Citizens' Periodic Reports on the Performance of State Institutions

Pakistan Railways:
A Performance Analysis

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Pakistan Institute of Legislative Development And Transparency

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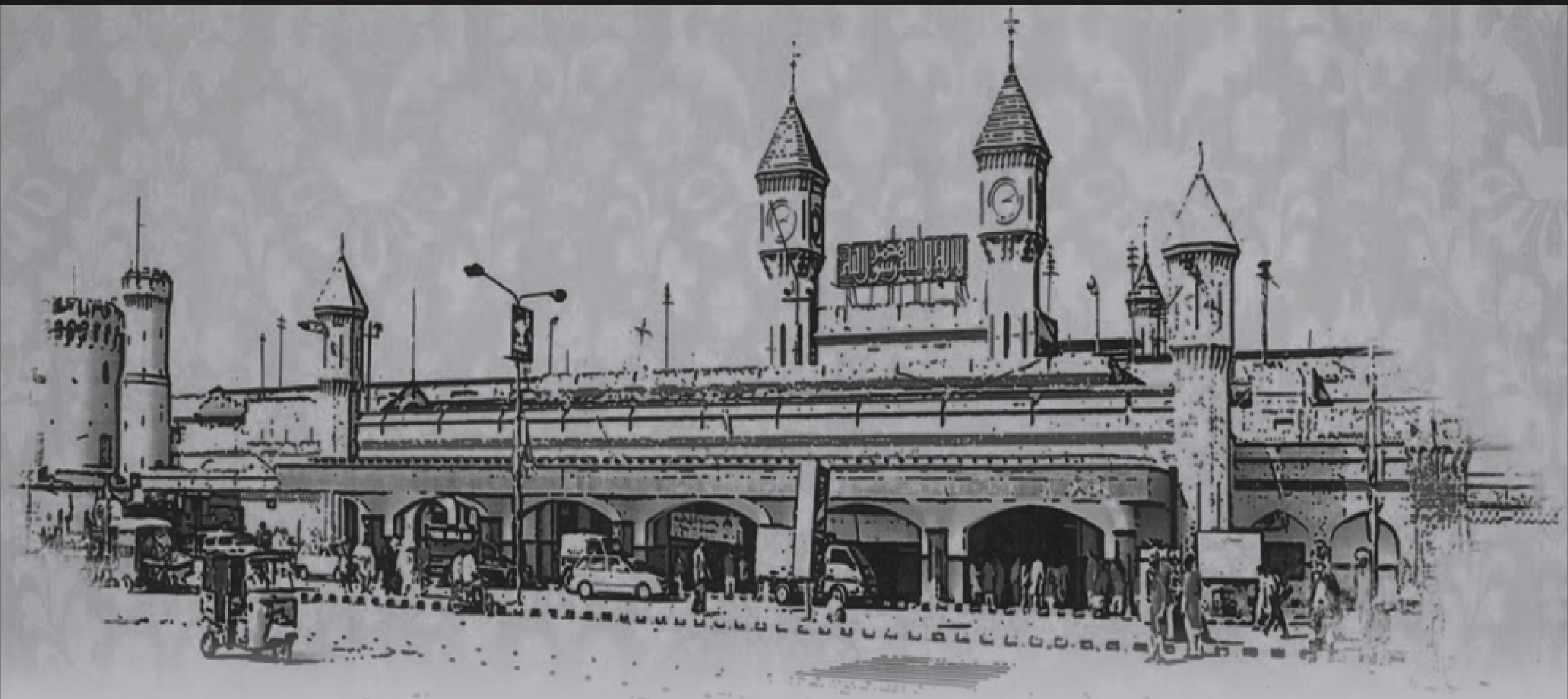

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Pakistan Institute of Legislative Development And Transparency

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Preface

Pakistan Railways: A Performance Analysis walks you through a detailed situational and financial analysis of Pakistan Railways. Pakistan Railways is one of the most important state institutions of Pakistan with direct relevance to millions of potential users of its services throughout the year. The paper tries to identify causes of the decline of Pakistan Railways and in view of that, it suggests a possible way forward. In light of current Government's Vision 2025 and the China-Pakistan Economic Corridor, Pakistan Railways has a vital role to play. The paper discusses efforts being made by Ministry of Railways to increase its share in Pakistan's transportation sector and to turn this important state institution around. Although there are signs of improvement in the performance of Pakistan Railways, and the level of commitment to this mission seen in the team starting from the Federal Minister for Railways to an ordinary worker is extra-ordinary, it is difficult to say how far the mission will succeed in restoring the performance and its commercial soundness to its pre-decline state. Political will at the highest level of the Government including the Prime Minister and the sustained efforts by the Railways team will be critical for the success.

The paper **Pakistan Railways: A Performance Analysis** has been prepared by PILDAT as part of the Democracy and Governance programme to assess the performance of key democratic State Institutions under PILDAT's initiative of Citizens' Periodic Report on the Performance of State Institutes.

Background research by Ms. Marrium Khan, Projects Manager, PILDAT, while the report has been reviewed by Ms. Aasiya Riaz, Joint Director, PILDAT, under the guidance and direction of Mr. Ahmed Bilal Mehboob, President, PILDAT.

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Disclaimer

The views expressed in the paper do not necessarily represent the views of DANIDA, the Government of Denmark, and the Royal Danish Embassy, Islamabad.

Islamabad
December 2015

Abbreviations and Acronyms

CPEC	China-Pakistan Economic Corridor
HR	Human Resource
IR	Indian Railways
NHA	National Highway Authority
PML-N	Pakistan Muslim League-Nawaz
PMS	Premier Mercantile Services
PPP	Public Private Partnership
PR	Pakistan Railways
PSDP	Public Sector Development Programme
REDMCO	Real Estate Development & Marketing Company
RSP	Railway Strategic Plan
SBP	State Bank of Pakistan
SOE	State Owned Enterprise

Executive Summary

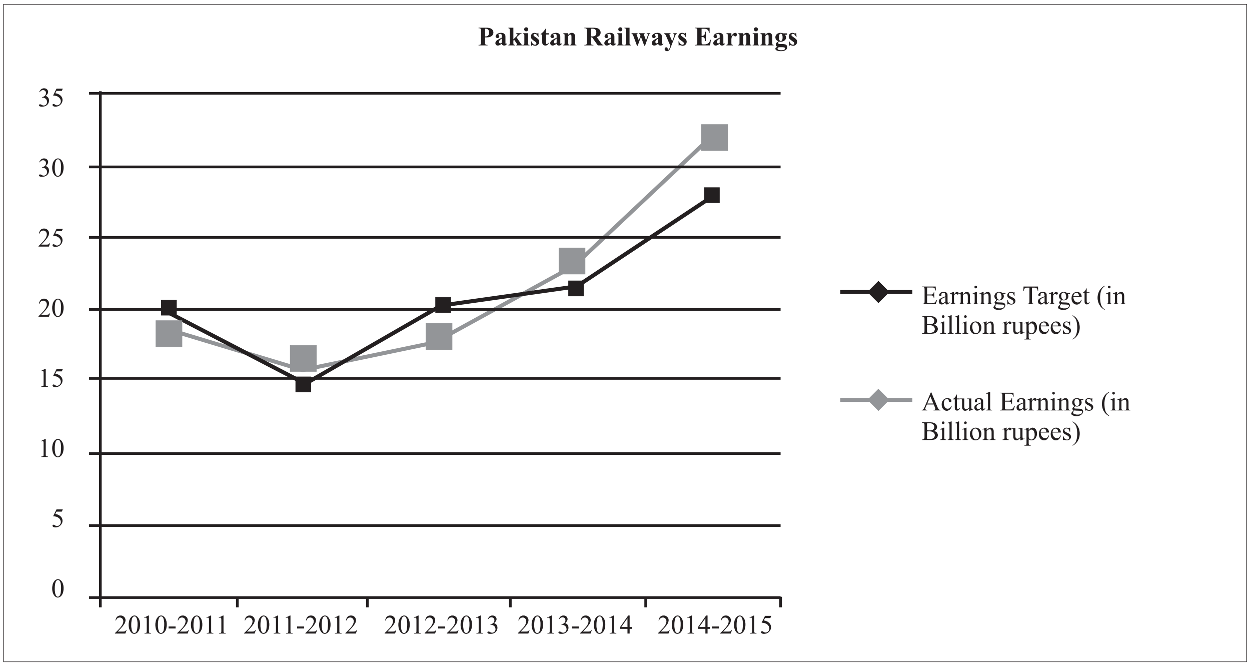
Over the years Pakistan Railways (PR) has been criticised for its deteriorating quality of services and declining number of passengers and trains. Railways used to be the predominant mode of transportation in Pakistan till 1965. At its peak between 1955 and 1960, PR handled 73 per cent of freight traffic, compared to less than 4 per cent in 2015. During 1970s, Pakistan Railways also had the largest passenger carrier share in transportation. Unfortunately, its role as a catalyst for economic development has received a setback due to significant under-investment by successive governments who preferred investment in road infrastructure at the cost of Railways.

This analysis looks at performance trends of the Pakistan Railways over years and identifies issues that have contributed to continuous financial losses. Apart from low investment in Pakistan Railways, over the years, the sector suffered from various issues that may have contributed to the decline of the PR. Some of the more prominent ones include political interference, poor human resource, run-down infrastructure, and inability to develop a well-directed business plan.

Even though Pakistan Muslim League-N (PML-N) had initially listed Pakistan Railways in the list of State Institutes likely to be privatised in its Election 2013 Manifesto, Ministry of Railways, since June 2013, has taken up the task to improve the condition of Pakistan Railways and make it a sustainable public sector corporation. The major target is to reinstate Pakistan Railways as a profitable organization. This is a commitment seldom seen in other similar public sector organizations.

To reinvigorate Pakistan Railways, the current leadership has proposed Pakistan Railways Vision 2025. Ministry of Railways is preparing Railways Strategic Plan (RSP) to operationalize the targets set in the vision that would provide a long-term framework for railways sector development. This plan aims to increase Railways share in transportation from 4% to 20% by 2025. Historically, this share has been stagnant at 4% even during the time when PR was profitable. The main priorities under this proposal are:

i. Acquisition of locomotives;
ii. Developing and improving current infrastructure;
iii. Address speed and punctuality issues;
iv. Improve quality of service.



Source: Provisional Pakistan Railways Yearbook 2014-2015, Ministry of Railways

As depicted in this figure, Pakistan Railways' earnings have increased over the past two years. The focus of current management has been on infrastructure improvement, purchase of new operational locomotives and on increase in quality of services. This has resulted in an increase in Pakistan Railways' overall earnings by significant increase in number of passenger and tonnage of freight carried. By maintaining this financial discipline, PR has also significantly reduced its deficit.

In addition to this, Pakistan Railways has managed to increase its punctuality rate from 53% in 2013 to 70% in 2015. These efforts, coupled with what is termed by it as its merit-based recruitment policy and zero-tolerance for political interference has helped turnaround Pakistan Railways.

Although Pakistan Railways has shown improvement over the past two years, the sustainability of this trend will depend on the political will of the top political leadership including the Prime Minister and the continued dedication and commitment of the Railways Team to the mission of turning the institution around. Pakistan Railways needs to rigorously counter some of the inherent issues at the managerial and technical sides as well. The report suggests policy recommendations. Some of these recommendations are as follows:

i. Pakistan Railways must develop and follow a strategic business plan to ensure financial targets are met and the institution is driven out of deficit.
ii. PR must consider developing a competent Human Resource (HR) department to devise strategies for training and posting of officers and staff strictly according to merit.
iii. Parcel Business initiatives such as leasing space in luggage vans of passenger trains to Courier Service Providers for attracting parcels traffic should be adopted.
iv. 95.38% of PR's passengers travel using economy class services. Passenger Business initiatives must take this into account and increase passenger base to attract other classes as well.
v. Initiatives such as E-ticketing will not only attract a larger passenger base but also address ticketless traveling to some extent. In addition to this, outsourcing ticket checking on Branch Line Trains can help curb ticketless travelling.
vi. Increase PR's market presence by better advertising service enhancing initiatives. This could be commissioned to a private marketing agency.

Introduction

As part of the national transport infrastructure, Pakistan Railways (PR) traverses the length and breadth of the country providing the required connectivity. It has been working unceasingly for decades making a continuous contribution towards the development of the national economy by carrying raw material, finished goods or passengers.

Over the years PR's performance has been criticised for its deteriorating quality of services. Railways used to be the predominant mode of transportation in Pakistan till 1965. At their peak between 1955 and 1960, PR handled 73 per cent of freight traffic, compared to less than 4 per cent in 2015.[1] During 1970s, Pakistan Railways also had the highest passenger carrier share in transportation. Unfortunately, its role as a catalyst for economic development has received a setback due to significant under-investment by successive governments who preferred investment in road infrastructure at the cost of PR. Resultantly, network expansion and modernization has not happened at the required pace eroding Railways share in freight and passenger traffic. Capacity augmentation and service delivery also suffered due to under-investment in the sector. The level of under-investment over the years is shown in table 1.

As shown in table 1, Pakistan Railways enjoyed majority share in transport sector till 1965. From 1970 to 1978 there was no particular National Plan being followed.[2] This was the time during which East and West Pakistan partitioned and in 1972 devaluation of Pakistani currency marked decline in PR's profit along with an increase in investment in the road sector.

Unfortunately, low provision of funds for PR continues even today. As indicated in Figure 1, the allocation for National Highway Authority (NHA) is more than twice as compared to PR, which indicates that development of road infrastructure consumes bulk of the fund directed towards transportation.[3] The total budgeted amount for Pakistan Railways is Rs. 78 billion which comprises Rs. 41 billion Public Sector Development Programme (PSDP) investment by Federal Government and Rs. 37 billion subsidy to meet PR's pays and pensions.

Under-investment and loss in transportation share has distorted the financial position of PR resulting in a series of financial losses year over year as shown in Table 2.

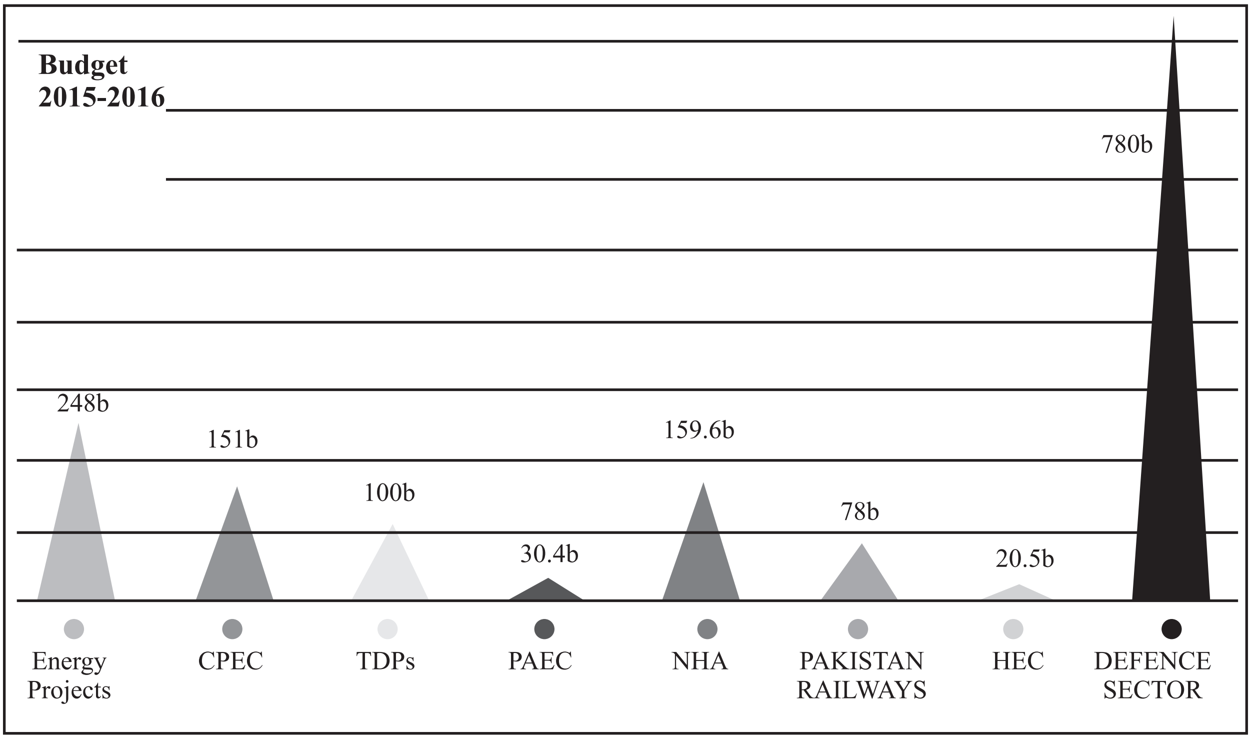
Table 1: Share of Pakistan Railways in the National Plans (in Billion Rupees)

Sr. No.	Description	1st Plan 1950-55	2nd Plan 1955-60	3rd Plan 1960-65	Non-Plan 1970-78	5th Plan 1978-83	6th Plan 1983-88	7th Plan 1988-93	8th Plan 1993-98
1.	Plan Size	4.860	10.600	13.200	75.540	153.210	279.210	350.000	752.000
2.	Share of Transport in overall Plan (%)	19.1	14.1	15.6	18	20.3	11.5	11.2	7.7
3.	Share of Railways in overall Plan (%)	9.8	10.7	8.7	3.9	3.6	2.6	2.4	5.32
4.	Share of Railways in Transport Sector (%)	51.5	75.8	55.8	21.4	17.9	23	21.7	30.63
5.	Share of Road in Transport Sector (%)	24.5	21.1	35.6	46	38	36.6	53.1	57.2

Source: Pakistan Railways Corporate Plan 1994-95

1. For details, please see '*Freight Sector Inefficiencies: Pakistan Suffering Rs. 150bn Loss* ' which can be accessed on DAWN at: http://www.dawn.com/news/777117/freight-sector-inefficiencies-pakistan-suffering-rs150bn-loss
2. For details, please see '*Putting Railways back on Track in Pakistan*' which can be accessed on DAWN at: http://www.dawn.com/news/1201004
3. For details, please see '*Budget 2016: Development budget allocated Rs. 700bn, up 29%*' which can be accessed on The Express Tribune at: http://tribune.com.pk/story/898413/accommodating-the-pm-govt-allocates-rs700-billion-for-development-spending-up-29/

Figure 1: Budget 2015-2016 Share for Pakistan Railways



Source: Finance Ministry | tribune.com.pk

Table 2: PR's Profit/Loss during Last 5 Years

No.	Years	Gross Earning (Rs in millions) (1)	Operating Expenditure (Rs in millions) (2)	Interest Expenditure (Rs in millions) (3)	Profit/Loss (Rs in millions) (4)
1.	2010-2011	18,612.068	31,464.91	4,956.742	-29,947.024
2.	2011-2012	15,444.393	31,443.34	1,234.42	-29,348.540
3.	2012-2013	18,069.546	35,123.74	47.017	-30,504.341
4.	2013-2014	22,800.217	39,795.94	3.716	-32,527.201
5.	2014-2015	31,924.757	42,000.13	-	-27,246.781

Source: Column 1, 2, and 3 are obtained from Pakistan Railways Yearbook 2014-2015, Ministry of Railways and Column 4 shows Audited Profit/Loss Amounts provided by the Ministry of Railways

Situational Analysis

Amongst various factors that may have contributed to the decline of PR, some of the more prominent ones include political interference in decision-making, poor human resource, run-down infrastructure, and inability to develop a well-directed business plan.

Human Resource Management

Human resource management continues to suffer. Political interference in recruitment process, nepotism and poor human resource management have contributed a great deal in the decline of Pakistan Railways.

Posting and transfers on personal whims or on political basis have caused resentment and a sense of job insecurity amongst the officers, thereby, seriously affecting efficiency of the organization. Officers drawn from Traffic/Commercial, Mechanical and Civil Engineering, and Stores and Purchase Departments have filled positions of Chief Personnel Officer and other positions in Grade 19 in the human resource department.

Additionally, frequent changes in appointment of senior officials have exacerbated the issue of lack of long-term planning and implementation. Unfortunately, during the past 15 years as many as 12 officers remained on the post of General Manager (Operations) that seriously affected continuity in implementation of development plans. As a result, the principal of tenure-postings is almost non-existent in PR. Even though the current leadership at the Railways Ministry claims that job security and merit-based recruitments is a priority for them, management of human resource remains an unresolved matter.

Amongst various factors that may have contributed to the decline of PR, some of the more prominent ones include political interference in decision-making, poor human resource, run-down infrastructure, and inability to develop a well-directed business plan

Governance of Pakistan Railway

Till the 1970s an autonomous five-member Railway Board ran Pakistan Railways. In 2000-2001 an Executive Committee of Railway Board was set up for approval of all activities and Railway Board was relegated to the background. For the last 14 years or so, PR was being run through an Executive Committee of the Railway Board. The Executive Committee comprised Chairman, Member Finance, General Manager Operations, three Additional General Managers (Freight, Passengers and Infrastructure) and Secretary Railway Board. The Railways Board was reconstituted on February 20, 2015. The new Railway Board consists of the following members:

<u>Ex-officio members</u>:

I. Secretary/Ministry of Railways (Chairman of the Board)
ii. Secretary, Communications Division
iii. Secretary, Finance Division
iv. Secretary, Planning & Development Division
v. General Manager (Operations), Pakistan Railway
vi. General Manager (Manufacturing & Services), Pakistan Railway
vii. Member Finance, Ministry of Railways

<u>Private Members</u>:

I. Mr. Ashtar Ausaf Ali
ii. Mr. Muhammad Ishfaq Khattak
iii. Dr. Zahid Saleem, Chief Executive Officer, COMSAT University

Centralisation of powers at the Ministry and General Managers' level and the mushroom growth of trade unions further distorted the HR outlook and plagued it with lack of commitment and ownership. Additionally, in late 1970s Railway Officers' wages were raised significantly while passenger tariffs were not increased proportionately. This not only hampered the productivity of workers, but also, reduced PR's revenue. However, now special attention is being given on devolving and evaluating performance at each level in addition to introduction of NTS- testing to encourage merit-based recruitment.

Poor Infrastructure

Most of Pakistan Railways' assets have outlived their productive lives, including the physical infrastructure and rolling stocks (Passenger carriages, goods wagons). This has adversely affected operational efficiency. repairs and maintenance currently constitutes only 9.7% of the total Operating Expenditures. This is alarming given the fact that the infrastructure development is a priority for current management.

To worsen the situation, locomotives available in operational condition have also been a bone of contention between PR's Mechanical and Operating Departments. Table 3 shows total number of locomotives owned by PR that includes locomotives that remained under repairs or were ineffective.

The average availability of locomotives for running trains has remained between 115 to 116 per day for passenger trains and 20 to 37 per day for freight trains during 2012-13 and 2013-14, respectively. However, during 2014-15, the number of passenger and freight trains rose to 121 and 95 per day, respectively. This increase was mainly due to the addition of 14 new locomotives in 2013-2014 and 60 in 2014-15. Between 2008 and 2012, the average availability never exceeded 100 locomotives as a result of which PR was forced to cancel a number of freight trains. Table 4 gives a breakdown of operational locomotives since 2012.

Despite the increase in locomotives and availability of relatively more passenger carriages and freight wagons, the existing infrastructure requires enormous investment in repairs and maintenance. The poor physical infrastructure not only disrupts the efficacy of services provided by PR, but it also increases the probability of contingencies such as derailing and rail accidents. Most of these accidents occur due to, human failure, track and rolling stock defects, and at times signaling defects.

Ticketless Travelling

Ticketless travelling on PR is a regular feature. This menace is more pronounced on branch lines where it is believed to take place in connivance with ticket checking staff and Railway Police. Number of passengers detected travelling without tickets and the amount of penalty realized from them in shown in the following table 5. Improving management to ensure such leakages can bolster PR's financial position.

Table 3: Locomotives Owned

No.	Year	Total Locomotives Owned
1.	2012-2013	493
2.	2013-2014	421
3.	2014-2015	458

Source: Provisional Pakistan Railways Year Book 2014-2015

Table 4: Operational Locomotives

No.	Details	June 2012-13	June 2013-14	June 2014-15
1.	On Passenger Trains	115	116	121
2.	On Freight Trains	20	37	95
3.	Addition	-	14	60
4.	Under repairs	190	58	58
5.	Held up	140	189	118
	Total	465	414	452

Source: Pakistan Railways Year Book 2014-2015

Table 5: Ticketless Travelling cases detected

No.	Year	No. of Cases Detected	Amount realized (Rs. in millions)
1.	2012-13	919,179	533.495
2.	2013-14	1,002,177	587.681
3.	2014-15	1,063,153	640.070

Source: Pakistan Railways Year Book 2014-2015

Financial Analysis

After 1973 Pakistan Railways' budget was amalgamated with the national budget with the result that the profit PR earned was diverted to other heads, leaving less space for its maintenance, expansion and improvement. On the other hand, the Government spent three times more on road sector. It was this combination of neglect to railways and preference to roads, which is the root cause of the present malady of PR. Ministry of Railways, which is responsible for providing funds for the maintenance and development of the railway network had no long-term framework for capital support to perform these roles.

Railways suffered huge losses for maintaining train service on unprofitable lines. This was the period when PR was running around 450 passenger-trains daily. The loss on account of such trains worked out to Rs. 1,761.786 million per annum. Federal government, under a regime named as "Public Service Obligation," paid around Rs. 1,352 million on behalf of Pakistan Railways to offset the loss. However, PR had to discontinue around 200 loss-making trains during 1995-96 owing to continuous losses.

Even though the present ruling party had included privatization of Pakistan Railways in its election manifesto 2013, Ministry of Railways has taken up the task to improve Pakistan Railways condition and make it a sustainable public sector corporation. Direct attention is being paid towards availability of locomotives, restoration of cancelled passenger trains, improvement in punctuality, increasing earnings, reducing deficit, decreasing overdraft with the State Bank and providing greater passenger amenities.

Initiatives such as increased number of locomotives, better punctuality, improved amenities on passenger trains, increase in number of freight trains and maintenance of railway tracks to insure improved speed have led to a significant increase in the earning of Pakistan Railways. Table 6 shows the earning targets and actual earnings by PR between 2010 and 2015.

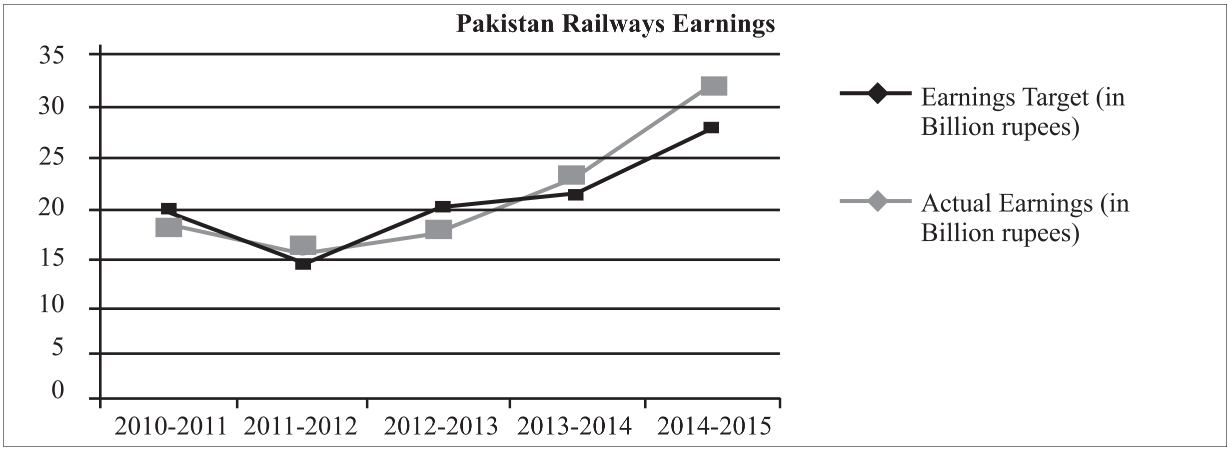
As shown in Figure 2, PR achieved its earning targets beginning 2014 and is now earning more than the

Table 6: PR Earnings

No.	Year	Earnings Target (in Billion rupees)	Actual Earnings (in Billion rupees)
1.	2010-11	19.14	18.60
2.	2011-12	14.50	15.45
3.	2012-13	20.00	18.00
4.	2013-14	21.60	23.00
5.	2014-15	28.00	32.00

Source: Pakistan Railways Year Book 2014-2015

Figure 2: Pakistan Railways Earnings



targeted earnings stated for the years. This indicates that PR's earnings have increased in response to increase in investment in the right directions.

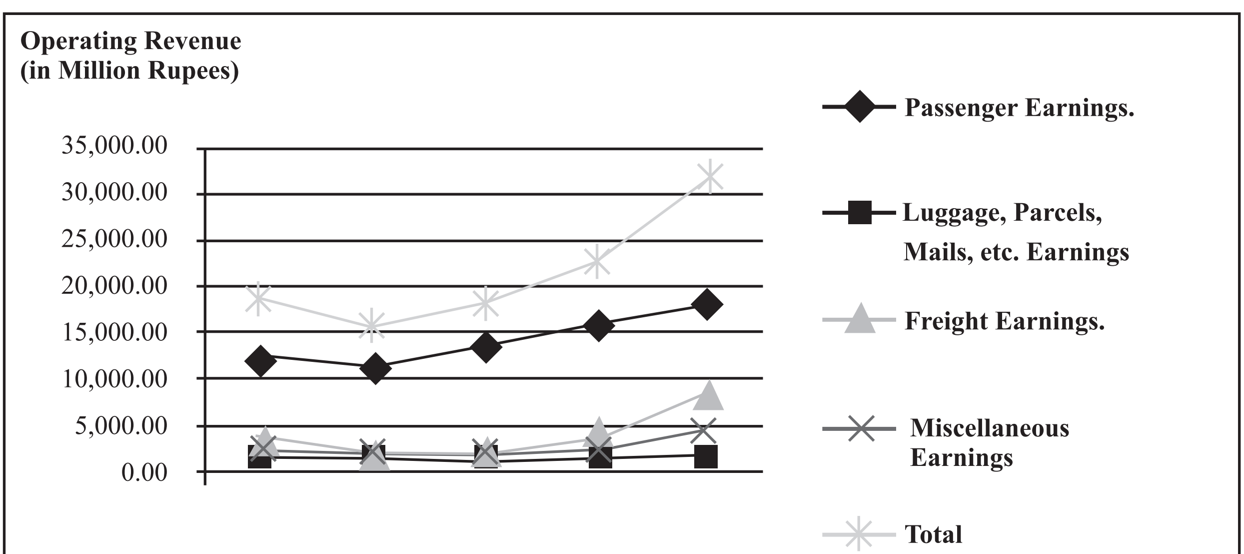
Operating Expenses versus Operating Revenues
A deeper look into the revenue break-down can help us understand what has contributed to this upward change in earnings of PR. Table 7 shows the percentage contribution towards operating revenue by passenger, luggage/parcel, freight and miscellaneous earnings. The findings of the table 7 are depicted in figure 3 and 4. Figure 3 shows how PR's operating revenue adopted an increasing trend between 2012-2013 and this increase is mainly due to an increase in the passenger revenue. It is important to note that this was the same time when Pak-Business Express train was launched as part of the public-private partnership of Pakistan Railways.

Although freight earnings have considerably improved as a percentage of the total earnings, passenger earnings still continue to constitute a major share of the total earnings. It may be safe to conclude that freight earnings made a significant contribution to the increase in actual earnings during 2014-2015. Analysing through percentage of earning, as shown in Figure 4, freight revenue has increased significantly between the two years. The increase in freight revenue is nearly 130% from year 2013-2014 to year 2014-2015. Number of freight wagons loaded in 2012-2013 was 46,617, as compared to 176,155 in 2014-2015. This is

Table 7: Breakdown of Operating Revenue

No.	Year	Passenger Earnings		Luggage, Parcels, Mails, etc. Earnings		Freight Earnings.		Miscellaneous Earnings		Total Earnings
		(in million Rs.)	%	(in million Rs.)	%	(in million Rs.)	%	(in million Rs.)	%	(in million Rs.)
1.	2010-2011	11,965.47	64.29	1,018.67	5.47	3,337.89	17.93	2,290.03	12.3	18,612.07
2.	2011-2012	11,148.34	72.18	1,018.12	6.59	1,583.28	10.25	1,694.65	10.97	15,444.39
3.	2012-2013	13,536.13	74.91	984.251	5.45	1,984.81	10.98	1,564.36	8.66	18,069.55
4.	2013-2014	15,809.70	69.34	1,125.23	4.93	3,555.74	15.6	2,309.55	10.13	22,800.217
5.	2014-2015	17,971.77	56.29	1,301.16	4.07	8,354.40	26.16	4,297.43	13.46	31,924.76

Figure 3: Trend of Operating Revenue 2010-2015



an increase of 278%. Comparing this to Freight Earnings contribution to total Operating Revenues at the time when PR was profitable (1965-75), Freight Earnings almost contributed 59.2%-64.4% of the total operating revenue.

On the flip side, analysing operating expenses triggers some alarming concerns. Other than the obvious major expense, operation fuel, repairs and maintenance make the largest expense of Pakistan Railways. This amount allows us to link to the condition of existing infrastructure and over-age assets to the quality of service provided. Even though the current management seems to be trying to increase the efficacy and punctuality of its trains, the existing quality of tracks and trains are impeding their efforts to a certain extent.

However, even though PR has been doomed in a series of losses year after year, the initiatives taken over the past three years, including private partnerships, increase in investment in PR, and increase in freight sector has helped PR reduce it's financial deficit significantly as compared to the projected deficit as shown in table 8.

Figure 4: Percentage breakdown of Operating Revenue (2010-2015)

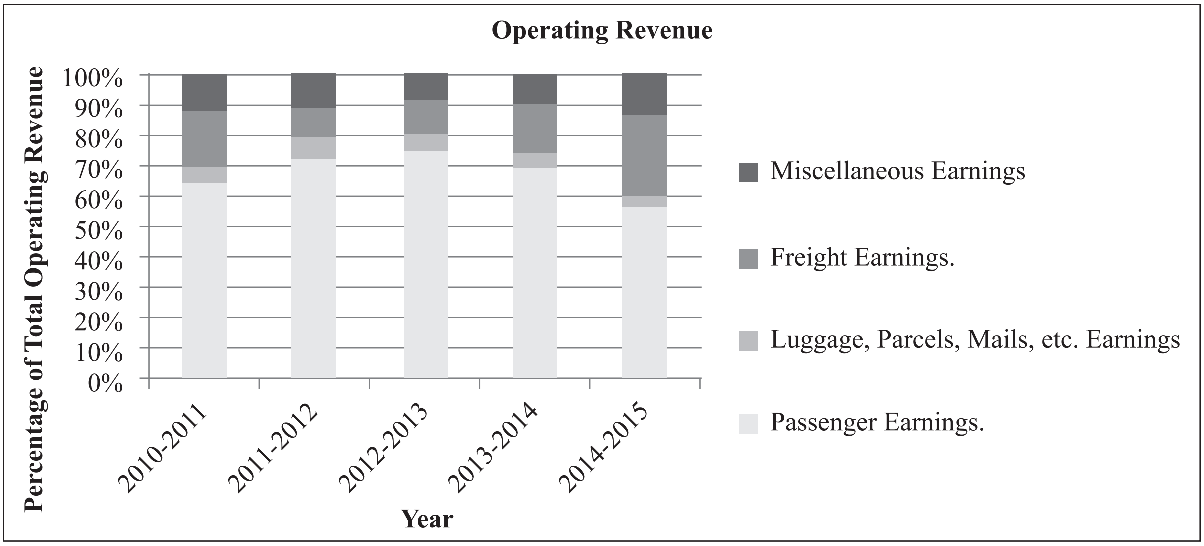
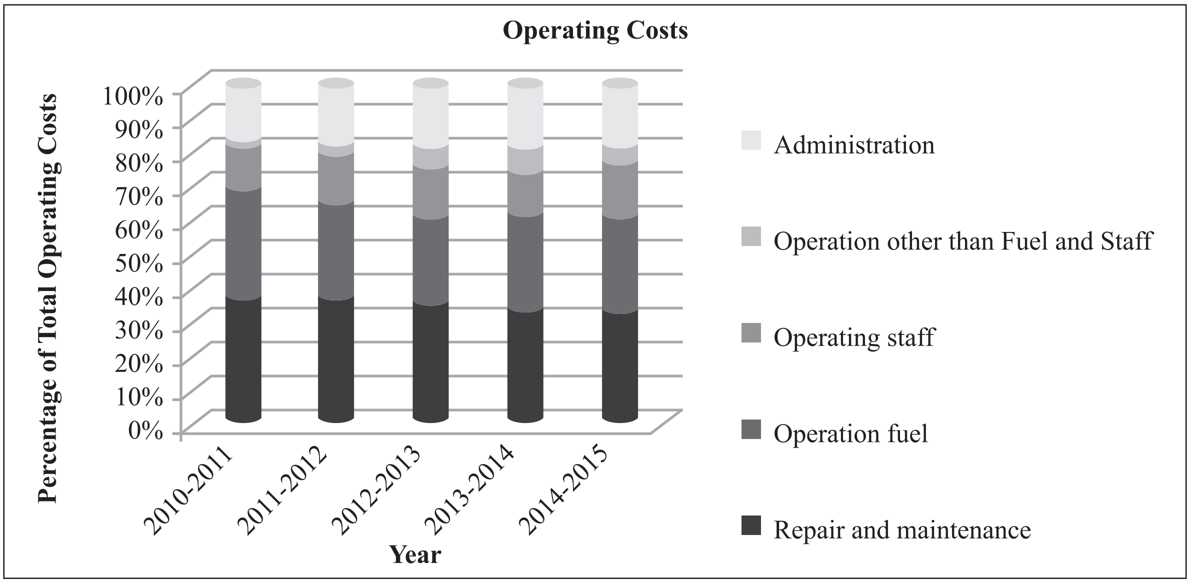


Figure 5: Percentage breakdown of Operating Costs (2010-2015)



Pakistan Railways overdraft position with the State Bank of Pakistan had assumed alarming proportions. However, the position has been arrested apparently due to financial discipline. The overdraft has now been capped at Rs. 40 billion. The Federal Government has agreed to pick up the payment of salaries and pension, which amounted to Rs. 32 million in 2014-15. Pakistan Railways was able to reduce this overdraft from Rs. 39.838 billion in 2013-2014 to Rs. 35.994 billion during 2015.

Public-Private Partnership

PR entered into joint venture with Four Brothers Group for running Pak-Business Express train. This Express train composed of 9 air-conditioned business class coaches to run between Lahore and Karachi. The company commenced operations on February 04, 2012. According to the agreement the company was required to pay Rs. 3.2 million at 88% occupancy as daily rentals per round trip. The company also offered to make investment of Rs.225 million as 'value addition charges and infrastructural investment charges.' However, defaulted in making the contractual payment, as it could not achieve 88% occupancy. The matter was referred to the Economic Coordination Committee and the amount was then revised to Rs 2.2 million daily at 65% occupancy ratio. The company is paid Rs 2.2 million until PR won the case against this company and took over this partnership. Now the Business Express Train runs as a public train and contributes Rs. 3.2 million per day to PR's revenue.

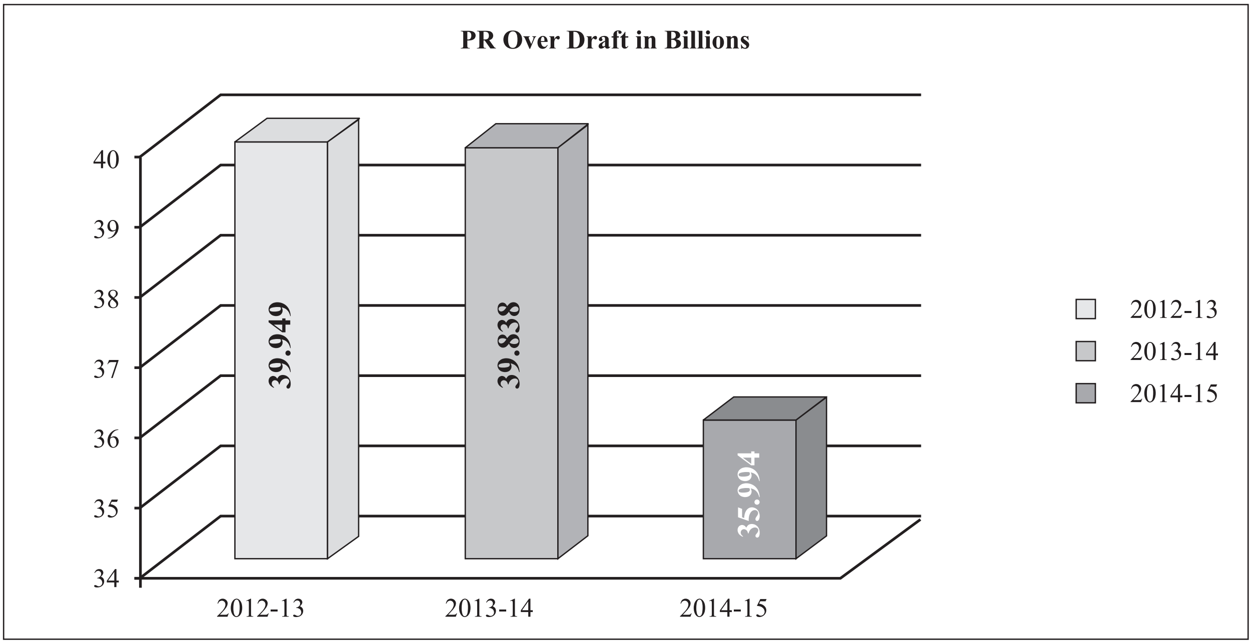
Current Government's Vision for Pakistan Railways

To reinvigorate Pakistan Railways, the current government has proposed Pakistan Railways Vision 2025. Ministry of Railways is preparing Railway Strategic Plan (RSP) to operationalize the targets set in the vision that would provide a long-term framework for railway sector development. According to this plan, it is expected that railways share in transportation will

Table 8: Financial Deficit

No.	Year	Projected Deficit (in billion rupees)	Actual Deficit (in billion rupees)
1.	2012-13	33.36	30.5
2.	2013-14	33.50	32.5
3.	2014-15	37	27.25

Figure 6: Overdraft taken by PR from SBP



increase from 4% to 20% by 2025. Historically, this has been stagnant at 4% even during the time when PR was profitable. The main priorities under this proposal are:

- Acquisition of locomotives;
- Developing and improving current infrastructure;
- Address speed and punctuality issues;
- Improve quality of service.

Acquisition of Locomotives
Pakistan Railways has acquired new locomotives, carriages and wagons. The following table shows how number of passenger and tonnes of freight has increased over the last 3 years.

Premier Mercantile Services (PMS), a partner in setting up a Dry Port at Premnagar near Lahore, has also entered into an agreement with PR to run Two Containers Special trains daily between its terminal at the Karachi Port and the Premnagar Dry Port under the "Track Access Regime." According to the agreement signed between PMS and PR, PMS will pay PR paisa 25 per gross tonne kilometers for using the tracks. This project is likely to be commissioned in a year's time.

In addition to these, 40 new power vans have been allocated to different originating stations for attachment with passenger trains.

Developing and Improving Current Infrastructure
In line with the government's Vision 2025 for infrastructure development, PR is to undertake necessary steps to increase its share in the overall transport sector of Pakistan during the next 10 years. A priority project in this regard is China Pakistan Economic Corridor (CPEC) and ML-1 route that connects Karachi, Lahore and Peshawar. This also includes efforts of doubling the train tracks to control traffic. Doubling of track from Khanewal to Raiwind is nearing completion. Provision of Signalling system on Lodhran-Khanpur-Kotri Section and centralized traffic control is also underway. PR has also undertaken renovation of several railways stations, in collaboration with NESPAK. PR also plans to strengthen and rehabilitate 159 weak bridges by June 2017.

In addition to all these efforts, feasibility study for upgrading railway line along with signalling system from Shahdara-Narowal-Sialkot is in progress and is likely to be completed by June 2016. Another feasibility study of a new rail link from Peshawar to

Table 9: Outsourced Trains

No.	Train Name	Date of Start	Amount per Round Trip (Rs.)
1.	Business Train	Feb 04, 2012	2,227,618
2.	Shalimar	March 26, 2012	1,751,934
3.	Night Coach	Jan 15. 2013	1,731,308
4.	Cargo Express	Sept 02, 2014	3,280,000

Source: Pakistan Railways Year Book 2014-2015

Table 10: Number of Passengers and Freight Carried

No.	Details	2012-2013	2013-2014	2014-2015
1.	No. of Passengers carried	41.957 m	47.690 m	52.810 m
2.	No of passenger trains run	33,368	32,864	35,415
3.	Total Tonnes of freight carried	1.016 m	1.610 m	3.510 m
4.	No. of freight trains run	1,414	2,172	5,350
5.	Fuel consumption	82.42 m litres	98.21 m litres	120.10 m litres

Source: Pakistan Railways Year Book 2014-2015

Jalalabad (Afghanistan) will be completed in 2015-2016.

Speed and Punctuality Issues
Even though high speed railways has been the talk of the town, given the current infrastructure, especially the tracks and signalling system, high-speed train does not seem to be a feasible option in the short to mid-term. Given the current PR resources and the state of national debt, such a project seems difficult to realise. However, feasibility of such a project under build, operate and transfer (BOT) system in collaboration with a foreign investor may be investigated. Currently, the fastest speed trains can achieve is 105 kmph only where tracks are in good condition. The target for current management is to take this up to 160 kmph.

Punctuality of the trains, on the other hand, is a major concern for Pakistan Railways, Now trains that are delayed by even 1 minute are also considered late. Earlier, there was no such measure for punctuality in PR and trains were delayed by hours. Over the span of past two years Pakistan Railways has managed to achieve a punctuality rate of 70% in 2015, in comparison to 53% in 2013. This is a marked improvement when compared to 70% punctuality rate in India and 87% punctuality rate in UK

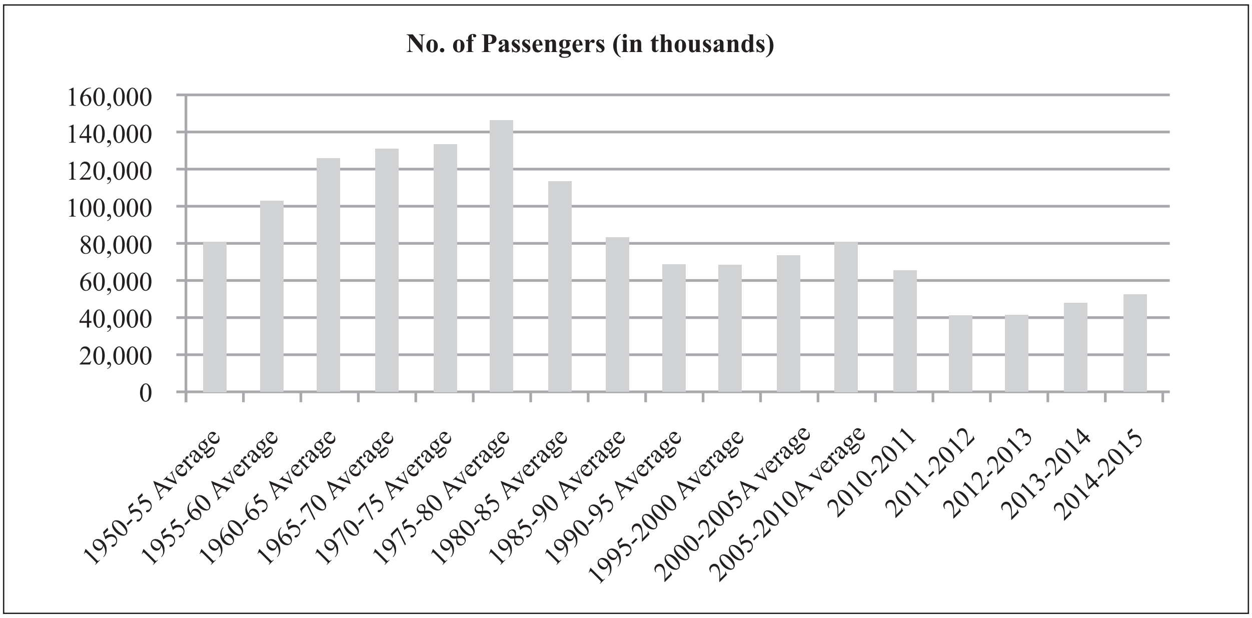
Improved Quality of Service
Apparently improved services and amenities offered to passengers is one of the reasons contributing towards the increase in number of passengers. PR claims that the improved services include improved food quality, water dispensers, and Wi-Fi facility. One of the initiatives underway is Pakistan Railways agreement with Postal Life Insurance to provide life insurance in the event of accident to all passengers and staff on board.
Tariff is being regularly rationalized based on the market dynamics mainly to increase occupancy and revenues.

All these efforts seem to have led to an increase in the number of passengers traveling by rail. The trend for passenger's preference to travel by railways can be seen in figure 7.

Other Initiatives
Under the Public Private Partnership (PPP), PR intends to run three more passenger trains. These trains are Fareed Express, Bolan Express and Khushal Khan Khattak Express. Learning from the somewhat flawed decision of offering Business Express at 88% occupancy, PR should consider offering these three trains at a lower occupancy since all these trains consist of a mix of different classes of passenger coaches. However these decisions should be based on sound professional studies carried out by competent experts.

With the success of Premnagar Dry Port (also a a Joint

Figure 7: Number of Passengers (in thousands)



Source: Pakistan Railways Year Book 2014-2015

Venture with Private Parties), PR intends to set up more Dry Ports in Multan, Azakhel near Peshawar and Havelian.

Real Estate Development & Marketing Company (REDMCO), a subsidiary of PR, is preparing projects to exploit the potential of surplus railway land. The current management has been able to get substantial amount of PR owned land released. The management has set yearly encroachment release targets and has also requested coordination with provincial governments for this purpose.

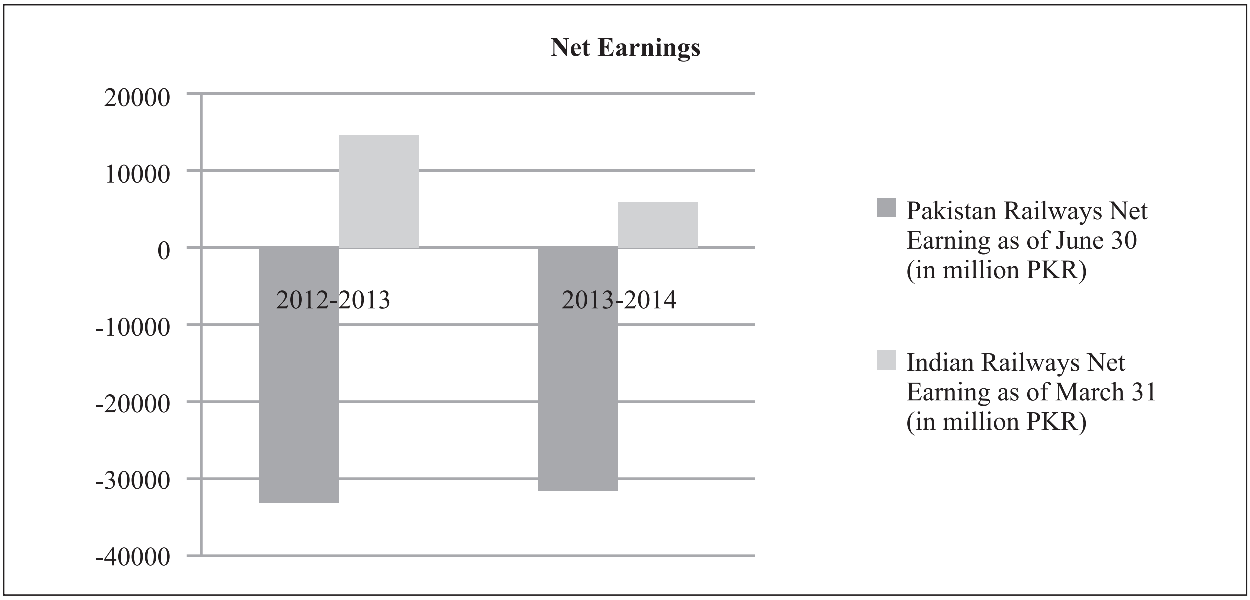
The much-talked Kashmir Railways Project's feasibility report has been presented to the Prime Minister. The proposed 118 kilometre project linking Islamabad with Muzaffarabad via Murree may cost around Rs. 57.9 million. The project has been defined as a social and economically beneficial proposal; the proposed railway line will traverse through some picturesque areas which are likely to give rise to real estate business and setting up of tourist resorts. It has been estimated that 10 passenger trains carrying a total of 4000 passengers per day will run daily in addition to one freight train running on alternate days transporting almost 400 tonnes of freight. Though apparently this project is not commercially justified in view of the heavy expenditure involved in its construction and low return on investment, it can only be described as a political endeavour.

Comparison between Pakistan and Indian Railways

Railways infrastructure in the sub-continent was developed during the British colonial era. At the time of independence, the railway system was bifurcated with approximately 60,000 km in India and 7,000 km in Pakistan.[4] However, as shown in table 11, Pakistan Railways has currently expanded across 7,791 km, (An expansion of about 11 %) whereas, Indian Railways has expanded over 65,436 km (An expansion of about 9 %), with approximately 7,172 stations. Pakistan, given the discrepancy in the geographical size, has only 521 stations. With a much larger set-up, the number of passengers and freight trains per day are much higher for Indian Railways in comparison to Pakistan Railways.

Even though Indian Railways faced continuous financial losses, it is now a profit-making state-owned corporation. Figure 8[5] shows the net earnings for Pakistan Railways and Indian Railways:

Figure 8: Net Earnings* PR and IR



*Net Earnings in this case are the earnings after deduction of all expenses except for interest and taxes.

4. Pakistan Railways Yearbook 2013-2014. Printed
5. Indian Railways Financial 2013-2014. Detailed version can be accessed at: http://www.indianrailways.gov.in/railwayboard/view_section.jsp?lang=0&id=0,1,304,366,554,1554,1558

Table 11: Data of Pakistan and Indian Railways

Sr. No.	Indicators	Pakistan Railways (1)	Indian Railways[6](2)	PR:IR Indicator (3)=(2)/(1)
1.	Passengers Per Day	144,685	23 million	1: 158.96
2.	Freight Carried (Tonnes)	3.510 million tonnes	1,050.18 million tonnes	1:299.20
3.	Passenger Revenue	Rs. 14,146 million	Rs. 402,800 million	1:28.47
4.	Freight Revenue	Rs. 7,647 million	Rs. 106,927 million	1:13.98
5.	No. of Employees	78,983	1.307 million	1:16.55
6.	Locomotives Owned	452	9,013	1:19.94
7.	Employee per locomotive	174.74	145	1:0.83
8.	Passenger Trains Per Day	97	12,617	1:130.07
9.	Freight Trains Per Day	15	7,421	1:494.73
10.	Current Length of Railways line[7]	7,791 km	65,436 km	1:8.40

Table 11 shows various performance indicators for the two railways. As seen in these figures, even though the total number of passengers travelled per day is much higher for IR, the number of employee per available locomotive is less than that of PR. This might be an alarming situation for Pakistan Railways. This may also indicate that PR needs to reduce its overheads in terms of staff employed.

Moreover, nearly 20,884 km of IR's railway tracks are electrified. Indian Railway's Centre for Railways Information System (CRIS) is providing workable IT solutions in many areas including protection of Railway assets, energy management, parcel management, employees' health management, and a comprehensive financial management system. The Freight Operations Information System (FOIS) enables managers to make allocation decisions continually to optimize utilization of resources like wagons, locomotives, crew and paths on the network, purchase of tickets through mobiles. IR is utilizing surplus land for setting up schools, medical colleges, nursing colleges, etc. IR has set up subsidiary, Catering Corporation, for providing catering services on trains and railway stations across India. In addition, IR has also set up the Container Corporation. ***Indian Railway Finance Company*** (IRFC) is a dedicated financing arm of the Ministry of Railways. Its sole objective is to raise money from the market to partly finance the plan outlay of Indian Railways for acquisition of rolling stock assets and for meeting other developmental needs.

The Way Forward

Present government had approved, in principle, privatization of Pakistan Railways along with some other State Owned Enterprises (SOEs). It was generally believed that the Word Bank and IMF suggested revamping of SOEs, which were causing huge losses to the national kitty. However, the privatisation of PR has now been put on the back burner.

Probably, the panacea for all the PR's ills has been stated to lie in privatisation. It is argued that PR should be privatized since government of Pakistan has to bear the huge financial losses annually. However, instead of outright privatisation of PR, which may not be possible in view of the complex nature of its working, many innovative steps can be taken to improve its performance as well as increasing revenues. These possible remedies include the following:

i. Outsourcing non-core activities such as running of workshops, sleeper manufacturing factories, and locomotive manufacturing factory.
ii. Under Track Access Policy private firms should be encouraged to bring in their own rolling stock (locomotives and wagons) to operate freight trains.
iii. PR should insist on finalisation of National Transportation Policy so that funds allocated could be judiciously distributed among different modes of transportation.
iv. Introduce IT based solutions for E-governance to increase departments' efficacy.
v. PR must consider developing a competent HR department to devise strategies for training and

6. Government of India Ministry of Railways White Paper. February 2015. Printed.
7. Provided by Ministry of Railways, Government of Pakistan

posting of officers and staff strictly according to merit.

vi. Freight Business initiatives should be undertaken such as inducting high capacity wagons that are capable of running at higher speeds. This would enable empty wagons to be dispatched quickly to originating stations, especially at the Karachi Port for fresh loading. Guaranteed supply of wagons to customers investing in railway wagons coupled with freight rates rebate can further increase freight revenue.

vii. Parcel Business initiatives such as leasing space in luggage vans of passenger trains to Courier Service Providers for attracting parcels traffic. This practice is being followed by Indian Railways.

viii. 95.38% of PR's passengers travel using economy class services. Passenger Business initiatives must account for this factor.

ix. Initiatives such as E-ticketing will not only attract a larger passenger base but also address ticketless traveling to some extent. In addition to this, outsource ticket checking on Branch Line Trains can also help curbing ticketless travelling.

x. PR should consider increasing its market presence by promoting their service enhancing initiatives. This should be commissioned to a private marketing agency.

xi. A proper business plan with targets and a sound monitoring mechanism should be adopted.

Conclusion

Pakistan Railways is a public utility just like the Hospitals, Government schools, or the police department. Apparently, it is not following a systematic plan.

Before considering privatisation of Pakistan Railways, the considerations other than the commercial must be taken into account. Pakistan Railways needs to adopt a commercial outlook and take steps, initially, in agreement with the requirements of a semi-government organisation. For this purpose, the government should allow PR to function independently in most of its activities that are aimed at improving its services and generating revenues. PR has adopted zero tolerance for political interference policy to increase workers productivity and departmental efficiency; it may also use this to ensure better HR management.

The best course of action for PR lies in setting up different Corporations to deal with non-core activities like Catering Corporation, or Real Estate Development Corporation. Entities like workshops, sleeper factories and other manufacturing units should be outsourced while retaining the ownership of the infrastructure. Similarly, other supplementary services such as hospitals, schools and ticket checking activity should also be outsourced. Outright privatisation of PR may not be a feasible solution to its misery . PR can perform better if it draws up a well-defined business plan for improving the condition of its assets and takes steps to generate revenues on its own.

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