PAPER NO. 227

POLICY OPTION FOR PAKISTAN RAILWAYS

BY

ENGR. SYED AKHTAR ALI SHAH

POLICY OPTION FOR PAKISTAN RAILWAYS

BY
Engr. Syed Akhtar Ali Shah[1]-

DESCRIPTION

The Pakistan Railways which have been the country's premier transportation institution continued to be neglected in the last 25 years. Its network instead of expanding has been shrinking during the last few years. This would be evident from the route Kilometers and other data given in the table-I. The year-wise comparison from the years 1950 to 1999 support the above observation. The track Kilometer for the same period indicates the same position.

TABLE -1 ROUTE AND TRACK KILOMETERS 1950-1999

Year		Board-Gauge (Kilometers)	Meter-Gauge (Kilometers)	Narrow-Gauge (Kilometers)	Total (Kilometers)
1950-55	Average	7,313.30	511.88	735.60	8,560.78
1955-60	Average	7,433.18	511.88	637.43	8,582.49
1960-65	Average	7,451.20	511.97	611.10	8,574.27
1965-70	Average	7,513.74	472.08	611.10	8,596.92
1970-75	Average	7,702.54	445.40	611.10	8,759.04
1975-80	Average	7,758.02	445.51	611.25	8,814.78
1980-85	Average	7,735.35	445.40	611.10	8,791.85
1985-90	Average	7,718.37	445.40	611.10	8,774.87
1990-95	Average	7,746.37	445.40	611.10	8,802.87
1995-96		7,346.37	445.40	-	7,791.77
1996-97		7,346.37	445.40	-	7,791.77
1997-98		7,346.37	445.40	-	7,791.77
1998-99		7,346.00	445.40	-	7,791.40

Note: 374 Route Kilometers of Broad-Gauge and 611.10 Kilometers of Narrow-Gauge were closed w.e.f. 1st July 1991.

Additional General Manager (Retd.) Pakistan Railways, Lahore, Pakistan

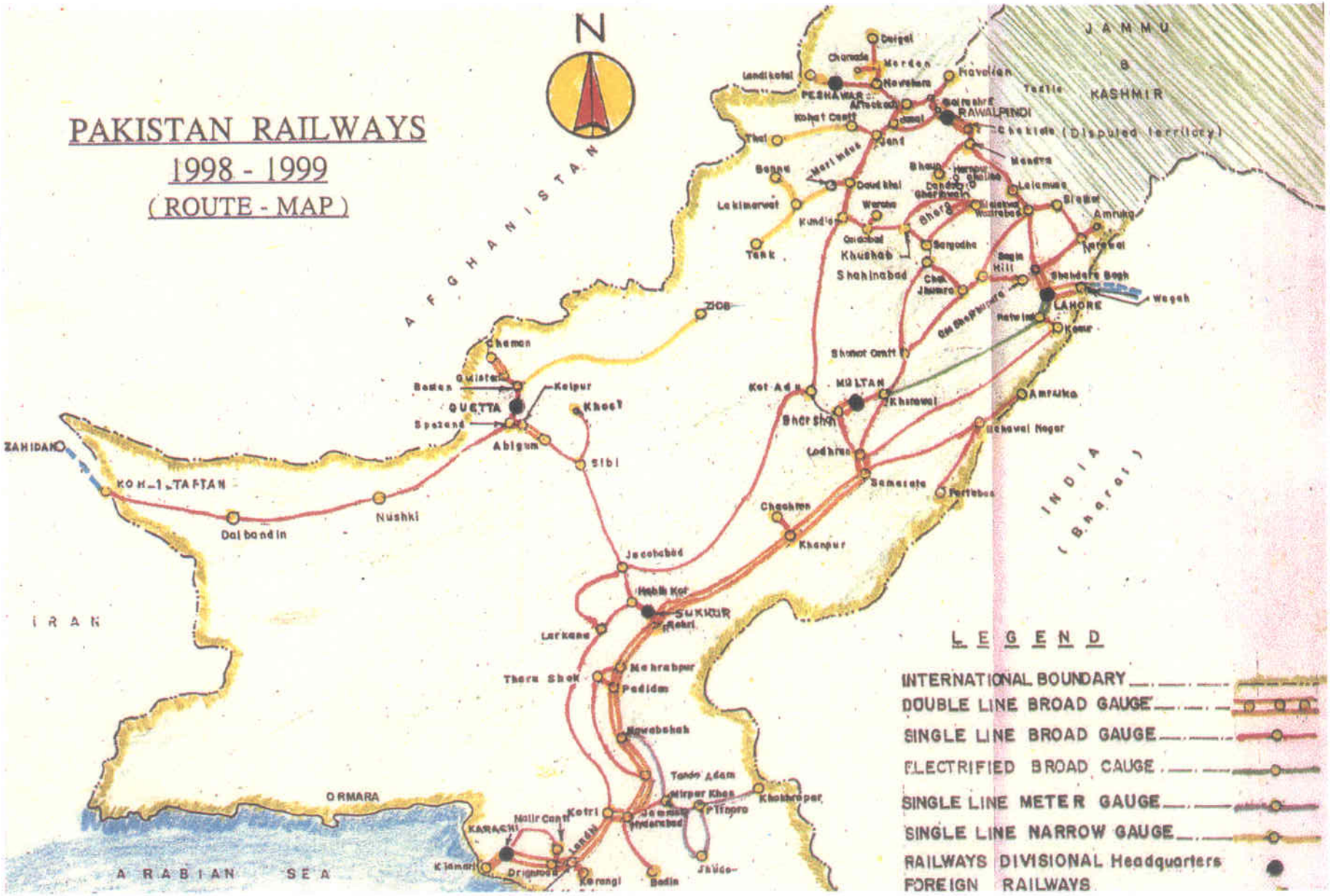
Year		Board-Gauge (Kilometers)	Meter-Gauge (Kilometers)	Narrow-Gauge (Kilometers)	Total (Kilometers)
1950-55	Average	10,478.60	628.09	894.10	12,000.79
1955-60	Average	10,647.22	627.92	752.48	12,027.62
1960-65	Average	10,783.67	628.55	727.36	12,139.58
1965-70	Average	10,934.14	584.92	728.62	12,247.68
1970-75	Average	11,168.12	552.60	727.51	12,448.23
1975-80	Average	11,248.37	552.37	728.80	12,529.54
1980-85	Average	11,327.37	554.10	727.11	12,608.58
1985-90	Average	11,340.11	555.10	726.11	12,621.32
1990-95	Average	11,345.52	555.10	726.11	12,626.73
1995-96		10,971.00	555.10	-	11,526.10
1996-97		10,971.00	555.10	-	11,526.10
1997-98		10,971.00	555.10	-	11,526.10
1998-99		10,971.00	555.10	-	11,526.10

Note: 1 372.52 Track Kilometers of Broad-Gauge and 726.11 Kilometers of Narrow-Gauge were closed w.e.f. 1st July 1991.

Note: 2 The percentage of wooden, cast iron, steel and concrete sleepers laid in the track at the end of the year 1998-99 was approximately 44.8%, 10.2%, 10% and 41% respectively.

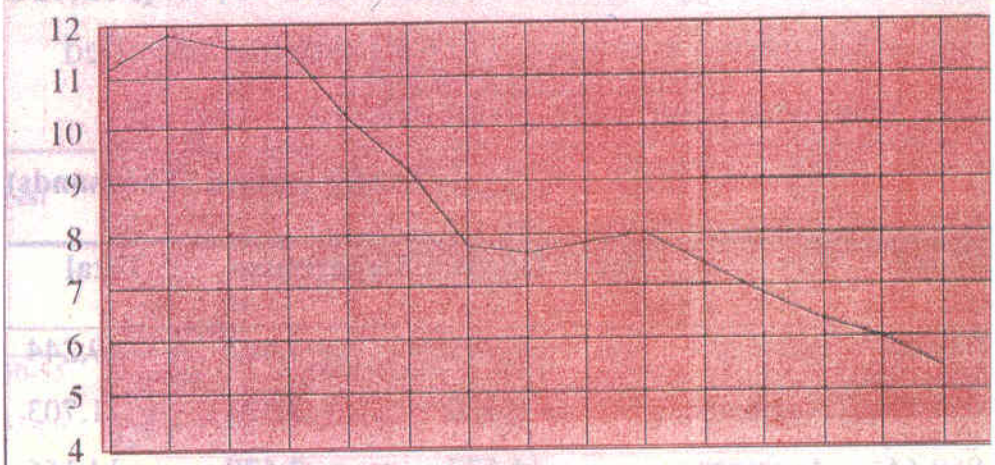
TABLE -3 PASSENGER EARNINGS

Year	**No. of Passengers Carried (Thousand)**	**Total Passengers Kilometers (Thousand)**	**Average No. of Kilometers Travelling by a Passenger**	**Average Revenue per Passenger **(Rs-)**	**Average Rate Charged per Passenger per Kilometer (In Paisa)****
1950-55 Average	**78,942.00**	**6,778,538.00**	**85.90**	**1.50**	**1.75**
1955-60 Average	**102,675.00**	**8,064,025.00**	**78.50**	**1.56**	**1.99**
1960-65 Average	**126,284.00**	**9,533,593.00**	**75.50**	**1.55**	**2.05**
1965-70 Average	**130,475.00**	**10,025,201.00**	**76.90**	**1.83**	**2.28**
1970-75 Average	**134,076.00**	**10,792,170.00**	**80.20**	**2.36**	**2.93**
1975-80 Average	**145,710.00**	**15,111,969.00**	**103.70**	**4.47**	**4.31**
1980-85 Average	**113,474.00**	**17,402,638.00**	**155.30**	**11.32**	**7.21**

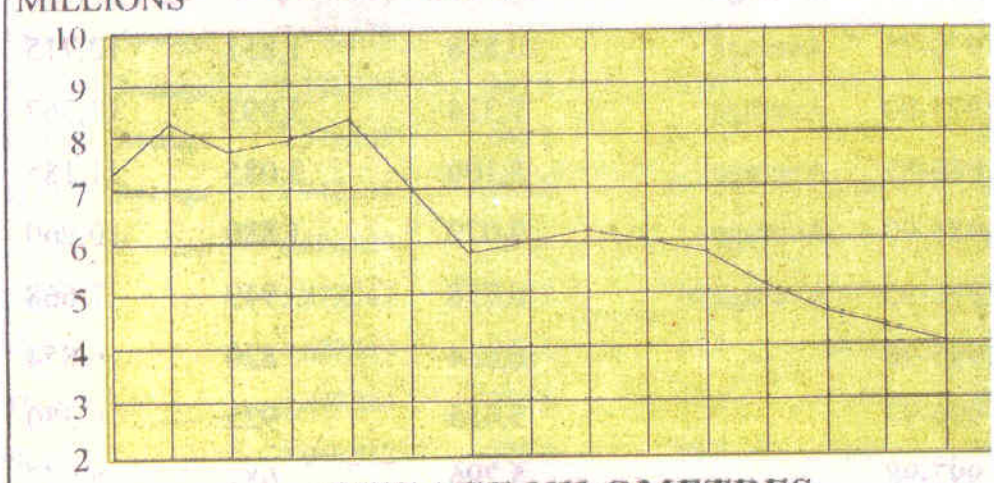

PAKISTAN RAILWAYS
1998 - 1999
(ROUTE - MAP)
N
AFGHANISTAN
JAMMU & KASHMIR
Textile
Chekida (Disputed territory)
PESHAWAR
RAWALPINDI
Havelian
Nowshera
Mardan
Charsada
Dargai
Landi Kotal
Kohat Cantt
Thal
Bannu
Lakimarwat
Tank
Zob
Chaman
Quetta
Khost
Sibi
Nushki
Dalbandin
Zahidan
Koh-i-Taftan
IRAN
Jacobabad
Sukkur
Rohri
Khanpur
Chachran
Samasata
Lodhran
Khanewal
MULTAN
Kot Addu
Shorkot Cantt
Lahore
Wagah
Kasur
Amruka
Sahiwal Nagar
Pattoki
Khushab
Shahinabad
Sangoda
Bhera
Lalamusa
Gujrat
Narowal
Shahdara Bagh
Mehrabpur
Padidan
Nawabshah
Tando Adam
Mirpur Khas
Khokhropar
Kotri
Hyderabad
Jamshoro
Phulpro
Shado-
Badin
Korangi
Drigroad
Landhi
Malir Cantt
KARACHI
Kiamari
ORMARA
ARABIAN SEA
INDIA
LEGEND
INTERNATIONAL BOUNDARY
DOUBLE LINE BROAD GAUGE
SINGLE LINE BROAD GAUGE
ELECTRIFIED BROAD CAUGE
SINGLE LINE METER GAUGE
SINGLE LINE NARROW GAUGE
RAILWAYS DIVISIONAL Headquarters
FOREIGN RAILWAYS

FREIGHT BUSINESS UNIT

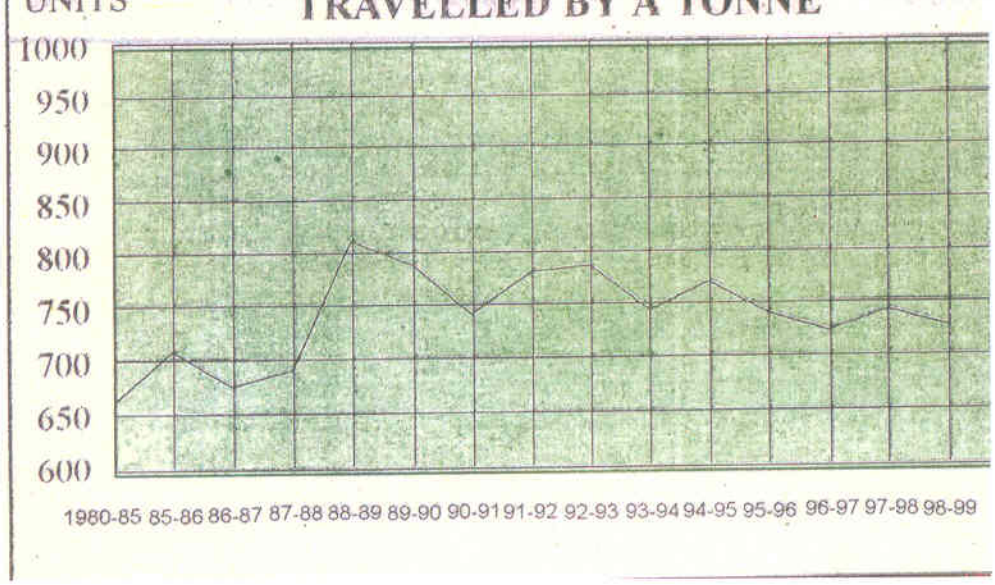
TONNES CARRIED



TONNES KILOMETRES



AVERAGE KILOMETRES TRAVELLED BY A TONNE



Year	No. of Passengers Carried (Thousand)	Total Passengers Kilometers (Thousand)	Average No. of Kilometers Travelling by a Passenger	Average Revenue per Passenger ** (Rs.)	Average Rate Charged per Passenger per Kilometer (In Paisa)**
1990-95 Average	**69,084.00**	**17,828,907.00**	**260.40**	**40.75**	**15.55**
1995-96	**73,652.00**	**18,904,765.00**	**256.70**	**48.85**	**19.03**
1996-97	**68,801.00**	**19,114,366.00**	**277.80**	**64.48**	**23.21**
1997-98	**64,870.00**	**18,773,751.00**	**289.40**	**70.06**	**24.22**
1998-99	**64,988.00**	**18,979,838.00**	**292.00**	**69.77**	**23.89**

*) Provisional

**) Excludes Differential on Government traffic and Public Services Obligations.

Note: The concept of Public Service Obligation (PSO) has been introduced with effect from 1990-91 with the objective of separating Railway activities and operations from its non-commercial ones, PSO incidence represents compensation by the Government to the Railways as its revenue item for those sections /ordinary passenger services which are maintained and run purely on socio-economic consideration.

TABLE-4 TONNES **OF FREIGHT CARRIED**

Tonnes carried (Thousands)

Year		Public Goods	Department	Total
1950-55	Average	7,782.00	1,462.00	9,244.00
1995-60	Average	9,380.00	2,323.00	11,703.00
1960-65	Average	1 1,577.00	2,579.00	14,156.00
1965-70	Average	1 1,824.00	2,795.00	14,619.00
1970-75	Average	10,858.00	1,857.00	12,715.00
1975-80	Average	9,374.00	3,993.00	13,367.00
1980-85	Average	8,100.00	3,085.00	11,185.00
1985-90	Average	9,079.00	1,880.00	10,959.00
1990-95	Average	6,738.00	949.00	7,687.00
1995-96		6,034.00	820.00	6,854.00
1996-97		5,455.00	925.00	6,380.00
1997-98		5,296.00	681.00	5,977.00
1998-99		4,869.00	579.00	5,448.00

FREIGHT TRAFFIC RESULT

Year	\	Tonne Kilometers (Thousand)	Average Kilometers Travelled by a Tonne	Average Rate Charged per tonne per Kilometer (Paisa)	Average Revenue per Tonne (Rs.)	Total Freight Tonne Kilometers & other Coaching Tonne Kilometers (Thousand)
1950-55	Average	4,377,892.00	477.00	3.78	1.79	-
1995-60	Average	5,479,801.00	468.20	3.97	18.60	-
1960-65	Average	7,212,655.00	514.40	3.76	19.20	-
1965-70	Average	7,899,936.00	550.80	4.29	23.40	-
1970-75	Average	7,906,679.00	626.30	6.88	42.90	-
1975-80	Average	8,598,473.00	665.30	14.30	94.80	-
1980-85	Average	7,379,145.00	666.20	21.70	14.33	8,720,576.00
1985-90	Average	7,942,615.00	732.20	13.70	20.40	9,304,957.00
1990-95	Average	5,890,029.00	769.60	54.20	41.59	8,102,793.00
1995-96		5,077,363.00	742.30	66.90	49.59	5,382,468.00
1996-97		4,607,019.00	727.10	89.70	66.59	4,942,387.00
1997-98		4,447,264.00	745.80	97.50	72.53	4,831,803.00
1998-99		3,966,512.00	730.60	96.70	70.49	4,329,590.00

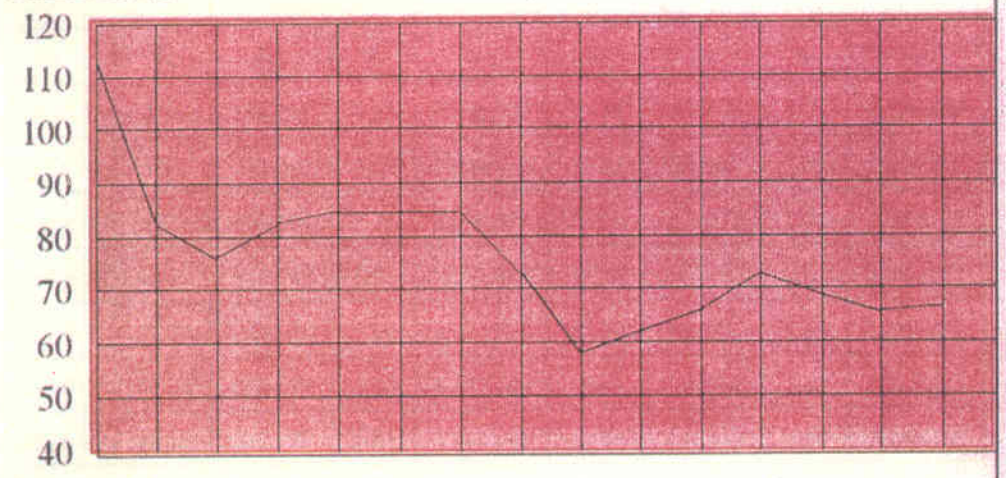
TABLE - 6 OPERATING REVENUE

(Rs. In Million)

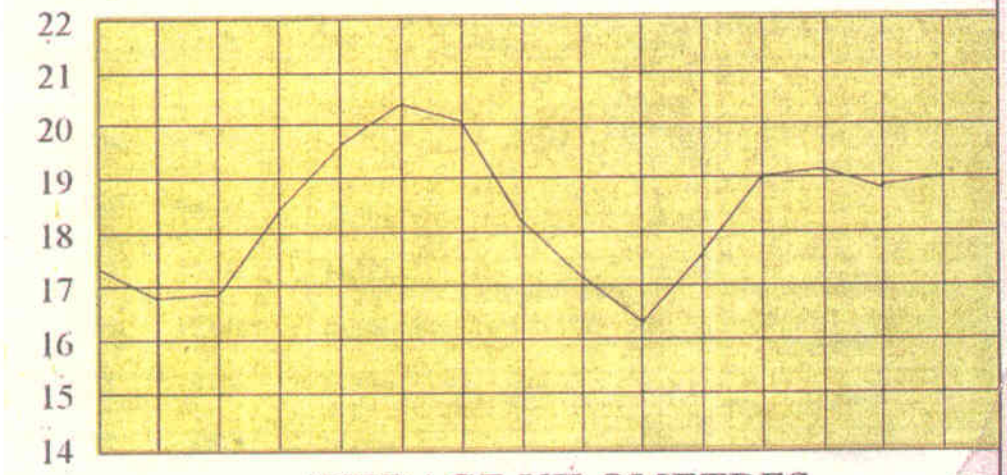
Year	Passenger Earnings		Luggage, Parcels Mails etc. Earnings		Freight Earnings		Miscellaneous Earnings		Total
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
1950-55 -Average	118.539	37.6	22.052	7.00	169.396	53.8	5.152	1.64	315.139
1955-60 -Average	158.720	37.8	31.086	7.40	222.060	52.9	8.248	1.96	420.114
1960-65 -Average	195.869	38.1	32.078	6.34	276.792	53.7	9.962	1.96	514.701
1965-70 -Average	241.706	34.7	42.527	6.65	346.412	53.7	14.970	2.30	645.615
1970-75 -Average	322.073 $_s$	33.08	49.620	5.13	573.838	59.2	14.439	1.89	959.970
1975-80 -Average	653.459	30.3	79.428	3.80	1,352.600	64.4	29.987	1.48	2,115.474

PASSENGER BUSINESS UNIT

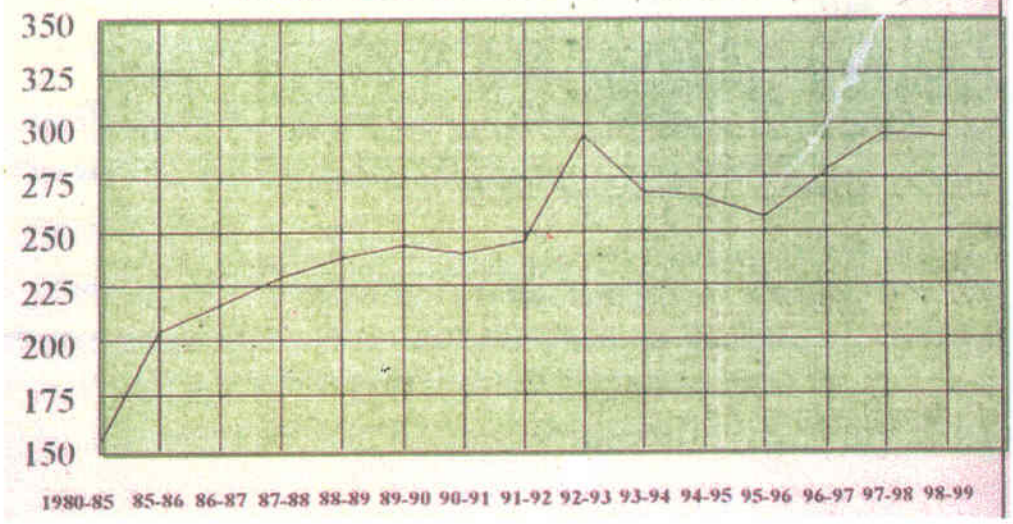
PASSENGER CARRIED



PASSENGER KILOMETRES



AVERAGE KILOMETRES TRAVELLED BY A PASSENGER



Year	Passenger Earnings		Luggage, Parcels Mails etc. Earnings		Freight Earnings		Miscellaneous Earnings		Total
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
1980-85 -Average	653.459	3.76	165.227	4.93	1,866.020	55.70	53.713	1.77	2,738.419
1985-90 -Average	1,743.138	34.2	254.019	4.99	3,004.616	37.30	93.089	1.84	5,094.862
1990-95 -Average	4,066.805	47.5	464.272	5.33	3,880.228	37.31	172.872	2.02	8,584.177
1995-96	3,601.905	43.47	559.403	6.75	3,957.024	47.76	167.695	2.02	8,286.027
1996-97	4,517.417	46.08	706.523	7.21	4,413.758	45.02	166.320	1.69	9,804.018
1997-98	4,580.046	46.07	656.059	6.60	4,519.246	39.46	185.592	1.87	9,940.943
1998-99	4,538.833	48.75	639.990	6.87	3,955.012	42.48	176.350	1.90	9,310.185

The concept of public service obligation (PSO) was introduced in 1990-91. Detail of passenger and freight earning since 1990-91 is as under:

*) **) Provisional

Subsidy / Differential was received from July, 1995 to January 1996 (Rs. in million).

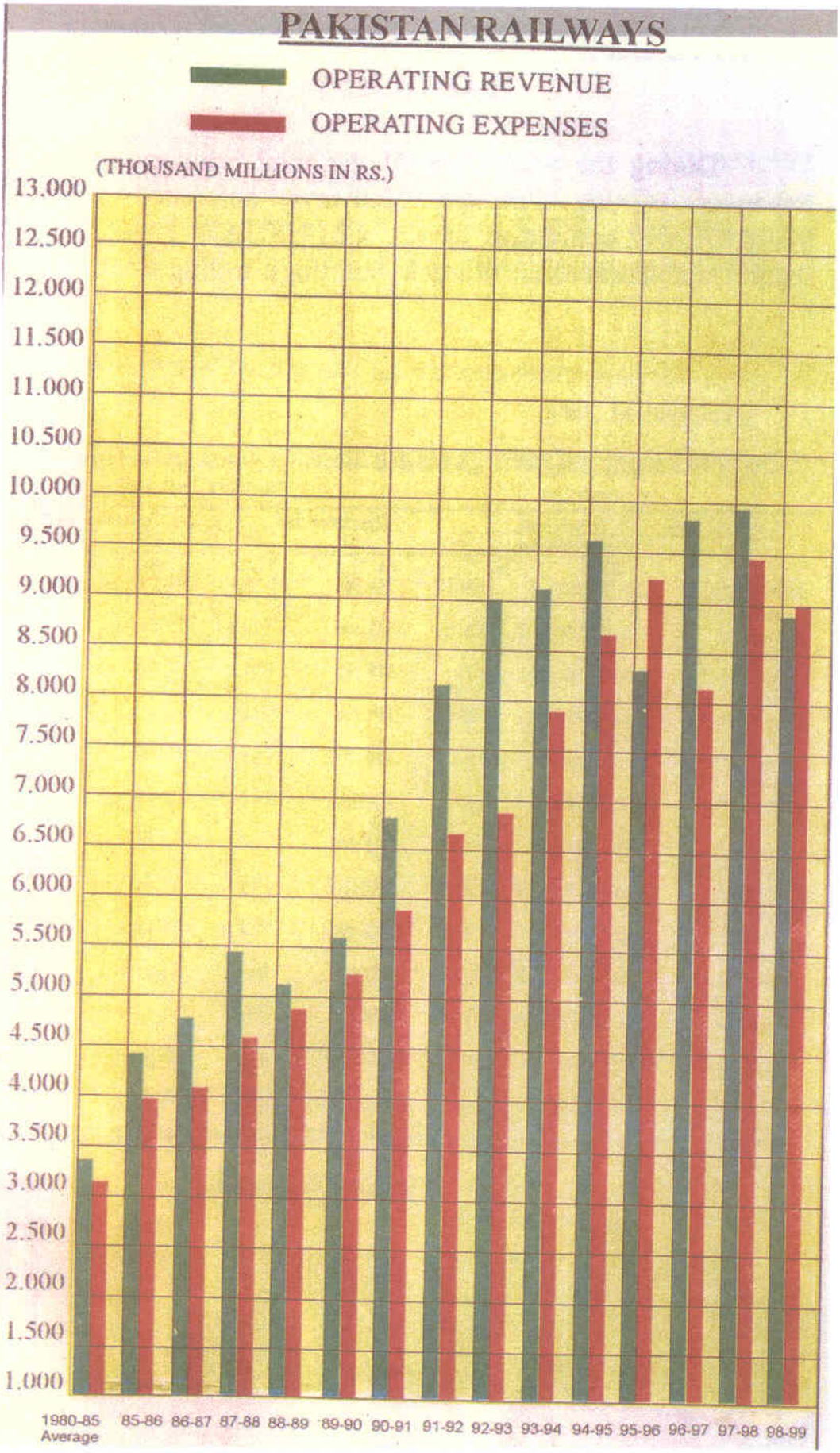
Year	**Passenger Earning include Subsidy / Differential as under**	**FREIGHT EARNINGS INCLUDING FOLLOWING**	
		Subsidy /Differential on Government Traffic	**Miscellaneous Goods Earnings (Excluding Refunds)**
1990-91	**1,000.00**	**588.50**	**51.80**
1991-92	**1,189.00**	**687.80**	**83.00**
1992-93	**1,352.00**	**521.80**	**142.70**
1993-94	**1,352.00**	**474.90**	**111.40**
1994-95	**1,700.00**	**614.90**	**132.30**
1995-96	**-**	**389.20**	**178.60**
1996-97	**-**	**301.30**	**165.90**
1997-98	**-**	**-**	**138.00**
1998-99	**91,252.00**	**257.30**	**114.80**

This indicates the potential of the Railway for fulfilling the transportation needs of the country.

TABLE -8 OPERATING EXPENSES OF PAKISTAN RAILWAYS

(Rs. in Million)

Year	Repair and Maintenance		Operation Fuel		Operation Staff		Operation other than Staffand Fuel		Administration		Miscellaneous		Total
	Rs.	%	Rs.	%	*Rs.*	%	Rs.	%	Rs.	%	Rs.	%	Rs.
1950-55- Average	70.862	33.80	59.264	28.30	34.568	16.40	8.480	4.05	26.822	12.80	9.716	4.63	209.712
1955-60- Average	90.222	35.90	65.366	26.00	40.584	14.20	9.497	3.77	34.755	13.80	10.892	4.34	251.316
1960-65- Average	132.782	38.10	79.748	22.80	58.144	16.70	12.307	3.56	50.758	14.45	14.947	4.28	348.686
1965-70- Average	172.992	35.80	125,818	62.20	73.997	15-50	16.407	3.43	67.147	14.00	22.997	4.83	479.358
1970-75- Average	288.522	37.60	199.175	25.90	83.541	15.80	30.639	4.12	103.822	13.80	18.870	2.78	724.569
1975-80- Average	711.565	41.90	440.620	25.60	233.344	39.90	80.592	4.70	223.687	13.10	11.912	0.72	1,701,720
1980-85- Average	1,301.404	40.30	972.315	30.40	380.844	11.90	151.933	4.70	402.539	12.40	14.614	0.46	3,223,649
1985-90- Average	2,076.157	36.80	995.916	22.10	597.718	13.10	2,469.220	5.34	630.895	13.80	15.559	0.46	6,785.465
1990-95- Average	3,307.995	46.00	1,182.004	16.70	1,005.043	14.00	581.595	7.98	1,044.256	15.60	48.383	0.68	7,169.276
1995-96	4,290.644	46.43	1,383.588	14.97	1,231.955	1343	953.396	10.31	1416.918	14.25	65.551	0.71	9,242.052
1996-97	4,548.518	46.91	1,688.000	17.41	1,165.243	12.02	961.295	9.91	1,254.548	12.94	78.783	0.92	9,696.387
1997-98	4,233.343	46.58	1,661.866	17.50	1,213.539	12.78	957.952	10.09	1 ,353.554	14.26	75.172	0.79	9,495.426
1998- 99	4,217.204	44.87	1,623.735	17.28	1,180.632	12.56	1,035.593	11.02	1,276.194	13.58	65.315	0.69	9498.673


PAKISTAN RAILWAYS
OPERATING REVENUE
OPERATING EXPENSES
(THOUSAND MILLIONS IN RS.)
13.000
12.500
12.000
11.500
11.000
10.500
10.000
9.500
9.000
8.500
8.000
7.500
7.000
6.500
6.000
5.500
5.000
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
1980-85 Average
85-86
86-87
87-88
88-89
89-90
90-91
91-92
92-93
93-94
94-95
95-96
96-97
97-98
98-99

ORGANIZATIONAL SET UP

Since 1982 in the organizational set up the Railway Administration is headed by the General Manager who is charged with the efficient working of the Railway and is responsible to the Chairman/Secretary, Ministry of Railways (Railway Board). The Ministry of Railways (Railway Board) is headed by the Chairman who is ex-officio Secretary to the Government of Pakistan. The organizational set up of Ministry of Railways is indicated in Appendix-A, attached. The combined organizational chart of the General Manager, Pakistan Railw'ays is at Appendix "B" and that of the Divisional Administration at Appendix "C". The integrated functions has been illustrated in the chart at Appendix "D".

As it is, Pakistan Railways is treated like a Government Department and its organizational set up is similar to that of other Government Departments. The general administrative set up prevailing in the country is organized on the basis that there is a Secretariat, an attached Department and field offices. The Secretariat under the Secretary to the Government reports to the Minister concerned. On this pattern, the Railway Board performs the functions of a Federal Secretariat under the Chairman who reports to the Federal Minister for Railways. Under this administrative arrangement the Ministry of Railways has to deal with various other Ministries/Divisions of the Federal Secretariat in such matters where consultation is mandatory under the Rules of Business. As required under the Rules of Business, the Ministry of Railways normally deals with the following other Ministries/Divisions of the Government of Pakistan:

1. Finance Division.
2. Planning and Development Division.
3. Establishment Division.
4. Justice (Law) Division.
5. Labour Division.
6. Cabinet Division.
7. Foreign Affairs Division.
8. Ministry of Defence.

The consultation/advice of various Divisions would be required by the Railway Division for the following matters for obtaining prior approval of the Government, as laid down in President's Order No. 33 of 1962:-

i) Capital and Revenue Budget of the Railway.

ii) Construction of new railway lines or modification, closing or dismantling of any railway line, iii) Changes in the general conditions of service and methods of recruitment of the Officer of the Railway Services, iv) Changes in the pay structure and allowance of persons in the service of the Railway, v) The initial appointment of Officers in Basic Scale 17 and above and promotion to higher scales, vi) Modification in the terms and conditions of any contract relating to the conveyance of defence traffic.

vii) Dealing with international organizations and foreign countries and implementation! of the agreements entered into with any such organization or country, viii) Co-ordination of rail movements into and from ports, ix) Consolidation of development programmes of the Railway as a part of the National j Development Programme.

x) Alteration in priority of movement in respect of Defence traffic, xi) Close or dismantle any railway line or make any modifications in the Ministry of j Defence lines.

In discharging its functions within the above framework, the Ministry of Railways (Railway Board) is required to observe the following principles:-

xii) Act on business principles, due regard being had to the interest of agriculture, industry, commerce and the general public and shall in particular make proper provision for meeting out of its receipts on Revenue Accounts such expenditure as is prescribed by the existing rules.

xiii) Be guided by such directions as the Federal Government may from time to time give on main questions of policy and major financial issues.

Although under the Railways Act 1890 (IX of 1890), the Railway Board/Railway Ministry is empowered to fix maximum and minimum rates of freight and fare for passengers, yet in actual practice it is bound by the directive of the Parliament in such matters. The latest example is when the Ministry of Railways proposed to increase the fare and freight by 23% during the 1985-86 financial year, the National Assembly (Lower House of Parliament) reduced the proposed increase to 15%. It would thus be seen that Pakistan Railways has been treated as Utility Service by the Government of Pakistan. Although Ministry of Railways (Railway Board) has been organized as a self-contained independent set-upt, yet the Government of Pakistan ratifies all policy decisions taken by it.

A few words about the latest set up — In the new arrangement there is distinct gap in the organization of the Railway Board with the technical control missing in the absence of Members civil and Mechanical Engineering This groups the responsibilities of proposal and approval in the same authority, leaving no chance of appraisal by a superior authority and to examine the technical feasibility of any proposal whether it involves running of new rolling stock or altering the moving dimensions or fixed structure profile etc. This makes the primary responsibility of rendering technical advice to the Government deficient.

Further presently the separate Ministry of Railway has been merged with the Communication Ministry under one Minister. This perhaps has been done with a view that with separate Ministry under a Minister results in too narrow a view of the Railway being examined by the cabinet.

It needs to be high-lighted that the basic functions of the combined set up of the Ministry of Railways / Railway Board are:-

1) As the top set up to decide all technical matters concerning the Railways.

2) As the highest Advisory Body for advising Government in all policy matters connected with the working of the Railway.

The Pakistan Railways, being closely associated with the defence matters of the country has to maintain close liaison with the Ministry of Defence.

BACKGROUND

Pakistan Railways was giving a net profit upto the year 1972. How is it that it has been running into loss ever since. The loss situation started when the Government of the day drastically devalued the Pak-Currency in 1972 nearly by 140%. Pakistan Railways which heavily depended on imported fuel oil, lubricants etc for running its Diesel Electric Locomotives and further on imported Diesel Locomotives spare-parts for their maintenance suddenly found itself in precarious financial situation. As the import cost increased manifold so was the cost in local currency-thanks to the Government policy of levying full custom duty and other taxes. No organization could sustain such high budgetary increase in expenditure without proportionate raise in its income. No increase in Railway freight and passenger fare was permitted by the Government upto 1985. Strange logic was applied to the Railways treating it as a Public Utility Service when it came to increasing fare and freight and classifying it as a commercial organization for levy of duties and taxes. It would not be wrong to say that Railways has been hit with double-edged sword. It has been a victim of a vicious circle. Its performance has not been upto the mark simply for the lack of adequate investment which is further reduced for the same reason.

GOVERNMENT INVESTMENT IN THE RAILWAYS

Government investment in the Railways has been declining constantly as would be evident from the allocations made to the Railways in the transport sector of Five Year Development Plans. Railways which was allocated more than 75% of the Transport Sector outlay against 21 % for the Road in the 2nd Five Year Development Plan was given only 21 % in the 7"[1] Plan with Road receiving more than 53%. It is evident that Railways has been assigned low priority in the scale of priorities in the Development Plans. It is the other way round in India where Railways has been given first priority-nowonder Indian Railways are earning profits.

Table-IX shows the position of 5 Year Development Plans pin-pointing the Railway share in the transport sector.

TABLE-9 SHARE OF THE PAKISTAN RAILWAYS IN THE NATIONAL PLANS

(Rs. Billion)

Description	1st Plan 1950-55	2i<» p|an 1955-60	3«« Plan 1960-65	Non Plan 1970-78	5«» Plan 1978-83	6"» Plan 1983-88	7th p|an 1988-93
A. Plan Size	4.86	10.60	13.20	75.54	153.21	279.00	350.00
B. Outlay on Transport	0.928 (19%)	1.5 (14%)	2.06 (15.6%)	13.63 (18%)	31.156 (20%)	32.125 (11.5%)	39.13 (11.2%)
C. Outlay on Railways	0.478	1.138	1.15	2.923	5.566	7.400	8.485
D. Share of Railways in Overall Plan%	9.5	10.7	8.7	3.9	3.6	2.6	2.4
E. Share of Railways in Transport Sector%	51.5	75.6	55.8	21.4	17.9	23.0	21.7
F. Share of Road in Transport Sector%	24.5	21.1	35.6	46.0	38.0	36.6	52.2

RESOURCE GENERATION BY THE RAILWAY FOR THE FEDERAL GOVERNMENT

Pakistan Railways has been blamed for incurring losses on its operations with the resultant criticism levelled against the Railway as an inefficient system. While making such criticism what is generally lost sight of is the financial burden which Pakistan Railway has to bear every year on various counts. Briefly the details of such additional financial liabilities were as under for the financial year 1985-86:

(A) Duties and Taxes

(i) Duty on fuel-Excise duty and development surcharge on HSD & furnace oil. Rs. 233.40 million

(ii) Custom duty on maintenance spares/stores. + Iqra Surcharge Rs. 186.50 million Rs. 419.50 million

(iii) Rs. +14 Rs. 12.20 million

Excise duty and sales trax on RCC sleepers ($12V_2$%ofcostof).

(iv) Excise duty on ballast/pitching stone quarried in Railway quarries (Rs.5/- per 100 eft and Re. I/- per ton). Rs. 0.30 million

Total (A) **Rs.446.40 millionm**

(B) Un-remunerative Sections

Loss surrdered by the Railway in maintaining unremunerative Sections. Rs. 240.00 million

(C) Uneconomic Services

Loss suffered by the Railway in operating uneconomic Train Services. Rs. 190.177 million

(D) Concessions extended

Financial impact of the concessions extended by the Railways to certain categories of passengers like students, journalists, etc. Rs. 22.90 million

Total:-(B), (C) & (D) Rs. 453.08 million

GRAND TOTAL:- 899.48 million Say:- 900 million

It would be seen that the Railway in this way is actually generating revenue resources for the Federal Government to the extent of duties and taxes described above. If the Railways were worked purely on commercial lines it could straightway affect a saving to the extent of Rs.900 million as detailed above without even rationalizing the*fare and freight rates as prevalent at present. But under the present socio-political climate the Railway is being operated as a Public Utility Service. With the growing competition from Road Traffic it would be imperative to undertake a policy review of the working of the Railway to face the increased challenge.

The levy of various types of duties and taxes which results into sizeable amount as detailed above, is not justified even if the Railway is worked on commercial footings. The recovery of such duties and taxes from road users is understandable as the infra-structure like Highway/Roads are provided by the Government for their usage and they are liable to pay the cost in the form of road user charges. However, in case of the Railways this is not the position as the Railway is required to construct and maintain the railway track for its own usage. Incidentally it is the only mode of transport which is required to make and maintain its own path-way - no other mode be it Highways, Airways or Seaways is obliged to do that. In comparing the economics of the two modes of transport, viz the Railways and the Highways, the Railways are placed at a disadvantage as the investment in road infrastructure made by the Government is not taken into consideration while analyzing the cost of haulage. Even with such a disadvantage the Railways have a clear edge over the road transport in long distance haulage.

5- FUTURE POLICY OPTIONS

In order to provide equitable competitive environment in the face of the competition from road traffic, Pakistan Railways has been left with only two options;

i) to streamline the existing procedures and arrangements to become self-sufficient within the scope of its present status of a Government Department or ii) to attain complete autonomy in its working based purely on commercial considerations in the Private Sector.

In the first option it would require the Government of Pakistan to spell out clearly its policy of how to run the Railway. With the policy decision of the Government of Pakistan to maintain the Railway as a public utility service, the Government of Pakistan would take direct responsibility of operating such sections which are not commercially viable and the Government under its'policy of providing cheap mode of transport to the poorer section of the society would extend such facilities as a socio-economic service to the people. Similarly Government of Pakistan would be responsible for sustaining un-remunerative passenger trains even on otherwise profitable sections of the main line under the same policy.

Pakistan Railways would then be required to maintain separate set of Accounts for:-i) Commercially viable sections and remunerative services, and ii) Uneconomic sections and un-remunerative services.

The losses on account of the second item would be picked up by the Government of Pakistan as a subsidy to the Railway. This positions would be reflected in the Annual Budget Returns laid before the Parliament at the time of presentation of the Federal Budget.

In addition to the presentation of a clear financial picture of the Railways some degree of freedom would also be required to be given to the Ministry of Railways which functions in the form of a Board. The very purpose of working the Ministry of Railways on the pattern of a self-contained Board is to make it self-sufficient for day-to-day functions and in such policy matters as are conducive to producing efficient work environment for the Railway.

Even with the amalgamation of the Ministry of Railways and Railway Board, it has been experienced that the Ministry of Railways almost functions like any other Division of the Federal Secretariat with too much control being exercised in Railway matters by the Finance Division, Planning Division and Establishment Division. There is urgent necessity for delegating adequate financial, administrative and planning policy functions to the Ministry of Railways/Railway Board as have hitherto been exercised by the other Divisions so as to make it self-sufficient in real terms.

In respect of Finance Division, the Ministry of Railways/Railway Board should only owe overall financial responsibility to the Finance Division while remaining totally independent in performing such functions as are necessary for the efficient working of the Railway. With the financial matters spelled out as proposed in two distinct heads, no reference should be required to be made by the Ministry of Railways (Railway Board) to the Finance Division for obtaining its agreement to detailed financial proposals. This would provide the requisite freedom to the Ministry of Railways/Railway Board within the overall financial control of the Government. Under the proposed arrangement the Member Finance would be solely accountable to the Chairman/Secretary, Ministry of Railways, who in his capacity as Principal Accounting Officer of the Ministry of Railways will have final say in all financial matters.

Presently unnecessary consultation is required to be made by the Ministry of Railways with the Establishment Division in routine establishment matters. Under the P.O. Order No. 33 of 1962 only cases requiring promotion to scale 20 posts are required to be processed through the Establishment Division while promotion to all ranks below scale 20 are done by the Railway Board itself. With the application of Civil Servants Act 1973 to the Railway, even promotion to scale 17,18 and 19 was taken away from the Ministry of Railways/Railway Board and centralized with the Establishment Division. Such centralization of functions which primarily concern the day-to-day administrative working on the Railway, has been found to create impediments in managing personnel matters. As the Railway Officers by and large remain confined during the course of service to the Railway Department, there is no point in keeping control of promotion to such scales with the Establishment Division.

Pakistan Railways employ a large labour force for performing various duties and functions. Such labour, working in the various Railway Establishments and Workshops is governed by the Industrial Relations Ordinance 1969, Factories Act of 1934, Payment of Wages Act of 1936 and Workman's Compensation Act of 1923 for variety of functions required to be performed on the Railway. All other persons who are not 'worker' or workman' within the meanings of the above Act are treated as Civil Servants and are governed by the Civil Servants Act 1973 - For the operation of all these Acts/Enactments the Railway Ministry has to deal through the Labour Division for sorting out problems arising out of application of these Acts. The general application of I.R.O. 1969 to the Railway labour and its loose interpretation has been the cause of major problems on the Railway adversely affecting maintenance of discipline and productivity.

Taking advantage of strategic sections treated as M.O.D. Lines, the application of I.R.O. 1969 was restricted on Work-shops Establishment and its enforcement on the open running lines was withdrawn in 1990 bringing some peace in Railway operations.

In the second option the Railway was to be completely privatized for giving it to private sector. In this arrangement (which has now been given up), the Railway was to be broken up into 4 components:-

i) Passenger business unit.
ii) Freight business unit
iii) Infrastructures business unit

Railway Resettlement Agency grouping all other ancillary functions like medical, education, police, welfare etc.

This was meant to facilitate the sell out of the Railway as no single bidder coul'd possibly be found to buy the entire set up as a whole. To achieve the objective the time tested set up was also changed which brought almost the same system of operating the railway as existed before 1924, the District System in which each function was performed independent of the other without coordination in the field to the detrimental of the railway working. This system as envisaged proved a nonstarter and created confusion in

the working of the railway, as the Railway being multi-discipline organization needed coordination at every level.

Under this option of privatization the Railway would be free to:-
i) Close any sections not considered financially viable.
ii) Discontinue services considered un-remunerative, and
iii) To fix competitive passenger fare and freight rates.
iv)To hire and fire workers of all categories of staff without any limitation.

The Railway would have the status of a Private Limited Company working entirely on commercial considerations for earning profits on its operations.

This option would further require basic changes in the present policy of the Government for the running of the Railway. To convert the Railways into an Autonomous Body or a Private Limited Company under the Companies Act, the Railways will have to be detached from such Acts /Enactments as are presently applicable to it in its present form of a Government Department. This would mean that the Civil Servants Act 1973 and Efficiency & Discipline Rules 1973 would no more be applicable to the Railway personnel who are presently treated as Civil Servants. Similarly in case of Railway labour, who are presently governed under Labour Laws of various Acts/Enactments would be treated at par with workers of Private Limited Companies. To effect such a change, Legislative measures would be necessary for the change over from Public Employees to Private Employees.

Apparently adoption of such a course of action under the present sociopolitical climate prevailing in the country would further aggravate matters essential for a federal system of government. Besides the effect of such a measure on the national economy would have serious repercussions as the general populace would be deprived of the cheapest mode of travel and the consequent general increase in fare and freight would make the price structure of all commodities of daily use to go beyond the reach of common man.

6- FUNCTIONS REQUIRING RAILWAY TO BE KEPT UNDER STATE CONTROL 1- To fulfill requirement of Defence Department

a) To retain & maintain such sections as have been declared strategic sections. As all these sections are un-numeration these will be maintained under P.S.O. cost of which would be directly borne by the Government
b) To assign priority to Defence Traffic as and when required.
c) To continue to work Defence Traffic under Military Tariff with differential between Military and Public Tariff recoverable subsequently under the existing arrangement.
d) To keep close liaison between the Railway Department and Defence Department as an element of Defence Policy. To achieve this objective previously Defence Committee of the Cabinet (D.C.C.) was established.

A similar body has to be kept in existence on permanent footing to conduct review from time to time and update plans to enable Railway to meet the defence requirement of the future.

To illustrate the point two instances one of 1965 war and the other of 1971 as personally observed by the author would be of interest:-

In 1965, no Railway line existed on the right bank of Indus (Kot Adu Kashmore line was completed in 1971), therefore the only link between North & South by rail was through the Karachi - Lodhran (D/L) - Khanewal - Lahore (S/L) main line. Bridges on the Railway line form the most vulnerable points for air attacks. With this in view the enemy had targetted Adham Wan Railway bridge near Bahawalpur, (the only double line Railway Bridge on the system) for disruption of rail traffic on the main line to achieve cutting the only rail link at that time between North & South. No protection was provided to this Bridge during 1965 war against air attack. Only after the auther (then only a junior Railway Engineer) had stressed the importance of the Bridge from the Railway point of view for meeting defence needs that anti-air craft protection was provided just two days before cease fire.

In 1971, the Railway Bridge on Hudiara drain on the D/L section between Raiwind & Lahore was blasted disrupting rail traffice on the section. For temporary repair /replacement of the Bridge, it was the Railway Department which pointed out the need for protection from air attacks during repair / replacement work.

In 1971, even the highest authorities in the Defence Department were not aware that the alternate Railway line on the right bank of Indus was not yet complete. Just befdre the 1971 war when it was discovered by chance that the line was not complete that orders were^given to the Railway Department to complete the line on top most priority. The Railway Department realizing the urgency completed linking of track skipping over other works of yards and buildings etc. It was a hurried job but the needful was accomplished just before the War.

It would thus be obvious that with the special place of the Railway in the defence planning, it must be kept under state control.

2- To Raise Railway Foundation.

Pakistan Railways being multi-discipline technical organization comprises all engineering professions as well as specialized profession of Railway operation and commercial activities. During the course of service in the Railway; Railway personnel while working in the technical departments of the Railway and doing professional work regarding commercial and traffic operation acquire high degree of skill and experience. After completing their tenure of service in the Railway such Railway personnel become available and are still left with usefulness to serve the country in general. However, it is unfortunate that such a large reservoir of skilled and trained man power is not made use of in the pubic and private sectors and goes



waste. There is no other organization after the defence services where such a large body of technical and professionally trained people are available.

To make use of technical and professional skill of retired Railway employees, formation of Railway Foundation should have been the first priority. Formation of the Railway Foundation would have served the interest of the Railway on the one hand and that of the concerned employees on the other. It is a tragedy that at present it continues to be national waste. Attempts in the past; first in mid 1980's and second in mid 1990'sliave not gone to the logical conclusion and the proposals have frittered away for one or the other reason. It is, therefore, extremely necessary to create the Railway Foundation for supplementing maintenance and construction activities of the Railway as well as in other sectors (like Fauji Foundation). This can only be brought about if the Railways remain under the Government control.

3- To provide links with foreign Railways.

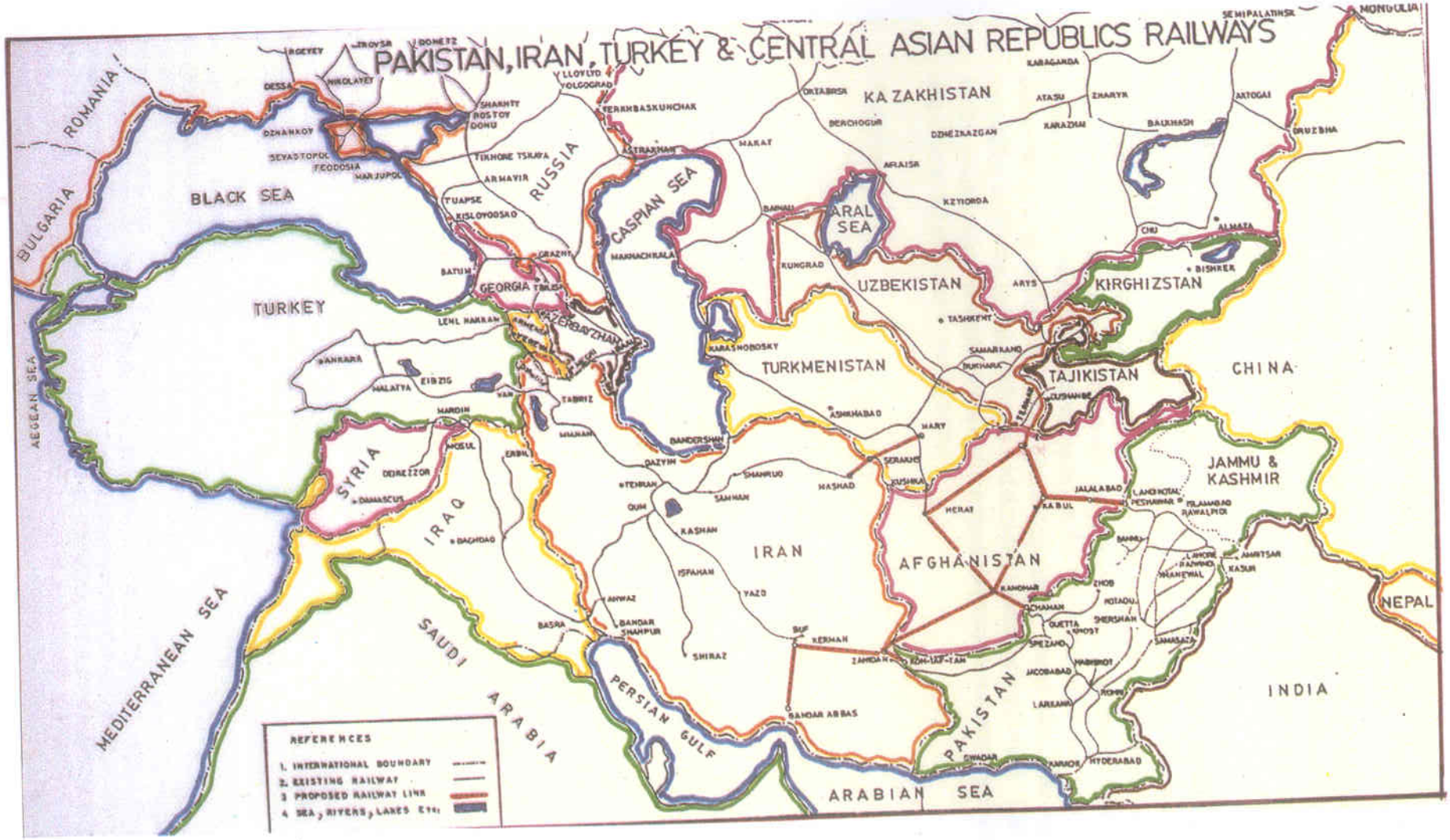
The proposed extension of the Pakistan Railways to link with foreign Railways would be possible if the P.R. is kept under State/Government control for better out-come. It is most unfortunate that existing Zahidan extension of PR into brotherly Islamic country IRAN which has been existing before independence could not be extended to link the Iranian Railways at Kerman for one or the other reason.

Credit goes to IRAN for losing no time to link the Iranian Railway with that of Turkmenistan and thus linking with other central Asian Railways. While P.R's. proposal to link the central Asian Railways through Afaghanistan still remains a dream. The civil war in Afaghanistan has been cited as the most serious obstacle in provision of the desired link but the political reaons which remain the principal hurdles behind the scene are not high-lighted. World powers have their own global interests to foster, which have kept Afaghanistan without a Railway all these years, continue to influence the linking of central Asian Railways to the P.R. for reaching the warm waters of Arabian Ocean.

With privatization of Pakistan Railways the urgency of the matter would receive serious set-back. It is through government initiative that the proposed link could materialize and only thereafter the private sector encouraged to utilize the Rail facilities for making maximum use of the trade potential of central Asian countries.

The Map at **Annextire X** gives the position of various Railways in the Region. The only change is the link of Iranian Railway with Turkmenistan which has since been completed as stated above. Pending provision of rail link through Afaghanistan in the near future, it would be desirable to link the PR from Zahidan to Kirman in Iran to indirectly connect the central Asian countries by Rail.

Simultaneously the PR terminal at Chaman should be activated through trans-shipment by road upto KUSHKA, the Rail terminal of Turkmenistan, inspite of the fact that initial attempts in this direction have not been fruitful due to routing of the


PAKISTAN, IRAN, TURKEY & CENTRAL ASIAN REPUBLICS RAILWAYS
ROMANIA
BULGARIA
BLACK SEA
AEGEAN SEA
MEDITERRANEAN SEA
TURKEY
SYRIA
IRAQ
SAUDI ARABIA
RUSSIA
CASPIAN SEA
ARAL SEA
KA ZAKHISTAN
UZBEKISTAN
TURKMENISTAN
KIRGHIZSTAN
TAJIKISTAN
GEORGIA
IRAN
AFGHANISTAN
PAKISTAN
CHINA
MONGOLIA
INDIA
NEPAL
JAMMU & KASHMIR
PERSIAN GULF
ARABIAN SEA
REFERENCES
1. INTERNATIONAL BOUNDARY
2. EXISTING RAILWAY
3 PROPOSED RAILWAY LINK
4 SEA, RIVERS, LAKES Etc.

road caravan of trucks from Pakistan by hostile elements in Afaghanistan. With comparative peace in southern Afaghanistan and with the cooperation of the Taliban Government there is no reason why future attempts should not succeed.

7- Conclusion

The experiment of privatization was therefore abandoned in favour of reforming the Railway set up by introducing short and long term measures. The advantages and requirements enumerated in the first option weigh very heavily in favour of keeping the Railway under State control. It would not be out of place to mention here that in an international Seminar on Privatization held in Pakistan some time back,, the representative of Indian Railways had categorically stated that after conducting a feasibility study the Indian Railways had decided against privatization. That appears to be the sound policy decision as the environment and socio-economic conditions in India are almost the same as in our country.

8- References

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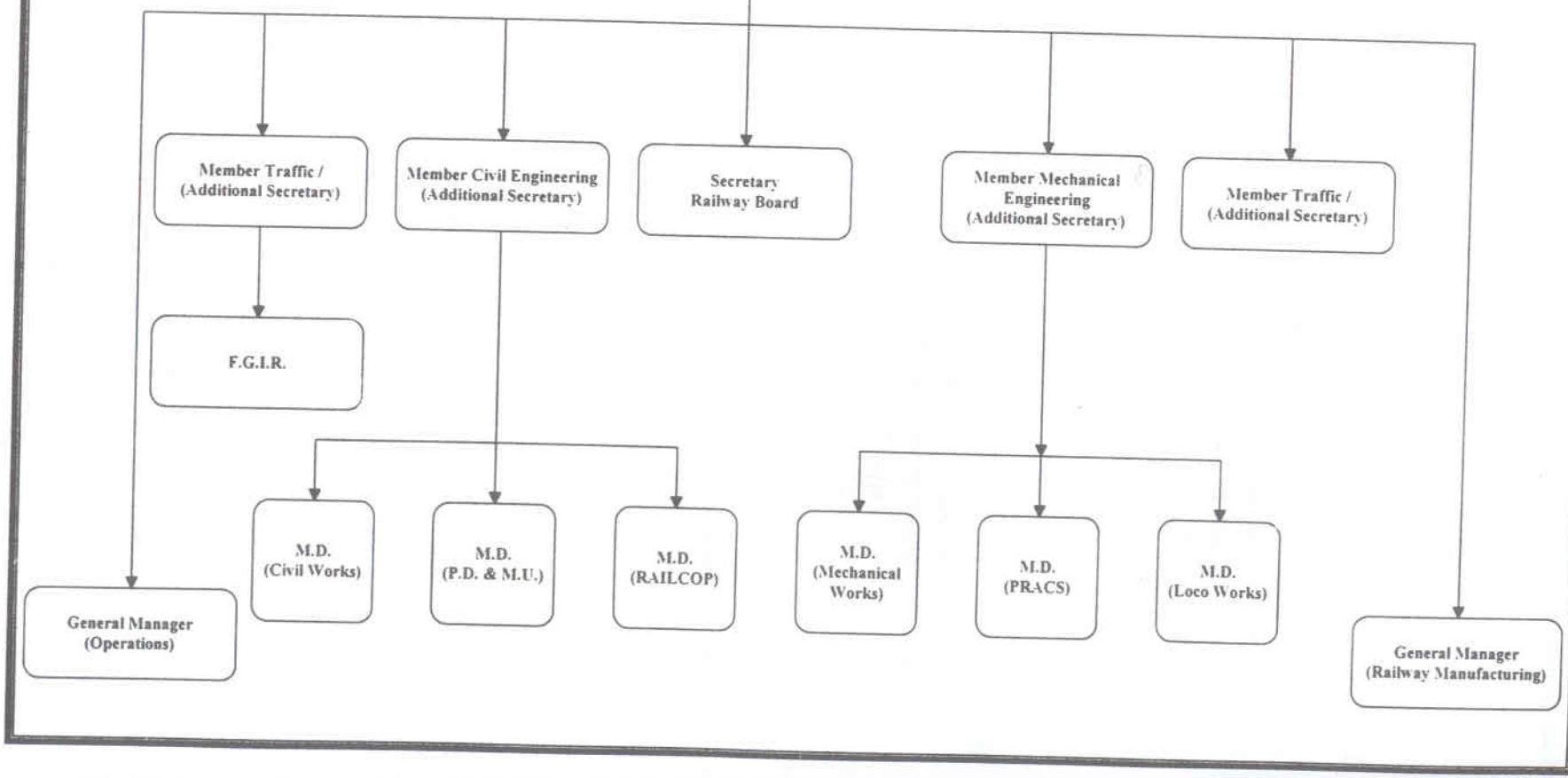
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APPEXDIX-A

PAKISTAN RAILWAYS

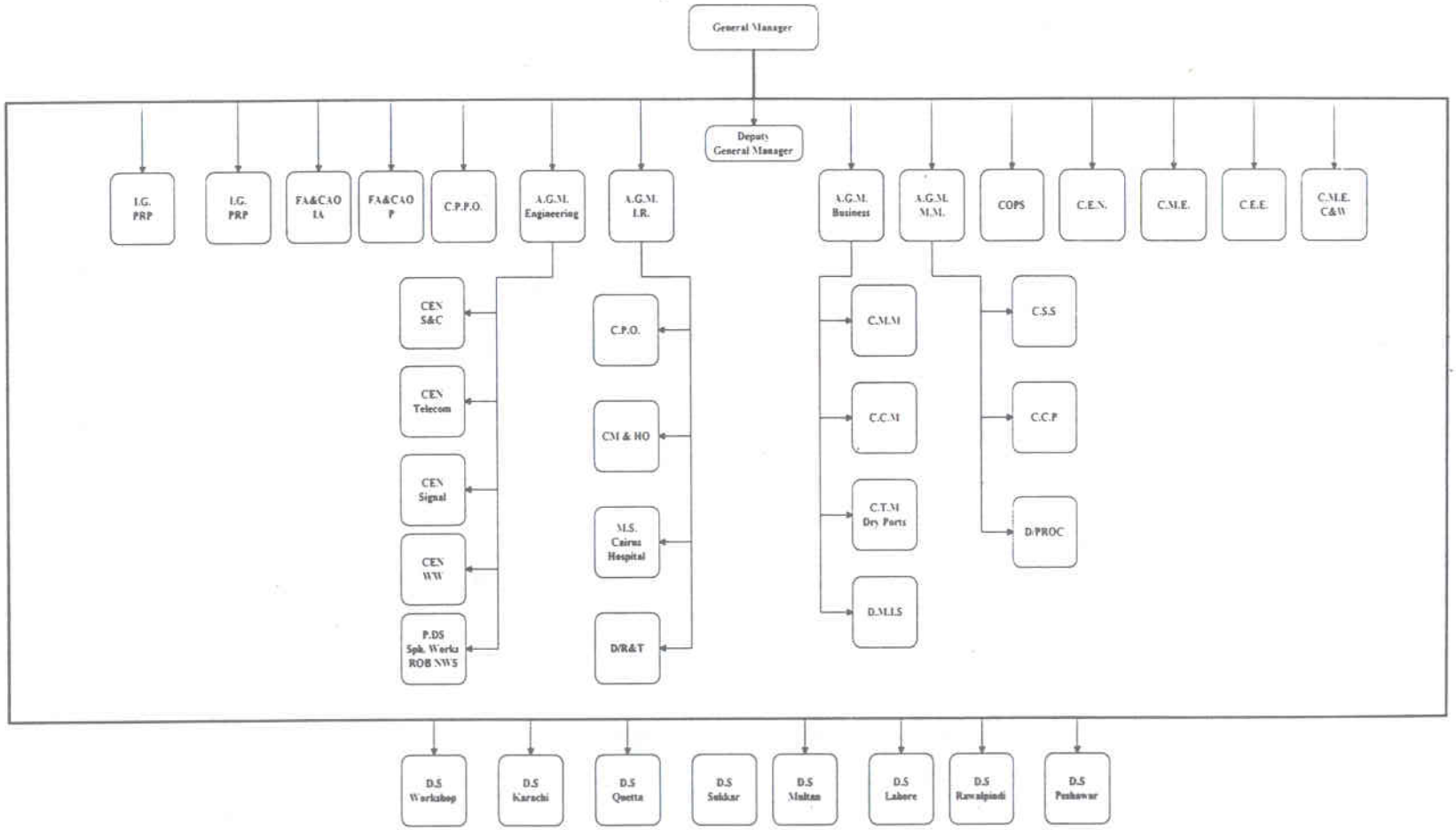
SECRETARIAT
RAILWAY BOARD/MINISTRY OF RAILWAYS
CHAIRMAN/SECRETARY MINISTRY OF RAILWAYS



APPENDIX-B

PAKISTAN RAILWAYS

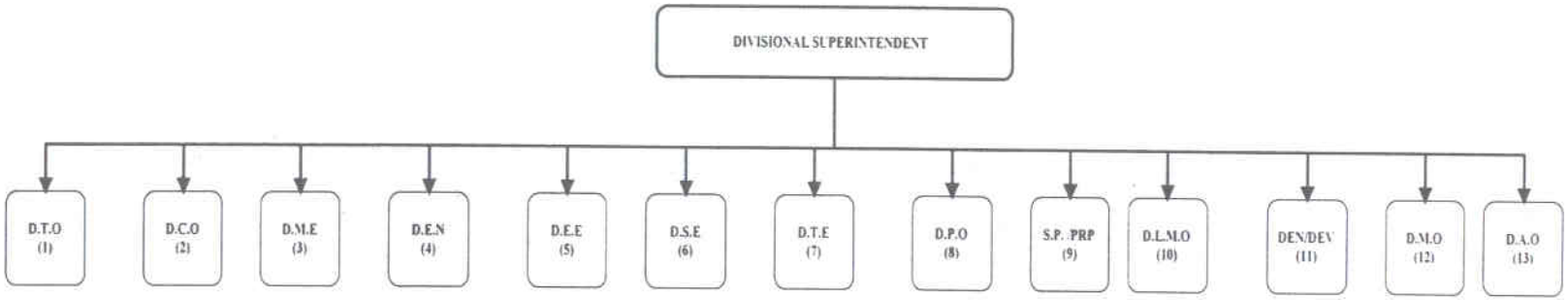
HEADQUARTERS ADMINISTRATION



APPENDIX-C

PAKISTAN RAILWAYS

DIVISIONAL ADMINISTRATION



1.	TRAFFIC	(D.T.O)
2.	COMMERCIAL	(D.C.O)
3.	MECHANICAL	(D.M.E)
4.	CIVIL ENGINEERING	(D.E.N)
5.	ELECTRICAL	(D.E.E)
6.	SIGNAL	(D.S.E)
7.	TELECOMMUNICATION	(D.T.E)
8.	PERSONNEL & WELFARE	(D.P.O)
9.	POLICE	(S.P)
10.	LAND MANAGEMENT	(D.L.M.O)
11.	CONSTRUCTION& DEVELOPMENT	(D.E.N/DEV
12.	MEDICAL	(D.M.O)
13.	ACCOUNTS	(D.A.O)

APPENDIX-D

PAKISTAN RAILWAYS

INTEGRATED FUNCTION

EXAMPLE FOR ONE DEPARTMENT OF CIVIL ENGINEERING

