

Pakistan's Railways

FROM STATE OWNED ENTERPRISE TO BUSINESS MODEL





privatization and public private partnership (PPP) are the three main policy approaches to restructuring and reforming SOEs. Deregulation alone can increase the gross domestic product by 24 percent Qadir and Ullah; 2021. Privatization is expected to reduce the government footprint by 6 percent which is the root cause of low private investment. The government's share in the transport and communication sector was calculated to be around 73 percent Haque, N. & Ullah, Raja. (2020).

The railways around the globe have been restructured in PPP mode. In 2011, the Infrastructure Project Development Facility (IPDF) and Pakistan Railways (PR) published preliminary information on a new Open Access Policy (OAP) for railways. The purpose of the policy was to attract private investment in locomotives, rolling stock, and new facilities for freight services. The OAP did not provide for overall open access for freight operators. Instead, it allows concession only for specific commodities and between specified origins and destinations (Box 3). Unfortunately, PR/MOR did not activate the concessions they had signed. The inability to completely implement the open-access plan which has been in practice for the last 183 years and faltering the process at the last minute indicates the gravity of political interference, the

Over the years SOE's are repeatedly making billions of losses, sipping the taxpayers' hard-earned income mercilessly. The increased reliance on subsidies in the current scenario is unsustainable for the government. The losses of the top ten loss-making SOEs like PIA, Pakistan Railways, power companies, and the National Highway

Sector	Govt. Share in Sector (%)	Sector Share in Economy (%)	Govt. Share in Economy (%)
Agriculture	43.1	19.3	8.3
Manufacturing	11.9	12.5	1.5
Mining & Quarrying	79.6	2.5	2.0
Construction	75.0	2.5	1.9
Transport & Communication	73.4	12.3	9.0
Electricity Oil & Gas	77.6	1.8	1.4
Wholesale & Retail	7.9	18.2	1.4
Health & Education	49.3	6.5	3.2
Finance & Insurance	45.5	3.6	1.6
Other Services	60.0	20.8	12.5
Total		100	42.8

Authority account for 90 percent of the total SOE losses. In PR it was estimated to a prodigious 144 billion PKR during FY 2015 - 2020. The primary focus should be to fix the huge leakages in these ten SOEs.

resistance within the PR to any change, the incompetence and non-existence of business ethics or model.

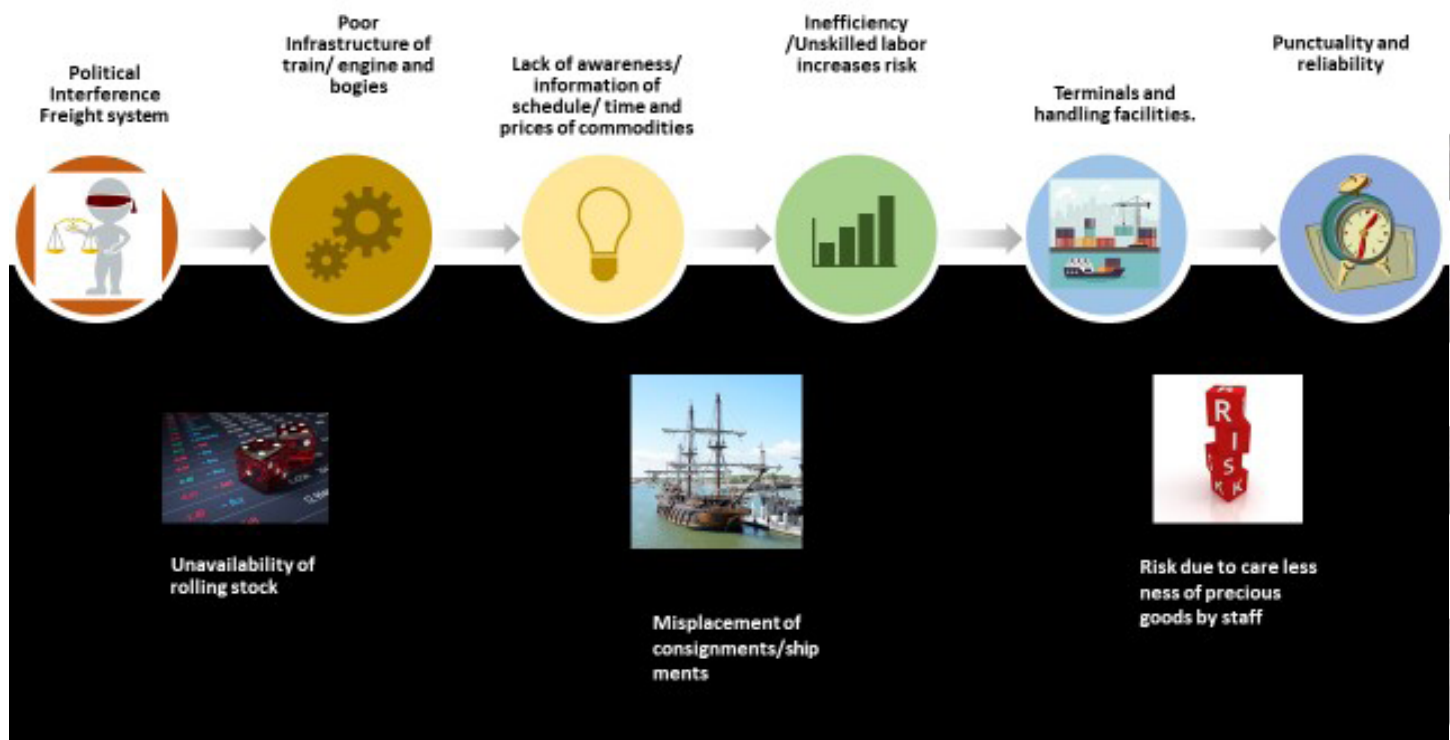
There is an enormous freight potential that can help the PR to turn the balance sheets in its favor and exit from the list of top ten loss-making State-Owned Enterprises. The freight market analysis reveals that PR has the potential of 58 daily freight trains, which it is not managing. According to an estimate, it is equivalent to the loss of PKR 5 million per day. For the domestic cargo of 1.8 million TEUs, a total of 24 trains per day are required. Only for coal, there is an unapprehended market potential of

Some Statistics of Pakistan Railways (PR)

Despite these statistics, the PR Placed in the "Retain and Restructure" category after the State Owned Enterprises (SOE) triage exercise in March 2021. Deregulation,

20 trains daily from the South to North corridor. For oil, there is a potential freight of 14 trains per day from South to North. However the landscape of freight has changed drastically in the last 15-20 years. The railways freight is just a small part of a extensive global supply chain. As the logistics have become multimodal, the choice of mode rests with the freight forwarders. The balance between the cost and the consumer satisfaction drives the decision of modal choice. PR has to accept the reality and proceed accordingly.

According to a survey conducted by PIDE, the freight forwarders in the three major cities of Pakistan including Islamabad, Karachi, Lahore and Peshawar recorded the following concerns and suggestions. The freight forwarders not only identified the issues and concerns but also suggested practicable solutions as well. The major concerns of the firms are political interference, poor infrastructure of train/ engine and bogies, lack of awareness/ information of schedule/ time and prices of commodities, inefficiency /unskilled labor increases risk, slow terminals and handling facilities, poor punctuality and reliability, unavailability of rolling stock, misplacement of consignments/shipments and risk due to mishandling



of precious goods by staff. However, the survey conducted by PIDE, reveals that majority of the freight forwarders in five major cities of Pakistan, neither use railways, nor are aware of the online railways prices, schedules etc or

the booking system. The prime reason put forward for not using railways is the non reliability of the services. And the major suggestion for the PR by the informed participants is the improvement of customer services.

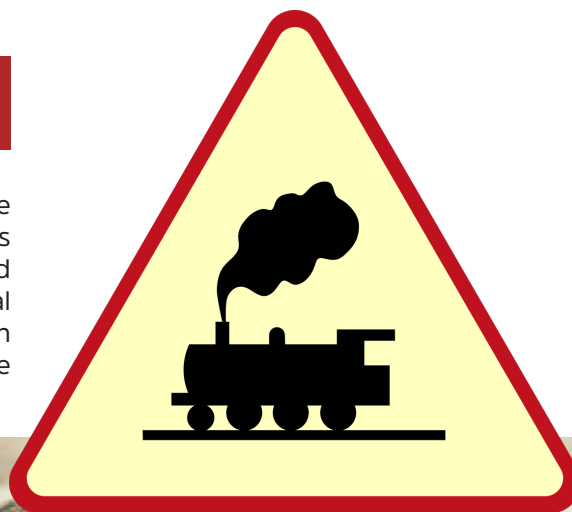
Suggestions



The survey reveals interesting findings:

1. Demand for Pakistan Railways (PR)

There is a demand for PR. This demand drives from the unsettled prices frequently altered by the road operators in response to the current market demand. The road operators charge twice or sometimes thrice their normal rates in case of any derailment / accident or cancellation of trains by PR. This distorts market prices and reduce the shipper's surplus.



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need to tap this potential demand through more consumer centric and business orientation

2. Sludge in Pakistan Railway (PR)

The “Advance Payment” of invoices and fees by PR and very flexible payment mechanisms by the road operators also make PR an inconvenient mode for the shippers. The competitiveness of the PR can be improved with the introduction of digitized payment modes. The payment on delivery can also enhance the consumers’ confidence in the services.

Comprehensive Digitization

3. Reliability, Punctuality

The safe and on time delivery of the consignment remains the focus of the customer. The delay in the freight train leads to losses of around 12 million PKR per hour in the manufacturing GDP only. The delays attribute to multiple factors like the current manual operations, poor quality of rolling stock and the deteriorating tracks. As a short to medium solution, a Radio Frequency Identification (RFID) chip on the containers can be used to track the containers of the shippers.

4. Valiant Business Approach

The fierce competition from road operators means an equally efficient business orientation by PR. The unfavorable chronic trends of passenger preference over freight, governance failures, and fixed tariff can be reversed with counter pole policy nudges. These can bring momentum to remove further bottlenecks, increase business, raise revenue, and unleash economic activity and let the “engines of growth” lead economic growth.

To regain the modal share of

25% as per the national transport policy, PR must establish itself as a commercial entity not as a state owned enterprise.



In the modern ecosystem of logistics, the intermodal services are delivered by multiple public and private organizations which are operating in highly competitive market. The share of each mode in the supply chain depends upon the quality of the services offered. The medium to long term strategy is the PPP mode for PR. The open-access regime can still be a good starting point for a comprehensive business model of PR. Under the ambit of PPPA, there are 5 railways project in the pipeline. Railways is the implementing agency in case of 8 PPPA pipeline projects.

In the short term, the implementation of the reforms already approved via different policy instruments is required to overcome barriers and creating opportunities for both PR and private sector. There is PPP in the operations of PR. The question arises, What about land? Can't there be PPP in the use of land also.

Land Encroachments - "State-Owned Enterprise Mafia".

The conflict between the provinces and PR over the ownership and use of land should be resolved on priority basis.

PR has 178000 acres of land, out of which 145 000 acres is being used for operational purposes. The remaining 33 000 acres is the "Right of Way[1]" entitled to PR (Anwar, S; 2022). More than 5,000 acres of Pakistan Railways (PR) land is under encroachment in Sindh and currently in the use of different individuals, groups and even business organizations for residential, commercial and agriculture purposes for the past many years. In 2022, PR retrieved 267 acres land in Punjab, 133 acres from Khyber Pakhtunkhwa, 106 acres from Sindh and 23 acres from Balochistan. Out of the total land, 91 acres were commercial, 309 acres were residential and 104 acres were the agricultural land of the PR. Despite an aggressive anti-encroachment operation being carried out in coordination with law enforcement agencies a huge part of PR property remained in illegal use.

There are a total of seven stations in Narowal, Okara, Hasan Abdal. which are not being used. The ministry can tap commercial resources of the railway stations by building hotels, hostels and markets on unused stations to strengthen its finances[2]. The productive use of this dead capital via lease to the private sector will increase economic activity, raise revenues for the PR and decrease the dependence on subsidies.