



Interviews

AN INTERVIEW WITH *Mr. Saeed Akhtar*

Mr Saeed Akhtar served Pakistan Railways (PR) for about 35 years of his life in different senior management positions. He actively participated in the PIDE –RE webinar series on PR and enlightened the audience with his views and enriched the discussion with historical back ground of the current issues. Below is the discussion he had with PIDE team on the current status of PR and the way forward.



How do you see the current situation of PR? Where does the enterprise stand today as compared to the last two decades?

Whether PR was better or not, compared to past, depends how you gauge it? There can be different parameters. From my point of view we must understand that Railway is no more a social service. It is a business. It has to compete with its rival modes i.e. highways and to some extent air also. It is no more a social service as it is normally conceptualized by public and particularly the politicians of this country. If the governments/ politicians still intend to treat it as social service, then expecting profits is unrealistic. It will continue to be a burden on government exchequer.

Decade of Nineties was even worse. In addition to financials, quality of operations was compromised. This decade witnessed the worst rail accidents of the history killing hundreds of passengers. This was the time when starting feeling heat of continuously increasing losses and worsening performance. With the guidance and support of World Bank, Open Access Policy was formulated and efforts were made to implement it without any success. After failure in implementing Track Access Regime, The Government decided to restructure and privatise the PR. Later government changed due to Martial Law, the new army-based management reversed the whole restructuring process putting PR back to square one.

The next decade started with top management by army persons. Lot of money were inducted. New locomotives, passenger coaches and freight wagons were purchased. Conversion of single line to double line from Lodhran to Lahore was started. Labour unions were curbed and as a consequence discipline improved. The organisation started showing some positive signs financially with better quality of service. In the year 2005, PR was shown covering its operational cost. However, this superficial improvement proved temporary due to a major accident of three trains colliding. The journey of degradation again started at a faster pace.

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State Bank of Pakistan, in the year 2009, capped the PR account to put a complete stop to ever increasing overdraft. Thus, the decade (2001 to 2010) ended with bleak picture. And so, the next decade (2011 to 2020) started with grim environment. This decade witnessed the worst financials and extremely poor performance. PR had no money to purchase fuel, pay salaries and pensions. There was severe scarcity of funds for procurement of vital items. The freight trains operation minimised and a time came when almost no freight trains were operating. Number of Passenger trains were reduced to minimum. Later, PR was awarded a contract for transportation of coal for Coal Based power plant at Yousafwala (Sahiwal). This was a captive traffic and PR had a sigh of relief by operating coal trains under this contract. But other freight traffic remained stagnant rather reduced.

From the above discussion, the picture clearly emerges is that Performance of PR has grossly degraded compared to the past.



Railways around the globe have restructured themselves. What is Pakistan Railways' own policy now? How much progress has been made in restructuring? Are any visible effects of the policy so far? Why is the process so slow? What are the major hurdles now?

PR has no policy of change. PR is following the policy of Status Quo. PR is following the policy of continuing to operate on the similar lines as it has been operating since last 40 years. Interesting part is that walking on the same path of last 40 years, PR will reach a different destination; the destination of success, profitability and high growth.

Following are three vital ingredients for restructuring of PR, and for that purpose for any organisation

- Well thought, realistic and matching to local environments Restructuring Plan
 - Strong Political Commitment by a stable and strong government.
 - Professional Change Management by expert, mature and capable professionals.
- None of the above three ingredients is existing at the moment. Government is happy with the status quo; PR management and employees are quite comfortable with Status Quo; The bureaucracy is very happy and satisfied with status quo. So, there is no chance visible for any restructuring in the near future, at least not in my knowledge. In my view, the major hurdle

is the government (Bureaucracy and politicians included) who are neither interested nor knowledgeable for any such venture or revolutionary change.



The advisor to PR discussed the consumer centric business plan of PR in one of the webinars of PIDE. The advisor has resigned like many others. What is the status of that business plan now. PR is business oriented or it's a connectivity model?

I also heard the valuable deliberations of eminent advisor. He, perhaps, joined PR with a mindset, that the existing management of PR is just ignorant, inefficient and incapable. Unfortunately, this normally the mindset of every outsider; may be the honourable ministers, worthy Chairmen selected from bureaucracy, similar advisors and sometimes even the finance officers posted in PR from Pakistan audit and Accounts service.

Whatsoever innovative steps, the honourable advisor suggested, had already been

tried on PR with no success. Every one should understand, until an organisation is not successful in her core business (train operations in case of PR), the peripheral activities are just wastage of time and resources. He narrated all that without looking into the previous initiatives and their fate. That is why, I think, he soon realised his expected failure and resigned.

There is no active-well-planned Business Plan in my knowledge. I still maintain that PR should be run as a business without any role of the governments in business affairs. Governments must decide the fate of un-economical, loss making lines keeping in view strategic and social considerations. PR should be un-burdened from the load of strategic & social lines.

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What kind of institutional framework do you see given the sort of the current reforms?

What are current reforms? There is nothing in my knowledge. Every Minister and Chairman comes with his own so called, reform agenda, rejects all previous changes and starts implementing his own preconceived concepts.

They are never serious in reforms but, by this way, they buy time to satisfy the government, media and public that something good is being done. When these people complete their tenure, result is zero and everything comes back to square one.

One serious effort of structural reforms was made in the year 1997 (which was made to fail by strenuous efforts of PR top management). A very negative impact of these numerous so called, reforms/restructurings is a permanent environment of 'un-certainty' in the organisation. Adhocism is now the order of the day.

The minister establishes his authority by working like Chief Executive Officer, by controlling transfer/postings, recruitments, ordering train stoppages and introducing new trains (for political gains), interfering in award of contracts. Senior General Manager is the so-called CEO but his team of senior officers (BS 20 & 21) is selected by the Chairman and Minister and then CEO is expected to perform!!!

Coming back to the question of Institutional reforms? If autonomy is the basic and foremost requirement for a successful business, we have two options

1. Going back to the Organisational structure which we had in fifties and sixties. That was similar to what Indian Railways have even today

2. Learn from the experiences of other world railways who have restructured themselves and performing successfully.

Question: Among the two options, which one do you think is a better option?

My personal view is that going back to the organisational structure of fifties and sixties is no more possible.

To learn from the experiences of world railways is the only option. Pattern of re-structuring, which was exercised during 1997-99 appears to be more plausible. Similar structure is successfully performing in many countries e.g. Sweden, UK, some South American countries, Australia etc. Practise of Private trains in most of the world railways is a norm.

Question: How can it be achieved? What will be the way forward, a PR transportation policy?

Definitely, another important issue regarding institutional framework is the existence and implementation of Transport Policy of the country. A Transport Policy was previously developed probably by Ministry of Communication but still waiting implementation. A question still remains whether a Transport Policy, prepared under the purview of Ministry of Communication (which owns the highway sector in the country and a competitor of railway as a mode of transport) can be impartial, logical and pragmatic in defining the role of railway viz-a-viz highways in the country. In view of above discussions, my suggestions are as following

- A. Transport policy may be reviewed to match it with overall master planning of the country, regional connectivity like CAREC, CPEC and needs/requirements of other stake holders.
- B. An independent body must be created to monitor the implementation of Transport Policy and rationalizing the Transport Policy as per emerging needs.
- C. PR will never be an efficient and vibrant under the umbrella of the government. It can not sustain as a government department and will always remain burden upon exchequer draining out the money of tax payers
- D. Ministry of Transport should be constituted placing Highway sector, Railway Sector, Civil Aviation and Maritime services under one roof i.e. Ministry of Transport.
- E. A National Railway Authority (on the pattern of National Highway Authority) be founded to take over the Railway Infrastructure
- F. Following three companies, initially owned by the government, be constituted to take over the train operations

1. Rail Freight Company
2. Rail Passenger Company
3. Rolling Stock company

After words these can be divested through stock markets.

G. Non-core activities should be privatized or outsourced

H. Manufacturing units should be corporatized and divested.

I. Railway Regulatory authority be founded to regulate the railway sector in the country

J. Infrastructure Company should aggressively implement and promote Open Access Policy and optimise the use of the capacity of Infrastructure

K. Government should take conscious decisions regarding loss making lines. If Governments wants to continue them for social or strategic reasons, then these should be reasonably subsidised.

It would be preferable if a fresh study is conducted to frame restructuring proposal and consultants be appointed for change management and implementation of restructuring plan.

? Human resource management is a huge issue. Are the people currently responsible to manage operations of Pakistan will be really sensitized about it progress development and reformation and do they have capacity to run it effectively and absolutely.

Undoubtedly Human Resource is the most important and vital source of any organisation. Performance of any organisation is directly related with the quality and productivity of its Human Resource.

The current situation of PR is in fact the appropriate reply of both the questions. Had the HR of this sick organisation really sensitised about its progress, development and reformation, the conditions of PR would not have been that poor. Moreover, capacity of HR to run it effectively is a serious issue since long.

The situation on ground is that currently both the management and employees of PR are demotivated, frustrated and demoralised. They lack direction and the environment of un-certainty depicts no ray of hope for them. Their genuine perks and privileges are gradually diminishing due to lack of resources. The management and employees

of an organisation, which has no direction, which is constantly under criticism, whose future is hazy will remain demotivated, frustrated and demoralised.

Regarding the capacity to run PR effectively, following are few facts.

- a) It has a large Finance and Accounts Department, but there is not a single Chartered accountant in the department
- b) It is a Transportation organization but there is hardly any Transportation Engineer in this organization.
- c) It is a so-called Commercial organization, there is no Transportation economist or MBA.
- d) It is a business organization of about 80, 000 persons but professional Business Managers are non-existent.
- e) Organisation is expected to depict its profit/loss but there is not a single qualified Cost Accountant in the whole organisation.
- f) Procurements and many other decisions are constrained by bureaucratic rules and regulations, which inculcate inefficiency and corruption

Moreover, system of performance evaluation and promotions is nothing but useless. Stereotype Performance evaluation reports serve no purpose. Promotions are only based on seniority without linking it with performance/merits. There is incentive for the officers and employees to work hard.

Most comfortable policy for the persons is 'avoid working and decision making'. Because you will be promptly punished for any perceived wrong decision and your numerous good decisions will carry no weight.





Lack of automation in railway in Pakistan. Worldwide railways companies are investing on automatic condition monitoring system and in Pakistan still we have very old system in which we have people inspecting tracks manually also the rolling stock maintenance is manual. Where does PR stands in terms of automation?

The observation is very correct. PR is only at the infant stage as far as automation is concerned. It is not only the automation but severe lack of mechanisation is equally important issue. Half hearted efforts of mechanisation have been bitterly failing. However, automation and mechanisation cannot move and progress independently. Quality of Infrastructure, quality of human resource has to be up to the mark and should match with automation and mechanisation process. For example, automation and Mechanisation will not be able impact a track having high percentage of sleepers, defective worn out rails, obsolete fastenings etc. So, both things are important strengthening and upgrading of Infrastructure and other assets and simultaneous automation and mechanisation.



Should we not set up a new completely independent railways company for ML-1 so that we proceed with ML1 without even Pakistan railways and continuing developing that how do you think about that?

I agree with this concept. In fact, ML-1 is the Cash Cow for PR. More than 80% industry and population centres are located on this line. This concept was once presented by World Bank. Purpose was to separate potentially profit-making railway lines from strategic and social lines. Both parts should have independent accounting mechanism. In this way the accounts will become more transparent. Potentially profit-making lines should sustain at their own and continue growing and developing thus serving the country positively. Government can decide about the other part whether to continue strategic and social lines or close them and if the government decides to continue with them, its services will have to be subsidised. As I have already suggested that a new organisation should be constituted which should be autonomous and ML-1 and Khanewal-Shorkot-Faisalabad-Wazirabad link be placed under this new entity.

Question: How is PR dealing with the pension burden?

Answer is simple. PR is dealing with the pension burden by begging money from the government on monthly basis. Government should establish a pension fund after assessing the funds requirement using actuarial services.

However, if PR is restructured as discussed above, the services of the employees of Authority/corporation or companies will not remain pensionable and gradually PR will get rid of pension burden.

Question: Which vision can help PR to get healthier balance sheets?

Autonomy, restructuring and Public Private Partnership are the key factors. If these concepts are implemented, positive results can be achieved.

