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## Push for service tax set to raise rail fares

Mahendra Kumar Singh, TNN | Jan 28, 2012, 02:53AM IST

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NEW DELHI: Rail fares are set to go up with the [finance ministry](#) considering a service tax on AC class travel if the railway ministry doesn't heed its suggestion to rationalize passenger fares. The last hike in fares took place in 2002.

The railways has been seeking additional budgetary support to bridge the mounting losses and implement pending and delayed projects but the finance ministry has told the state transporter to raise resources from internal sources, including raising passenger fares.

Though railway minister [Dinesh Trivedi](#) has hinted at raising passenger fares on numerous occasions, he has failed to convince his political boss and Trinamool chief [Mamata Banerjee](#), also the West Bengal chief minister. Banerjee had steadfastly refused to increase passenger fares during her tenure as railway minister.

Trivedi, seen as pro-reforms in [Rail Bhawan](#), had spoken last week of possible revision in passenger fares at a function a full two months before the rail budget is to be presented. The comment came as a surprise as only preliminary budget discussions are on right now.

The railways is losing about Rs 16,000 crore annually on account of subsidizing passenger fares that is holding up its modernization and expansion plans.

But Banerjee is against any hike which is being interpreted in Congress circles as her attempt to be seen as pro-aam aadmi and acquire the entire non-Left political space in West Bengal. [The move](#) to raise fares may further deteriorate Congress-Trinamool ties, already under strain over issues like petrol price hike, FDI in multi-brand retail to renaming of Indira Bhawan.

Trivedi has repeatedly spoken about the need for a complete overhaul of railway infrastructure and rebuilding of the system with modern technology to ensure high level of safety, but has failed to mention where the resources will come from.

Railway employees' unions too have warned Trivedi that the state-run transporter may go the [Air India](#) way if fares are not rationalized.

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