

RAILWAY SERVICE PRICE INDEX (RSPI: EXPERIMENTAL INDICES)

TRENDS/BEHAVIOUR OF THE INDICES

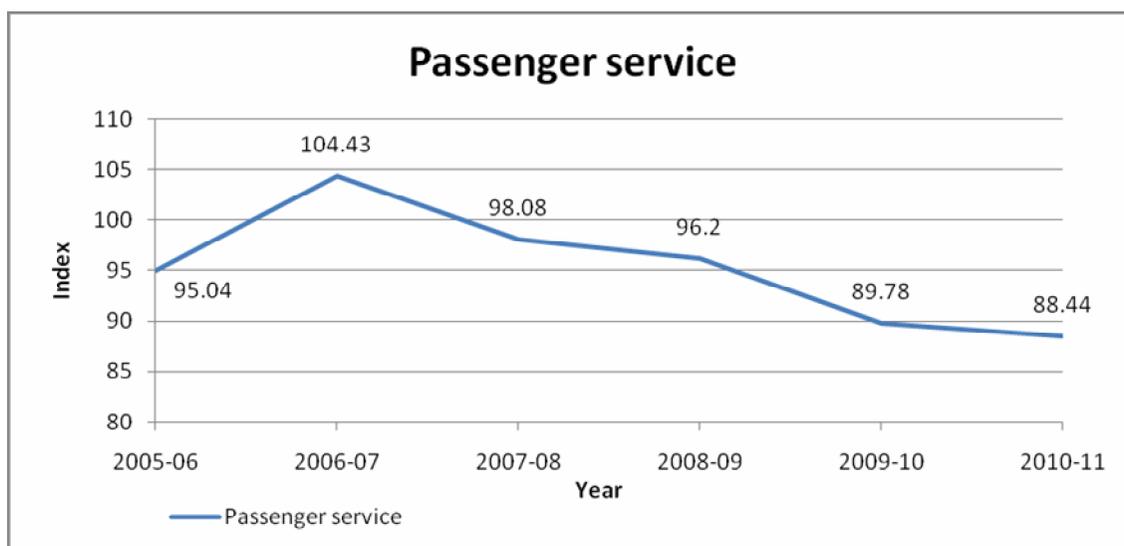
The results of the annual RSPI computed on base 2004-05 indicate that prices for the freight sector have an upward moving trend while that for the passenger segment had a downward moving trend. This downward trend of passenger prices kept the increase in the overall RSPI at a moderate level. Trend in the annual indices for freight and passenger services and the composite RSPI and their growth rate are given in Table 1 (detailed data sheets are annexed):

Table 1 Rail Service Price Index

Rail service Price Index						
	Rail Transport		Passenger Service		Freight Service	
Year	Annual Index	Annual Growth Rate (%)	Annual Index	Annual Growth Rate (%)	Annual Index	Annual Growth Rate (%)
2005-06	104.75	4.75	95.04	-4.96	109.23	9.23
2006-07	113.59	8.44	104.43	9.88	117.82	7.87
2007-08	114.13	0.48	98.08	-6.08	121.54	3.16
2008-09	116.66	2.22	96.20	-1.91	126.11	3.76
2009-10	115.99	-0.57	89.78	-6.68	128.10	1.58
2010-11	119.35	2.89	88.44	-1.49	133.62	4.31

BEHAVIOUR OF PASSENGER PRICE INDEX

Passenger Price index shows an overall declining trend after 2006-07, which in general can be attributed to no upward revision in rail fares since 2002-03. (Table 1 & Graph 1)



Some of the possible reasons for the declining trend of the passenger price index are as follows:

1. Impact of the Weighting Diagram

A close look at the weighting pattern of different classes indicate that both in suburban and non suburban traffic, lower rated second class / sleeper classes have high weighs. These would be the categories where the Passenger kilometres (PKMs) travelled are normally high while revenue earning potential is lower. Since average rates are worked on the basis of the total revenue earned by a category to its total PKM, the average price in these categories would naturally be lower. With high fixed weights and low average prices, these categories push down the average weighted passenger index resulting in the downward sloping graph for passenger price index both for annual and monthly indices.

2. Impact of Concessions in Railway Budgets

Concessions offered every year in Rail Budget also adversely impact the revenue earning potential and thus adversely impact the revenues of each class/category. A cursory look at the Rail Budgets of the last few years bore testimony to the argument:

Year	Concessions/Fare	Impact on Annual Passenger Index
2005-06	Concessions offered to second class passengers.	Second Class has high weight in Passenger Index. Therefore decline in index over base year. (From 100 in 2004-05 to 94.88)
2006-07	Reductions in AC fares; Reduction in superfast charges of monthly and season tickets.	Possible impact of low base effect may have resulted in an increase in the index despite the concessions.
2007-08	Fares of second class reduced; Discounts for AC classes.	Decline in index
2008-09	Concessions for senior citizens / students.	Higher coverage resulting in decline in index
2009-10	Rail fares reduced for sleeper/second class/ AC classes.	Decline in index
2010-11	Concessions for physically handicapped, women, senior citizens and others.	Decline in index

3. Increase in Average Leads

There has been an increase in average leads over the years. Since the rates are telescopic, they tend to flatten with increasing distance thereby resulting in lower per passenger km yield and thus a decline in average revenues.

BEHAVIOUR OF FREIGHT PRICE INDEX

Upward freight price revisions from time to time and changes in Classes of commodities are getting reflected in the upward movement of the freight price indices. [Table 1 & Graph 2].

Graph 2: Freight Price Index



Though the Freight Price Index has maintained an overall upward moving trend, particular years point towards some abnormality. An analysis of the Freight Price Index provides pointers towards some possible reasons for the behaviour of the Freight Price Index during 2005-06 and 2009-10.

During 2005-06, the overall economic growth was robust at 9.5% while the Railway GDP grew by 7.5%. The favourable economic environment led to a growth in freight traffic and earnings of the railways during the year. Besides, factors like re-classification of commodities and doing away with certain concessions also perhaps had a salubrious impact on revenues generated by the IR, resulting in an absolute increase in the freight index as also on its rate of growth over the base year.

On the other hand, the impact of the global slowdown and its repercussions on the domestic economy became clearly evident by 2009-10 resulting in a deceleration in growth of revenue earning freight traffic of the railways. Further, concessions announced in the Rail Budget 2009-10 possibly further decelerated freight revenues, resulting in a moderate deceleration in the rate of growth of freight index for the year.

UPWARD TREND OF RSPI

The Rail Service Price Index is the weighted average of the following two indices - Freight Service Price Index (68%) and Passenger Service Price Index (32%). Since the freight index has an upward moving trend, having a weight of 68% in the overall index, the composite Rail Index also shows an upward trend.

