



**Webinar**

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## **Track Access Charges:**

### **The Current Regime and International Practices Introduction**

**Pakistan Institute of  
Development Economics**

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## Webinar Series on **Pakistan Railways** **3/7**



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# Track Access Charges: The Current Regime and International Practices

Live on Zoom

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## Introduction

Pakistan's railway sector is not "on rails" and the sector seems to be wrapped around a single institution, Pakistan Railways (PR)—managed collectively by the Ministry of Railways (MoR) and PR. The crisis in PR started in the 1970s and continues to this date. The passenger traffic has reduced, freight traffic has truncated, revenues have scaled-down while working expenses have soared. Most of the locomotives are found in warehouses in need of spare parts. Interference from politicians and bureaucracy, and the inability to modernize the 19<sup>th</sup> century inherited railway asset has led to mere mismanagement and rot. Pakistan.

Opening the sector also requires allowing multiple railways services operators to access the tracks—thereby starting the introduction of competition by introducing track access charges. Track Access Charges involve conflicting objectives: particularly between the efficient use of existing capacity and the recovery of costs. Different countries, depending on the infrastructure historically in place, attach varying degrees of importance to these objectives thereby creating a complex multiplicity of systems

## Key Messages

### Mr. Richard Bullock

- The track access agreements are contracts between train operators and track authorities to run trains by one entity on another's tracks.
- Track access agreements are rooted in over a hundred years of history. The main adaptors of this agreement were Russia, the EU, and Australia.
- It was adopted to retrieve the cost. Back in history, in 1837 one-third of charges were paid by the other entity or company.
- British used to retrieve the cost of tracks through levying charges on gross per ton. The USA did it in a much simpler way through rents on wagons.
- Track access agreements allow independent parties to run or operate trains on state-owned railway tracks by fulfilling the technical and financial requirements set by the owning party.
- Russia, the EU, and Australia encourage the independent parties to step into the train operating system.
- The track access working mechanism is based on three main key elements; i) it is run by two parties, track authorities and train operator, ii) both under the same holding party, and iii) it varies from country to country due to different political and economic strengths of countries.
- Track Access Agreements involve, check and balance and maintenance of tracks and trains, responsibilities of track authority, train operators, recovery of costs, recovery of accidents.
- Like it differs due to economical-political capacities, it has different names in countries. In Australia, it is known as Access Undertaking. Whereas, in the EU, it is called Network Statement.
- The major objective of retrieving cost is attained through track charges. These track charges are solely based on 3 major key elements as what proportion of cost should be recovered, how it should be recovered, and where such levied charges are to be used to increase the efficiency of a country's railways.
- These track charges also differ from country to country depending on its socio-economic conditions. For instance, in Eastern European countries, such agreements are freight-oriented hence generating revenue to use on other ministries like education, health, etc. However, richer countries or Western Europe focus more on passenger-oriented track access to facilitate the citizens. But marginal cost price is a must to retrieve in both cases.

### Mr. John Winner

- There is a possibility of a potential market for railways in Pakistan due to many people living on the other side of Pakistan or Northern Areas.
- Unfortunately, despite such potential, there is no active dominating market for railways due to ignorance of the state towards Railways. Govt. has been involved in increasing freight road transportation instead of inclining freight-oriented trains. Every year, there is a humongous amount invested in highways, roads to facilitate independent trucking business. That has mainly served to shift from railways to road transportation mode.
- This ignorance has caused the collapse of railway freight transport, but it also declined the revenues of railways which ended up in a circle of low revenue and low inefficient services.
- After the collapse of freight trains, Pakistan Railways opened track access in 2011 to attract the private sector. A 20-year term plan was released by Pak Railways in collaboration with the ministry of finance entitled "Preliminary information on a new open access policy. Private sectors were given a concession of freight services for specific goods like oil, containers, phosphate, GITA, cargo, coal/cement. This plan was partially open access but it increased the revenue of Pak Railways.
- In this plan, the private sector was asked to buy their wagons, locomotives, rolling stock, and pay charges of tracks to the railways. The private sector was prohibited to rent trains and they must pay per ton of KM.
- Another key feature of that open access plan was to build new tunnels by private sectors, and it was restricted to some limited routes.

### **Mr. Jawaed Siddique**

- The history of the open-access approach in Pak Railways started back in 1995. But the plan was signed in 2011 after the collapse of freight-oriented trains. At the time of the collapse, there was a dire need to uplift the national railway system. Therefore, a twenty-year plan was signed with the private companies through transparent public bidding.
- The private sector eagerly participated in the bidding to uplift the capacity and efficiency of transport through railways.
- This plan was a zero investment plan for the gov because Pak railways could have been retrieved their cost and increased their revenue as in trains run by Pak railways cost of fuel, locomotive maintenance, the staff operating cost, tracks cost were included. Whereas these all cost under the open-access plan private sector would have to bear plus they were bound to pay charges of the track to the railways as well.
- Only 4% of freight transport is done through railways in Pakistan, this plan could increase the revenue and decrease the cost of Pak railways. We can run around 76 freight trains per day but right now we are running 9 to 10 trains per day.

### **Mr. Muhammad Ishfaq Khattak**

- Pakistan Railways works under the act of Indian railways of 1918. Freight trains are all about bulk and long haul. Currently, Pak railways are running 10 million tonnes per annum. The target is to run 40 million tonnes per annum by 2025.
- The open-access plan was released for the mainline one which has a total of 80% of routes from a total 7700 KM length of total routes. But these tracks are depreciated infrastructure-wise. There are a total of 461 locomotives in the countries among them only 323 are active but these active locomotives also need maintenance. The actual capacity of per day running trains is 72, but there are only 9 to 10 trains running daily. That is all due to the focus on the passenger trains side.
- Because the revenue of the railways decreased in freight-oriented trains, from 64% in 1974-75 to 15% today, whereas, in passenger-oriented trains, the revenue increased from 30% in 1974-75 to 69% today.
- The primary objective of the open-access plan of 2011 was to increase the railway's transport market, increase revenue through taxes and increase the efficiency of Pak Railways.
- The lack of confidence of the private sector in the Pak railway did cause a delay in the activation of the plan.

### **Conclusion**

There is a dire need for political stability. The government has to decide whether to focus on traffic or the commercial side. There are better opportunities for open access plans since the private sector must invest in building freight terminals, locomotive wagons. That will increase the overall efficiency of Pak Railways.



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