www.irmbrjournal.com September 2014
International Review of Management and Business Research Vol. 3 Issue.3

# Pakistan Railways at the Verge of Collapse: A Case Study

**MUHAMMAD ASIM**
Chairman-Department of Business and Management Studies
Nazeer Hussain University Karachi.
Email: masimku@hotmail.com

**QANITA IMTIAZ NAFEES**
Lecturer- Department of Business and Management Studies
Nazeer Hussain University Karachi.
Email: qanitaimtiaz@hotmail.com

## *Abstract*

*An effective railway system of the country facilitates commerce and trade, reduces transportation cost and promotes rural development and national integration. Pakistan Railway is a national state-owned rail transport service of Pakistan, head-quartered in Lahore and administered by the federal government under the Ministry of Railways. Pakistan railway provides an important mode of transportation throughout Pakistan. It plays an important role in bringing the farthest corners of the country closer for the purpose of business, sightseeing, education, pilgrimage and many other important services. Pakistan railway is not only the cheapest yet safe mode of transportation, this public state enterprise is also the largest civil employer of the country but currently the dwindling sustainability of Pakistan Railways (PR) continues to be of great concern to the pride of Pakistani people in general and causes a serious dent in the image of Pakistani management prowess in particular. Unfortunately over the years lack of attention, poor policies, increasing expenditures, misappropriation of funds, pilferage, nepotism, floods and inadequate technology and mismanagement have left Pakistan Railway with huge budget deficits running in billion of rupees and other crises have enrolled PR that seriously had aggravated appearing as question mark on its sustainability. This study attempts to highlight the current deteriorating condition of Pakistan Railway from an operational, financial and other related perspectives by analyzing the various factors responsible affecting the performance of PR both at the local and global level. The consequences and implications of this grave situation on the national economy are identified and in particular the role and support of government in response is also accounted. Although the continuous decline had left PR nowhere on a global level yet efforts were made to compare PR with other countries in particular neighboring countries such as India and China and also signifying the importance of PR on a competitive basis in comparison to other modes of transport is also discussed.*

***Key Words:*** *Transport Policy, Market Share, Infrastructure, Asset Issues, Privatization, Mismanagement, PR.*

## Introduction

It can be undoubtedly argued that the economic development of a country largely depends upon its effective logistic/transport system. Among these the advantages of rail network supersedes other modes in various aspects. The idea of a railway system was first initiated in 1850's. During the British ruler ship in the Indian Subcontinent which was initially named as " North Western State Railways", later renamed as " North Western Railways" and subsequently extensions and expansions were carried out intermittently as per needs and requirements and eventually this became Pakistan Railways in 1947 after independence. In 1947, at the time of independence, 3,133 routes kilometers (1,947 mi) of North Western Railways were transferred to India, leaving 8,122 route kilometers (5,048 mi) to Pakistan. Of this 6,880 route kilometers

(4,280 mi) were Broad gauge, 506 kilometers (314 mi) were Meter gauge, and 736 kilometers (457 mi) were Narrow gauge.

In 1954, the railway line was extended to Mardan and Charsada, and in 1956 the Jacobabad-Kashmore 2 ft 6 in (762 mm) gauge line was converted into broad gauge. In 1961, the Pakistani portion of North Western Railways was renamed Pakistan Railways. The Kot-Adu-Kashmore line was constructed between 1969 and 1973 providing an alternative route from Karachi to northern Pakistan. In February 2006 the Mirpur Khas-Khokhrapar 126 km gauge railway line was converted to broad gauge.

Over the past many years, Pakistan Railways has been facing problems and is now on the verge of bankruptcy. With budget deficit of billions of dollars, eroding market share and corruption scandals, the future of Pakistan Railways - once the life line of the country – is grim. At the time of independence both India and Pakistan inherited the Railway Network laid down by British. While India Railways has emerged as a highly profitable organization, contrary is the situation for Pakistan Railways that is struggling for its survival.

Pakistan Railways have been running losses since mid-seventies. This persistent failure owes to absence of a clear direction for the organization, a pessimistic organizational ethos resulting from years of decline and political interference in decision making to the detriment of commercial feasibility

## Pakistan Railways- A Historical Preview

The idea of a rail network was first brought in 1847 by Sir Henry Edward Frere , with the possibility of Karachi becoming a major seaport. He was appointed as the Commissioner of Sindh and sought permission from Lord Dalhousie in 1858 to begin a survey of Karachi Seaport for laying down a railway line. The proposed railway line would be laid from Karachi (city) to Kotri. A steamboat service on the Indus and Chenab rivers would connect Kotri to Multan and from there another railway line would be laid to Lahore and beyond.

On May 13, 1861, the first railway line was opened to the public, between Karachi (city) and Kotri, with a total distance of 105 miles (169 km). By 1886, there were four railway companies operating in what would become Pakistan later; the Scinde (Sindh) Railways, Indian Flotilla Company, Punjab Railway and Delhi Railways. These were amalgamated into the Scinde, Punjab & Delhi Railways Company and purchased by the Secretary of State for India in 1885, and in January 1886 formed the North Western State Railways, which was later on renamed as North Western Railway (NWR) which eventually became Pakistan Railways in 1947.

Another railway line between Karachi and Keamari was opened on June 16, 1889. In 1897, the line from Keamari to Kotri was doubled. It was in the year 1857 when the idea was suggested by William Andrew (Chairman of Scinde, Punjab and Delhi Railway) that the railways to the Bolan Pass would have strategic role in responding to any threat by Russia. During the second Afghan War (1878–80) between Britain and Afghanistan, a new urgency was needed to construct a Railway line up to Quetta in order to get easier access to the frontier. On 18 September 1879, under the orders of Viceroy Council, work began on laying the railway tracks and after four months the first 215 km of line from Ruk to Sibi was completed and became operational in January 1880. Beyond Sibi the terrain was very difficult. After immense difficulties and harsh weather conditions the railway line of over 320 km long finally reached Quetta in March 1887. By 1898, as the network began to grow, another proposed railway line was under construction from Peshawar to Karachi. It was also the route undertaken by Alexander the Great and his army while marching through the Hindu Kush to the Arabian Sea. During the early 20th century, railway lines were also laid down between Peshawar and Rawalpindi and Rawalpindi to Lahore. Different sections on the existing main line from Peshawar and branch lines were constructed in the last quarter of 19th century and early 20th century.

## Organizational Structure of Pakistan Railways

The Pakistan Ministry of Railway is responsible for the overall control of Railways as well as to guide and formulate its overall policy. Pakistan Railway (PR) comprises of four directorates: Administrative Directorate, Technical Directorate, Planning Directorate, and Finance Directorate (Privatization Commission, 2013).

Railway Board is the highest body for technical matters of the Railways; Secretary of Ministry of Railways is also ex-officio Chairman of the Railway Board. Currently Pakistan Railways is a vertically integrated organization with four business units and is headed by a General Manager, who is the Chief Executive Officer assisted by four Additional General Managers, namely, Infrastructure Business Unit, Passenger Business Unit, Freight Business Unit and Manufacturing and Services Unit that looks after: Concrete Sleeper Factories, (CSF), and Carriage Factory Islamabad, (CFI), Locomotive Factory Risalpur, Rehabilitation Project, Medical and Health Service; Railway Construction Company (RAILCOP), Pakistan Railway Advisory and Consultancy Services (PRACS) and Educational Facilities.

### Corporate Profile

There are 200 Freight Stations on this system with 12,000 personnel dedicated to provide service to the clients. The Freight Business Unit serves two major Sea Ports, Keamari and Bin Qasim. Some of the major commodities that are handled include PTA (Chemical for Rayon Manufacturer): Petroleum Oil and Lubricant (POL), Wheat, Coal, Fertilizer, Rock Phosphate, Cement, Sugar, Oil seed Containers and Goods for Transit to Afghanistan.

### Corporate Direction

The Freight Business Unit is a customer oriented department. Its pricing policy is client friendly. All possible efforts are made to reduce cost of transportation and increase revenue through efficiency, innovation and modernization. It proudly serves as the national flag carrier in times of peace, war and calamity.

### Pricing Policy

PR moves cargo on rails at a relatively lesser cost in terms of fuel consumption as compared to road transport and this competitive edge enables the organization to formulate its pricing policy to the maximum advantage. The pricing policy of PR is such that all the commodities are charged on differential basis according to the principle of "What each type of traffic can bear" The rate structure is designed to fix an upper limit incorporating the basic cost incurred in transport value of commodity, its load-ability, susceptibility to damage and pilferage along with various other factors. Promotional reduced rates are quoted to provide incentive to move the commodities by rail or road; seasonal reduced rates are quoted to attract the commodity.

### Dry Port over the System

The containerization of cargo and the establishment of Dry Ports were the steps that further facilitated multimodal movement of goods.

### Cargo Express

A Cargo Express Service introduced since 1974 is now running daily for transportation of general cargo from Karachi City to Badami Bagh / Lahore and Vice Versa. This cargo express has been re-structured with high Capacity and high Speed Wagons along with terminal facilities to increase the present load of

1000 tons to 1600 tons. A similar cargo service has been initiated between Faisalabad Multan and Karachi and vice versa. Presently, these services are being offered five times a week.

**Manufacturing and Services Unit**

Headed by the General Manager Manufacturing & Services, this unit is composed of:

1. Concrete Sleeper Factories, ( CSF )
2. Carriage Factory. Islamabad, ( CFI )
3. Locomotive Factory, Risalpur
4. Rehabilitation Project, Moghalpura Lahore
5. Medical and Health Service
6. Railway Construction Company ( RAILCOP )
7. Pakistan Railway Advisory & Consultancy Services ( PRACS )
8. Educational Facilities

## A Comparative Analysis of Railway System (With Other Modes of Transportation)

**Safety**

In comparison to other modes of transport rail transport is relatively reliable and safe. The rate of accident for rail traffic is negligible which is obviously not true for the case of road transport where both the occupants and vehicles are more prone to direct danger of accident. Thus high level of safety makes the rail transport more favorable and preferable. The appropriate employment of this mode to its full potential can help reduce the congestion and anomalies of road transport ensuring a further safer and smooth travelling.

**Responsibility for Ecology**

The uneven sprawl of urbanization as a result of increasing industrialization resulted inevitably in the imbalance of ecosystem. The advancements in technology witnessed transformations in every sphere of life and thereby various modes of transportation competed resulting in polluting the environment to varying degrees. The number and volume of transportations grew day by day depending on the requirements of speed, punctuality, reliability and flexibility. Millions of tons of goods are transported each day by various traffic modes that impact the ecological environment. Railway traffic is an efficient and environment-friendly transport system in many cases, whereas large volumes of goods can be transported over long distances swiftly with minor impact upon the environment. Compared with automobile or air transport, railway transport produces the lowest amount of emissions and requires much lower costs on regeneration of damaged environment. From the total amount of costs on reduction of negative impacts of transport industry on environment, only 8% comes from railway transport, whilst 90% comes from road transport, even though its traffic performance is 50% lower than the traffic performance of railway transport (uic.org, 2012). Another important argument placing the railway transport above the road transport is the lower occupation of agricultural land. While road transport occupies almost 74% of such land, railway transport occupies 27% only, even though its traffic performance is almost twice as that of the road traffic (zscargo.sk website, 2008), also noise strain produced by the railway transport is lower than the road transport. Intensity of rail traffic results from time tables and railway network is mostly built up out of urban zones, while several strong road traffic streams are also directed to urban zones.

**Time-Saving**

Since the frequency of interruption in the case of rail transport is low, it dramatically improves travelling time as well as the possibility to offer reliable and consistent schedules that could be designed in the

planning of economic activities such as production and distribution. The coherence of economic activities and social interactions is thus substantially improved.

**Transportation Capacity and Price Conditions**

The railway traffic enjoys a unique and pivotal position in national economy offering transportations of goods at an affordable and economical cost. It facilitates transportation of huge and heavy commodities over long distances with dual advantages of safety and reliability. In comparison to other road carriers the competitive advantage of railway transport is lower restrictions in terms of rules and regulations. The road carriers have to comply several regulations as limitations in utilizing highways and primary roads, restrictions in peak traffic etc.

**Energy Efficient**

Rail transport is an energy-efficient but capital-intensive means of mechanized land transport. The tracks provide smooth and hard surfaces that allow the wheels of the train to roll with minimum friction. Moving a vehicle on and/or through a medium (land, sea, or air) requires overcoming resistance to motion. Essentially, resistance differs between vehicle's contact point and surface of roadway. Metal wheels on metal rails have a significant advantage of overcoming resistance compared to rubber-tired wheels on any road surface.

In terms of motive power, the horsepower and weight ratio, used to overcome resistance to motion when locomotives convert fuel to heat for propulsion a slow-moving barge requires 0.2 hp/net ton, a railway and pipeline requires 2.5 hp/net ton, and truck requires 10 hp/net ton. However, at higher speeds railway overcomes the barge and proves more economical.

As an example, a typical modern wagon can hold up to 113 tons of freight on two four-wheel bogies. The track distributes the weight of the train evenly, allowing significantly greater loads per axle and wheel than in road transport, leading to less wear and tear. This can save energy compared with other forms of transport, such as road transport, which depends on the friction between rubber tires and the road. Trains have a small frontal area in relation to the load they are carrying, which reduces air resistance and energy consumption.

In addition, the presence of track guiding the wheels allows for long trains to be pulled by one or a few engines and driven by a single operator, even around curves, which allows for economies in both manpower and energy; by contrast, in road transport, more than two articulations causes fishtailing and makes the vehicle unsafe.

**The Railway Technology - A World View**

The developed world and most of the under developing nations around the globe are well aware of the strategic and economic importance of railways and are busy planning the next generation high speed rail lines. Policy makers and transport specialist are debating over the future of high-speed railways particularly in the context of global economy (uic.org, 2012). Despite the echo of financial crisis the forefronts of policy makers are quite aware that these efforts might prove a sustaining element towards economic uplift in the near future.

**California High-Speed Rail Network, United States**

California's planned rail line is one of the projects leading the change for US high-speed technology. This 800-mile, $68bn high-speed rail network would eventually link San Diego in southern California with the San Francisco Bay Area in the north.

The project, which aims to run from Los Angeles to San Francisco in its first phase, would reach intercity speeds of up to 200 mph and reduce the journey times between the two cities by two and a half hours.

**Haramain High-Speed Railway Project, Saudi Arabia**

The Saudi Railway Organization's Haramain high-speed rail project is set to run to a length of 450 km between the holy cities of Madina and Makkah in Saudi Arabia, greatly increasing passenger capacity and reducing travel times between these two hubs of pilgrimage and religious tourism. The line, which is now moving into its second phase of construction, is scheduled for completion in 2014. The project is making use of advanced high-speed rolling stock from Alston, and will be served by five ultra-modern passenger stations - one each in Makkah and Madina, as well as two stations in Jeddah and one at King Abdul Aziz International Airport, to cater to international travelers.

**High-Speed 2 (HS2), United Kingdom**

While the High-Speed-1 link to the Channel Tunnel represented the UK's first foray into high-speed rail, the much-debated High-Speed-2 project is a high-speed line which could span the length of England, with its Y-shaped network moving north from London to reach Birmingham, Manchester and Leeds, with a total of 330 miles of high-speed lines being installed (capable of supporting speeds of up to 250mph) if it is completed fully.

**Hefei-Fuzhou High-Speed Rail Line, China**

With its national high-speed rail network on track to reach 16,000 miles by the end of 2015, China is indisputably the global hub for large-scale high-speed rail development. The Hefei-Fuzhou line, expected to complete in 2014, typifies the scale of China's high-speed ambition. This 806 km, $16.9 billion project will make up an important section of the larger Beijing-Fuzhou route, and will reduce the travel time between Hefei and Fuzhou from 14 hours to just four.
Upon completion, the Hefei-Fuzhou line will join Beijing-Tianjin, Wuhan-Guangzhou and Zhengzhou-Xi'an to become China's fourth high-speed rail line, designed to run at speeds of 250 km per hour on a two-wired, electrified standard gauge track.

**Six Corridors for High Speed Rail Transit Systems, India**

India has identified six corridors for developing high speed rail transit systems and is working on a pilot project between Mumbai and Ahmadabad.

## PR Amid Crisis

The dwindling sustainability of Pakistan Railways (PR) continues to be of great concern to the pride of Pakistani people in general and the government and railway management in particular. The continuous exponential decline in the overall performance of PR is one of the serious and sensitive issues for the authorities to consider. The significance of an effective railway system to an economy cannot be under emphasized especially in this dynamic world of rapidly changing technology and globalization. India, the neighboring country to Pakistan, is hailed as the largest national employer that not only posts a healthy yearly profit but has also been successful in expanding and improving its services over time.

The PR annual budget, in addition to the funds required annually to plug its operational losses (in order to keep it operational), has generated a lot of debate since its budget is higher than that allocated for the agriculture sector. Unfortunately the current organizational structure of Pakistan Railways appears to be incompatible for any improvement and perhaps lack the leadership to meet the challenges it confronts. The advisory board (established for the reformation of PR) has barely met since its formation; employees are

neither committed nor motivated. Management incompetency failed to provide any kind of long-term vision. A culture laden with dodgy deals, half-baked initiatives of business plans, privatization rumors, partial outsourcing (to overcome inefficiencies) and a complete lack of discipline invariably lead to strikes, project delays, vandalism, theft and security breaches. In essence all these elements signaled a stark warning towards the decline and collapse of PR.

**Inadequate Locomotives**

According to news reports from 2011-12, of PR's 500 locomotives, only around 70 are operating, (that is only 14% are operational) because of lack of funds to purchase fuel, payment of salaries and maintenance of equipment also a number of locomotives became victims at the hands of rioters and public outrages and accidents of railways in the past.

According to an employee of PR (Rehman, 2011), the railways had terminated 106 trains due to lack of funds to purchase fuel and to pay employees and pensioners. According to published reports there were 206 trains operating before the curtailment, and since then the number of operating trains has fallen to only 70, with 74 engines. The service curtailment means each engine has to haul more passenger cars at lower speeds causing further losses in freight revenues. The dry ports which manage freight business show even grimmer prospects as hundreds of train carriages are parked with no engine to pull them. However, those providing transport services outside the port have found plenty of business. Goods are now being transported through road networks instead. Experts argue that the continuation of transport through roads is detrimental not only to the financial health of PR but results in environmental pollution, traffic congestion and damaged roads.

The suspension of most short-distance trains affected thousands of passengers who used inner-city rail travel to get to work. Routes to and from major cities suffer a different predicament, as trains are not suspended but are often late by several hours, with some journeys delayed for up to a number of days even. On the other side business continues to boom for transporters outside the rail network, and commuters have begun to complain about the economic feasibility of the system compared to travelling by train. Commuters argue that using alternatives for transport also leads to increased costs, hiking up inflation in the country and adding to the woes of an already ailing Pakistani economy.

**Obsolete Technology and Poor Infrastructure**

The task of developing and maintaining infrastructure becomes more difficult for PR because of the centralized process of funding approvals. Thus it makes railways less competitive in response to road carriers that do not have to invest in basic infrastructure like roads. Following a shift in the priorities of the Government after seventies when the emphasis shifted towards the road sector, investment fell sharply in the Railway sector resulting in deterioration of infrastructure and failure to expand or improve PR's network. Railway personnel have highlighted aging assets as one of the critical factors causing poor performance of Pakistan Railways. Normally a locomotive consists of six traction motors while the Pakistan Railways is operating them with only three or four motors. This is the major reason of mid-way breakdown. A number of trains lack facility of light at nights because of the failure of the generators and ill-attitude of workers and mismanagement of fuel and funds, leading to the increased agony of passengers.

**Managerial Incapability**

The management of PR has failed to generate revenues through the use of its own assets as land, locomotive factory, carriage factory etc. The focus of Railway officials is on getting new locomotives while ignoring the improvement in operations and maintenance of the existing ones. It has been alleged that the current disarray that engulfs PR is due to the siphoning off of commissions from deals for needless

machinery (Siddiqui, 2011). Poorly managed time table, numerous unscheduled stops, over staffing and inefficiency of the workers, lack of a proper accountability system, are all factors that accounted towards the inefficiency of the railway system and ultimately resulted in its downfall.

**Declining Market Share**

The Railway industry of Pakistan was unsuccessful in maintaining its position in the transport sector. The market share of Pakistan Railways kept on declining with the passage of time due to persistent deficit since 1975-76. Roads steadily became the preferred mode of transportation as shippers shifted to trucks due to PR's inefficiency. PR's declining market share can be judged from the fact that it is moving only 11% of total petroleum products and 2% of the total containers (Privatization Commission, 2013). The annual passenger volume carried by Pakistan Railways in late 1970's was approx. 145 million which reduced to 59 million in 1992-93, similarly freight business reduced from 15 million tons to 7 million tons in late 1960's (Privatization Commission, 2013). It can be said without ambiguity that if PR had been managed professionally it would have explored the existing immense potential. It is frequently quoted that National Logistic Cell (NLC) is responsible for the major loss in market share of PR. However at a macro level it is feasible in the larger interest of the nation that both must follow a win-win approach whereby benefit is accrued to both and they should complement each other rather than then to compete and thereby economize the inter-modal movement of goods to optimize the best rail-road mix for the country.

**Over Staffing and Asset Issues**

The jobs of more than 90,000 people employed at PR is highly vulnerable as a result of the seriously deteriorating condition of PR adding woes to the country's already high unemployment rate, which is currently exceeding 9% according to statistics (World Economic Outlook, 2013). Railways needed Pak Rupees 2.2 billion (Haq, 2012) to pay the salaries and pension to its protesting employees but the government has not released enough money to overcome the deepening financial crisis. Moreover, since the trains are seldom used, most of the employees sit at home and receive salaries illegitimately. This situation is further aggravated by the blurred definition of the roles, duties and responsibilities related to job which ultimately results in redundancy of job duties, wastage of time and other resources and reluctance of employees in executing their task sincerely.

As discussed earlier, with the emphasis shifting towards road sector, investment fell sharply in the rail sector resulting in deterioration of infrastructure and failure to improve and expand, it also led to the depletion in both the quantity and quality of rolling stock. The Table 1 below reveals the dismal condition of railway assets.

Table 1: State of Pakistan Railway's Assets

| **Track** | **Total** | **Percentage Overage** | **Effective/Designed Life** |
|---|---|---|---|
| Rails | 8831 KM | 56% Overage | (40 Years) |
| Sleepers | 8831 KM | 55% Overage | (25 Years) |
| Bridges/Culverts | 14,570 | 80% Overage | |
| **Locomotives** | | | |
| Diesel Electric | 554 | 54% Overage | (20 Years) |
| Electric | 27 | 100% Overage | (25 Years) |
| **Rolling Stock** | | | |
| Passenger Coaches | 1922 | 30% Overage | (35 Years) |
| Freight Wagons | 25449 | 17793 are 4 wheeled/2 axle, low speed design | (45 Years) |
| Telecommunication & Signaling | - | 90% Obsolete & Outdated | |
| Workshop Machinery | - | Mostly Obsolescent | |

Source: Pakistan Railways 2008

**Missing Transport Policy**

An overarching deficit in the planning of PR Railways has been the absence of a National Transport Policy. According to the government officials unfortunately no transport policy has been devised since the last 63 years (Siddiqui, 2011). Despite the fact that the Railways remained a highly capital-intensive business and can be exploited as a highly profitable organization the government has never formulated a holistic policy that would analyze the overall transportation issues and balance investment into road and rail. Not only should railways policy be devised within the framework of an overall transport policy, the implementation and impact should be reviewed within this framework and this should be viewed as a long-term government strategy amongst the existing political realities and exigencies. The Table-2 below is evidence to this negligence.

Since a clear vision does not exist and the government failed to articulate a clear direction for PR the officers of PR are themselves perplexed and concern about the fate and future of the national railways. Thus a desirable change cannot be expected without a clear vision. The vague sense of vision and direction also pervades the upper echelons of decision-making. In essence it is inevitable to search out a viable solution for railways in the absence of an overall national transport policy.

Table 2: Comparison of Pakistan Railways in year 1948 and 2012

| | **1948** | **2012** |
|---|---|---|
| Locomotives | 821 | 528 |
| Passenger coaches | 2533 | 1540 |
| Freight wagons | 23815 | 18406 |
| Operational track | 8123.96km | 11755km |
| Railway stations | 759 | 558 |
| Passenger trains run | 60893 | 70915 |
| Freight train runs | 46614000 | 4435000 |
| Passengers carried | 71654000 | 64903000 |
| Tons of freight carried | 6535000 | 2616000 |

Source:(Siddiqui Z. M., 2012)

**Increasing Budget Deficit**

The increasing budget deficit is a matter of serious concern for PR. It is assumed that railways are traditionally not expected to earn profit; however, it is legitimate to expect to meet at least operational expenses. According to government officials the Federal Cabinet approved Rs 10.1 billion (US $120m) in August, 2011 for PR to upgrade its equipment, but only Rs 1 billion (US $10m) was released. The Minister of Railways stated that PR had an annual operating deficit over the last five years, rising from Rs 4.7 billion (US $54.6m) in 2007-2008 to an expected Rs 26.3 billion (US $30m) for 2010-2011 (Rehman, 2011) .

PR needs more locomotives to make it a profit-earning entity, currently there are not enough freight trains because all the locomotives are used for passenger trains. Due to its economical and affordable fares railway is the most preferable option for the common masses and the continuous decline in its operational performance would severely affect the poor man that counts to more than seven million approximately.

The annual losses have resulted PR a debt of Rs 40 billion (US $460m), to the Pakistani National Bank, for which it has been paying Rs 4.6 billion (US $50m) in interest annually. At the same time revenue has declined for the past three years, from Rs 22 billion (US $254m) in 2009, to an estimated of Rs 12 billion (US $140m) in 2011. For 2011-2012, Rs 45 billion (US $520m) has been earmarked for PR in the federal budget, while expenditures in the 2010-2011 fiscal years were Rs 51.78 billion (US $600m) (Rehman, 2011).

A brief financial picture of PR as shown below in Table 3 reveals the operating revenue of PR in the first decade of the new millennium (2000-2010). The revenue can be categorized into earnings from passenger services, freight services, luggage, parcels and mail services, and other miscellaneous earnings. Table 4 shows the most recent earnings of PR and the percentage change in earnings from one fiscal year to the next, from 2007-2012. The earnings have showed a steady decline in the last three years, with almost 50% reduction in fiscal year 2011-2012.

Table 3: Operating Revenues of Pakistan Railways

(Thousand rupees)

| Year | Passenger earnings | Luggage,parcels mails etc earnings | Freight earnings | Miscellaneous earnings | Total |
|---|---|---|---|---|---|
| 2000-01 | 5802104 | 605532 | 4715352 | 815570 | 11938558 |
| 2001-02 | 6568532 | 806605 | 4789572 | 881201 | 13045912 |
| 2002-03 | 7429905 | 904914 | 5070686 | 1404213 | 14809718 |
| 2003-04 | 8217695 | 928189 | 4565722 | 922972 | 14634580 |
| 2004-05 | 9267460 | 887441 | 5287056 | 2385510 | 17827467 |
| 2005-06 | 10267475 | 1001581 | 4934739 | 1978284 | 18182079 |
| 2006-07 | 10722321 | 952194 | 5115331 | 2402639 | 19192485 |
| 2007-08 | 10410411 | 936966 | 6120177 | 2505274 | 19972828 |
| 2008-09 | 12583073 | 1030171 | 7493634 | 2051823 | 23158701 |
| 2009-10 | 11969256 | 1022298 | 7136498 | 1758879 | 21886931 |

Source:- Pakistan Railways.

Source: Public Broadcasting Service (2011).

Table 4: Recent Earnings of Pakistan Railways

| **FISCAL YEAR** | **EARNINGS** (Rs. Millions) | **% CHANGE** |
|---|---|---|
| 2007-2008 | 19,973 | - |
| 2008-2009 | 23,160 | 16.0 |
| 2009-2010 | 21,886 | -5.5 |
| 2010-2011 | 18,612 | -15.0 |
| 2011-2012(July-Feb) | 9,359 | -49.7 |

Retrieved from Pakistan Economic Survey, 2011-2012, published by Ministry of Finance, Government of Pakistan

**Recent Liabilities and Losses**

According to the sources of government officials total payables of PR stood at Rs. 58,603.363 million till January 2013 while its total losses counts to Rs. 34,037.322 million. It was realized that the acute shortage of locomotives was the major reason of losses, resulting in the complete closure of freight service that was considered a key source for revenue generation. No new locomotives had been purchased since March 2008 and at present only 180 locomotives were functional. An amount of Rs. 253 million had been spent on repair and renovation of seven railways stations during the period March 2008 - Jan 2013 (The News, 2013). A sum of Rupees 44.049 million were spent on Karachi railway stations, Rs 7.983 million for Quetta stations, Rs. 93.231 million for Sukkur, Rs. 35.679 million for Multan, Rs. 64.087 million for Lahore, Rs. 5.378 million for Rawalpindi and Rs. 2.6 million for Peshawar station (Geo.tv website, 2013).

**Concerns and Challenges**

PR is the sole railway service provider of Pakistan managed under a strong influence of bureaucracy. It is obvious that a state owned entity mostly faces numerous inevitable governments' intervention that results in serious performance related issues both qualitatively and qualitatively. The rising level of deterioration in PR can cumulatively be attributed to various aspects of mismanagement related to funds embezzlements, scams and scandals. Nevertheless it is the need of the hour to contemplate over the situation of PR and consider issues objectively and resort to feasible options that may help convert a non-productive organization into a profitable and productive one. It is well understood that there always exist room for improvement and perfection. The prerequisite is the search and positioning of a potential and capable leadership that may lead the organization in a professional manner allowing for the development and design of an effective strategy leading to success. The state must play its role in supporting the strategic initiatives as against showing mere and unjust authority. This undertaking requires the reshaping and redressing of various concerns and issues which ought to be resolved that may include:

1. Should privatization either complete or partial be beneficial in uplifting and resolving the current state of flux of PR? Can the interest of the state still be reserved or served?
2. Will Re-structuring/Re-Engineering lead to performance improvement of PR and help achieve the objectives? How? If not? Why not? And if yes? What steps to be carried out or repercussions need to be anticipated?
3. Shall foreign contracts or local negotiations prove sufficient to bring out PR from its current dilemma? What constraints shall PR face in this regard?

## References

Geo.tv website. (2013, February 25). *Pakistan Railways liabilities top Rs58,603mn, NA told* . Retrieved April 28, 2013, from Geo.tv: http://www.geo.tv/article-89702-Pakistan-Railways-liabilities-top-Rs58603mn-NA-told

Haq, S. (2012, January 1). Pakistan Railways: White elephant on life-support. *The Express Tribune*. Accessed on April 24, 2013. Available on: http://tribune.com.pk/story/314778/pakistan-railways-white-elephant-on-life-support/.

Pakistan Economic Survey. (2011-2012). *Transport and Communications.* Accessed on: April 15, 2013.: Ministry of Finance, Government of Pakistan. Aailable at: http://www.finance.gov.pk/survey/chapter_12/13-TransportAndCommunications.pdf.

Pakistan Railways (2013, April 18). *Pakistan Railways*. URL: http://pakrail.com/generalinformation.php

Privatization Commission. (2013, April 16). *Pakistan Railways- Privatization Commission* available at: http://www.privatisation.gov.pk/Transport/Pakistan%20Railways.htm

Public Broadcasting service. (n.d.). *Operating revenue of Pakistan Railways.* Accessed on: April 15, 2013. Available at: http://www.pbs.gov.pk/sites/default/files/other/yearbook2011/Transport%20&%20Comm/20-15.pdf.

Rehman, Y. (2011, October 26). *Pakistan Railways cuts service amid financial troubles*. Retrieved April 18, 2013, from Central Asia Online: http://centralasiaonline.com/en_GB/articles/caii/features/pakistan/main/2011/10/26/feature-01

Siddiqui, T. (2011, December 3). Pakistan Railways Special Report: A journey of neglect, incompetence and corruption. *The Express Tribune* . Accessed on: April 17, 2013. Available on: http://tribune.com.pk/story/301469/pakistan-railways-special-report-a-journey-of-neglect-incompetence-and-corruption/.

Siddiqui, Z. M. (2012, November 11). *Rolling Stock.* Retrieved from Dawn.com: http://dawn.com/news/763228/rolling-stock-2

The News. (2013, February 25). Railways debt has run up to Rs58,603mn . *The News* . Available on: http://www.thenews.com.pk/article-89702-Railways-debt-has-run-up-to-Rs58,603mn-,-NA-told.

uic.org. (2012, July 26). *8th UIC World Congress on High Speed Rail organised and hosted by the American Association of Public Transportation (APTA) together with UIC: Successful and historic "meeting point" for all stakeholders involved in high speed rail*. Retrieved April 15, 2013, from uic.org: http://www.uic.org/com/article/8th-uic-world-congress-on-high?page=thickbox_enews

World Economic Outlook. (2013). *Pakistan Unemployment rate*. Retrieved April 16, 2013, from World Economic Outlook website: http://world-economic-outlook.findthedata.org/l/4237/Pakistan

zscargo.sk website. (2008). *ZSSK Cargo*. Retrieved April 19, 2013, from zscargo.sk website: http://www.zscargo.sk/en/customers/why-to-transport-with-us/advantages-of-railway-traffic/