

Railways

9.65 The Indian Railways is among one of largest railway systems in the world. Indian Railways have an extensive network, which is spread over 63,028 Route Kilometre, comprising Broad Gauge (44,776 Rkm), Metre Gauge (14,987 Rkm) and Narrow Gauge (3,265 Rkm). Approximately, 24 per cent of the network is electrified.

9.66 The Indian Railways have played an integrating role in the social and economic development of the country. Railways also have an advantage of being less energy intensive and more environment friendly. However, Indian Railways have experienced a continuous decline in market share in the transport sector. The economic recovery experienced in 1999-2000 continued until the first half of 2000-01, before a slowdown again set in. Mainly as a result of the same, against the target of 475 million tonnes of revenue earning goods traffic (originating), the Railways' freight traffic aggregated to 473.5 million tonnes during 2000-01. This was 3.7 per cent higher than the performance in 1999-2000. Several parts of the country faced natural calamities, such as, the earthquake in Gujarat and drought in parts of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Bihar, etc. The Railways organized massive movement of relief materials including fodder and water to the affected areas, free of charge.

9.67 A target of 500 million tonnes of revenue earning freight traffic was set for 2001-02. However, owing to the continuation and, indeed, deepening of the economic slowdown, freight traffic during the first five months of the financial year stagnated at last years level. The performance in this respect during April-December 2001-02 registered an increase of only 2.7 per cent over the corresponding period of 2000-01. While there was an increment of 9.4 million tonnes of freight traffic over April-December 2000. An increase in the quantity of freight traffic moved was recorded in respect of coal, raw materials to steel plants, iron ore for export, pig iron and finished steel, cement and food grains. The quantity of freight traffic was

lower in respect of Fertilizers, and Petroleum Products (Table 9.6). In terms of Net Tonne Kilometre (NTKM), the increase in revenue earning goods traffic was 4.4 per cent during April-December 2001.

9.68 The administrative costs of the Indian Railways have been increasing rapidly. With about 1.55 million employees, the Indian Railways are the largest employer among public sector undertakings in the country. There is also a substantial burden of pension liabilities. The Railways have, therefore, drawn out an elaborate plan for right-sizing the manpower. A norm of restricting the intake to a maximum of one per cent of the strength on rolls in certain Departments is being kept, while only 0.5 per cent intake is being allowed for the Production Units. Simultaneously, measures have been taken to raise manpower productivity. A concept of bench marking has been introduced to measure and compare the manpower productivity in the various facets. Increased emphasis is also being laid on re-training of staff rendered surplus and its re-deployment elsewhere in expanding areas of activity.

9.69 The Railways have been performing the dual role of functioning as a commercial undertaking and a provider of public utility service. 'Social Service Obligation', involves a measure of cross-subsidization of passenger services by freight revenues, as also subsidization within passenger and freight segment. Operation of certain uneconomic services, like those in suburban sections and branch lines, is also undertaken on social considerations. The total loss on such public service obligations (PSOs) performed by Indian Railways during 2000-01 is estimated at Rs.4,000 crore.

9.70 Against the backdrop of a stringent financial situation facing the Railways, it is necessary that the losses on this account are reduced. During the Tenth Five Year Plan, it is proposed to reduce the cross-subsidization between passenger and freight services, as the freight rates being already high, hiking freight tariffs further to mobilize resources to any substantial extent, would prove counter-

TABLE 9.6
Performance of the Railways

	1999-00	2000-01*	April-December*		Change over previous year	
			2000	2001	2000-01	2001-02@
			Total revenue earning freight traffic (Million tonnes)	456.4	473.5	347.8
(i) Coal	210.0	223.7	163.9	166.7	6.5	1.8
(ii) Raw Materials for Steel plants (excl.coal)	37.3	38.6	28.7	29.3	3.6	2.0
(iii) Pig iron & finished Steel from steel plants	12.1	11.9	8.6	8.8	-1.5	3.2
(iv) Iron ore for export	12.3	14.6	10.5	11.9	18.3	13.8
(v) Cement	43.6	42.9	31.5	32.2	-1.6	2.2
(vi) Food grains	31.1	26.7	19.0	21.9	-14.4	15.7
(vii) Fertilizers	31.1	27.0	21.3	20.7	-13.2	-2.9
(viii) POL	34.3	36.2	27.0	26.6	5.6	-1.6
(ix) Balance (other goods)	44.6	52.0	37.4	39.1	16.5	4.5
2 Net tonne kilometers (Billion)	305	312	229	239	2.4	4.4
3 Net tonne kilometers per Wagon per day (broad gauge)	2027	2042	1975	2076	0.7	5.1
4 Passenger traffic originateing (million)	4585	4833	3557	3866	5.4	8.7
5 Passenger kilometers (billion)	431	457	342	384	6.1	12.1

* Provisional.

@ April-December.

productive. On account of restraint exercised on raising passenger fares, losses on services in this segment have been mounting while on the freight side, the Railways have out priced themselves. This imbalance needs correction.

9.71 The Railways have taken initiatives to attract private participation. It has set up a private terminal and forging partnership for providing rail connectivity to upcoming ports, e.g., Special Purpose Vehicle (SPV) on Pipavav Port. Joint ventures with some State Governments, for executing projects have also been evolved. The Railways also expect to raise revenues from non-traditional sources. Parcel services of the Railways are also being improved with leasing of space in brake-vans of passenger trains.

9.72 Safety is an inherent element underlying modernization and technological up-gradation that have been planned in the Indian Railways. Some of the important steps that have been taken or are contemplated to strengthen safety

and upgrade infrastructure are enumerated in Box 9.9.

9.73 The Ministry of Railways, Railway Board, had constituted an Expert Group on December 31, 1998, to study the railway sector in order to estimate the financing requirements of an expansion and upgrading programme for Indian Railways, to identify sources of funding of estimated investments over 15-year period, to study models of structure and ownership of rail transport facilities in developed countries and to recommend on their relevance to Indian Railways, and to recommend suitable regulatory arrangements that would facilitate orderly expansion of the system, promote the desired degree of competition and protect the users right to quality service. The Report of the Study Group is under examination. Key recommendations of the Expert Group are given in the Box 9.10

BOX 9.9

Measures to strengthen safety and upgrade Railway infrastructure

- Special Railway Safety Fund – a non-lapsable fund – with Rs.17, 000 crore set up to wipe out the arrears in the renewal of vital safety equipment within a fixed time-frame of 5-7 years, for replacing old assets including tracks, bridges, rolling stock, signaling equipment and other safety enhancement items, as per recommendation of the Railway Safety Review Committee.
- Provision of 25 Watt VHF sets at roadside stations for communication between drivers, guards and station staff.
- Funds allocated from the diesel cess being used for safety-related works pertaining to level crossings and for Road over and under bridges. Sanction of manning 165 unmanned level crossings given during 2001 as against 53 during 1999-2000.
- Track circuiting of run-through lines on all stations with permitted speed of more than 75 kmph completed.
- Bogie mounted brake system being introduced on wagons in place of the conventional pull/push road type air brake system. Development and indigenous manufacture of Centre Buffer Couplers.
- A cohesive strategy for enhanced security of rail users under formulation as per recommendations of the High-level Committee on Enhanced Security on Railways.

BOX 9.10

Major Recommendations of Expert Group on Indian Railways

- The root cause of financial problem confronting the Indian Railways is found in lack of adequate productivity increases that are commensurate with real wages over time.
- Indian Railways has to modernize and expand its capacity to serve the emerging needs of the growing economy.
- Indian Railways has to adopt a “strategic perspective” to achieve high growth in both the passenger and freight segments
- Along with achievement of higher growth the Indian Railway will have to explore every avenue of reduction in costs.
- The Expert Group has made detailed projections for the potential of passenger traffic and revenue growth Among the possible investment strategies the panel has favored a “High Growth Strategy” which will require focused remunerative investment and corresponding organizational restructuring of Indian Railway internally and in relationship with government, including corporatisation.
- Higher profitability in freight segment through a long term strategy of improved speed of freight trains, up-gradation of rolling stock, specific commodity related investment, improved signaling and communication, setting up additional container depots, rationalization of the freight rates structure to remove distortions.
- Unremunerative investments must be stopped.
- The key challenge for Indian Railway in the passenger traffic segments is to maintain its obligations on low price services while at the same time increasing both capacity and utilization in upper classes, through a strategy for higher growth in traffic as well as appropriate tariff rebalancing.
- The Government of India should be in charge of setting policy direction. Indian Rail Regulatory Authority (IRRA) should be set up to regulate tariffs. Indian Railways must eventually be corporatised into “Indian Railways Corporation” (IRC).
- Indian Railways Corporation (IRC), would be governed by a reconstituted Indian Railways Executive Board (IREB).
- The restructuring of Indian Railways will require massive investment.