOPMENT**

**THE TIMES OF INDIA**

**ECONOMIC POLICIES OF INDIA (E-1)**

***SURGE PRICING IN RAILWAYS COULD DO MORE HARM THAN GOOD***

**ABOUT**: Passengers will have to pay more for rail tickets as Indian Railways is all set to introduce flexi fare system for Rajdhani, Duranto and Shatabdi trains from Friday (Sept 9). According to railway ministry it is an experiment to financially stabilise the Indian Railways, a victim of decades of neglect, which needs to meet its very basic requirements such as maintenance and expansion

1. **Fare hike for Rajdhani, Shatabdi and Duronto**:The NDA government at the centre has decided to introduce surge pricing in the three premium trains of the country from September 9, 2016. There are total 42 Rajdhani trains, 46 Shatabdi and 54 Duronto trains plying currently. The government says the plan is flexible.
2. **The flexi fare system for the base price of the ticket**: The prices of train tickets will increase by 10% for every 10% of the tickets sold while the vacant berths will be offered at the last price sold for that particular class to current booking at the time of charting. The hike will be a maximum of 50% for 2AC and chair car, and 40% for 3AC. As for the Tatkal scheme, the rate will be 1.5 times the base fare for all classes, except first-class AC and economy in Shatabdi.
3. **Demand-supply argument valid in case of competition:** Normally surge pricing is used when there is an increase in demand and service providers make the most of it by charging a premium for it. In the case of taxi aggregators like Uber and Ola, it is done to attract more cab drivers into the area of surge pricing so that there are enough cabs available for their customers. Surge pricing only lasts for a few hours, especially during peak hours when people are either going to or coming back from work.
4. **It has to be air travel now:** In the case of Railways, it has a monopoly and premium trains are mostly overbooked even in off-season. If the surge pricing kicks in after 10% of the tickets are booked, then it could lead to customers opting for airlines rather than buying expensive train tickets. If one were to buy a Rajdhani ticket from Delhi to Mumbai for October 8 right now, the price is around Rs 2800, if 50% tickets of the train are booked from tomorrow, then the 1.5 surge pricing will make the cost of ticket higher to around Rs 4000. Similarly, if one were to buy a flight ticket for the same day today, the fare ranges between Rs 2600 to Rs 3300.

**P.S:** Itseems to be a clever move not prudent and may backfire. The government needs to introspect on the long-term effect of this policy and whether this will actually add revenue to their coffers or it could end up forcing train journey lovers to switch to take a flight.