



INDIAN RAILWAYS

A TURN AROUND STORY

PRESENTATION
BY

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Officer on Special Duty/Minister for Railways





INDIAN RAILWAYS – IN FINANCIAL CRISIS



“Indian Railways is today on the verge of a financial crisis. To put it bluntly, the Business As Usual Low Growth will rapidly drive IR to fatal bankruptcy, and in sixteen years Govt. of India will be saddled with an additional financial liability of over Rs.61,000 crores. On a pure operating level, IR is in a terminal debt trap.”

- Expert Group on IR headed by Dr. Rakesh Mohan – July 2001.



RUSTIC BRILLIANCE



**“xk; dk iwjk nw/k ugha nqgus ls xk; chekj
gks tkrh gSA”**

“If you do not milk the cow fully, it falls sick.”)

**“oSxu jsyos dk dekÅ ?kksM+k gS] ml ij
iwjk cks>k ykfn,A mls nkSM+kb,] cSBkdj er
IM+kb,A”**

“Wagon is the bread earning horse of the Railways,
load it adequately. Make it run and don't stable it.”)

Shri Lalu Prasad, Minister for Railways – July 2004

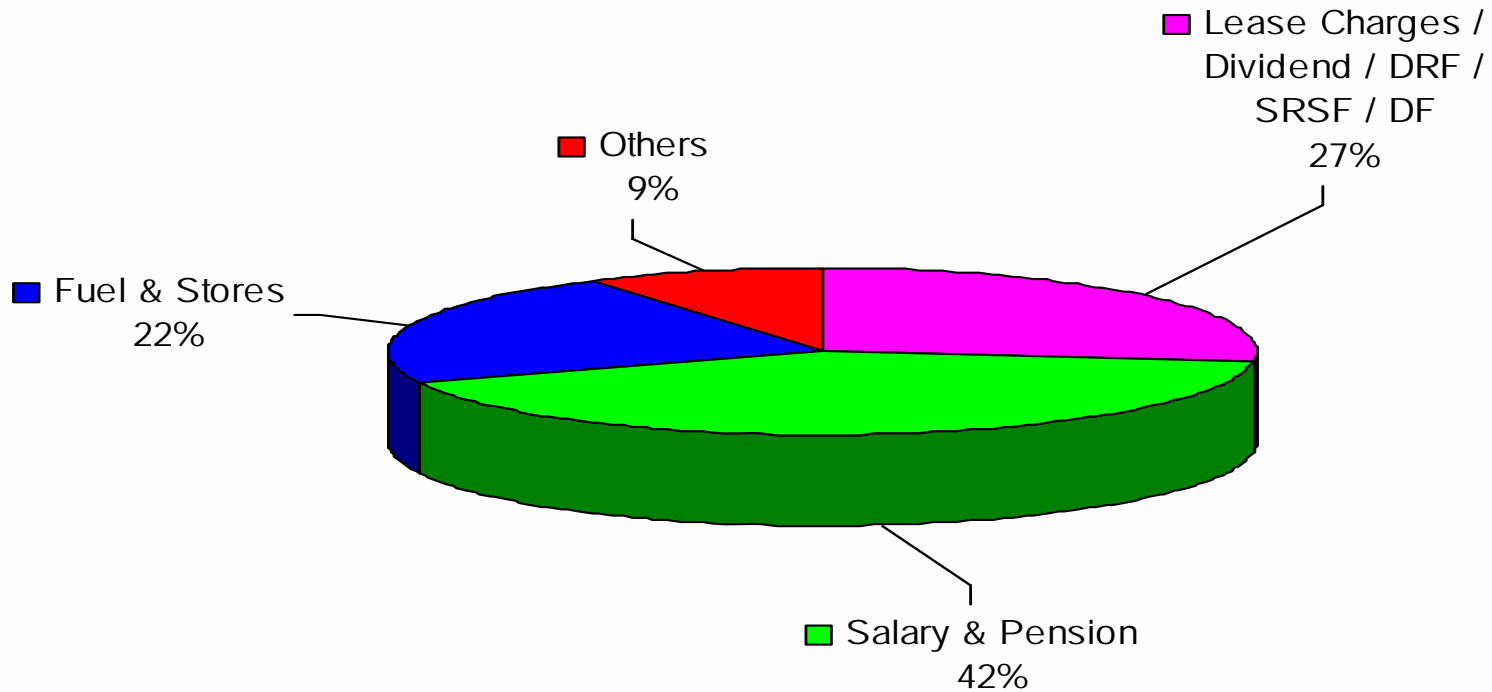


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IR IS A PLAY ON VOLUMES



What is the **VARIABLE** component of the Rupee

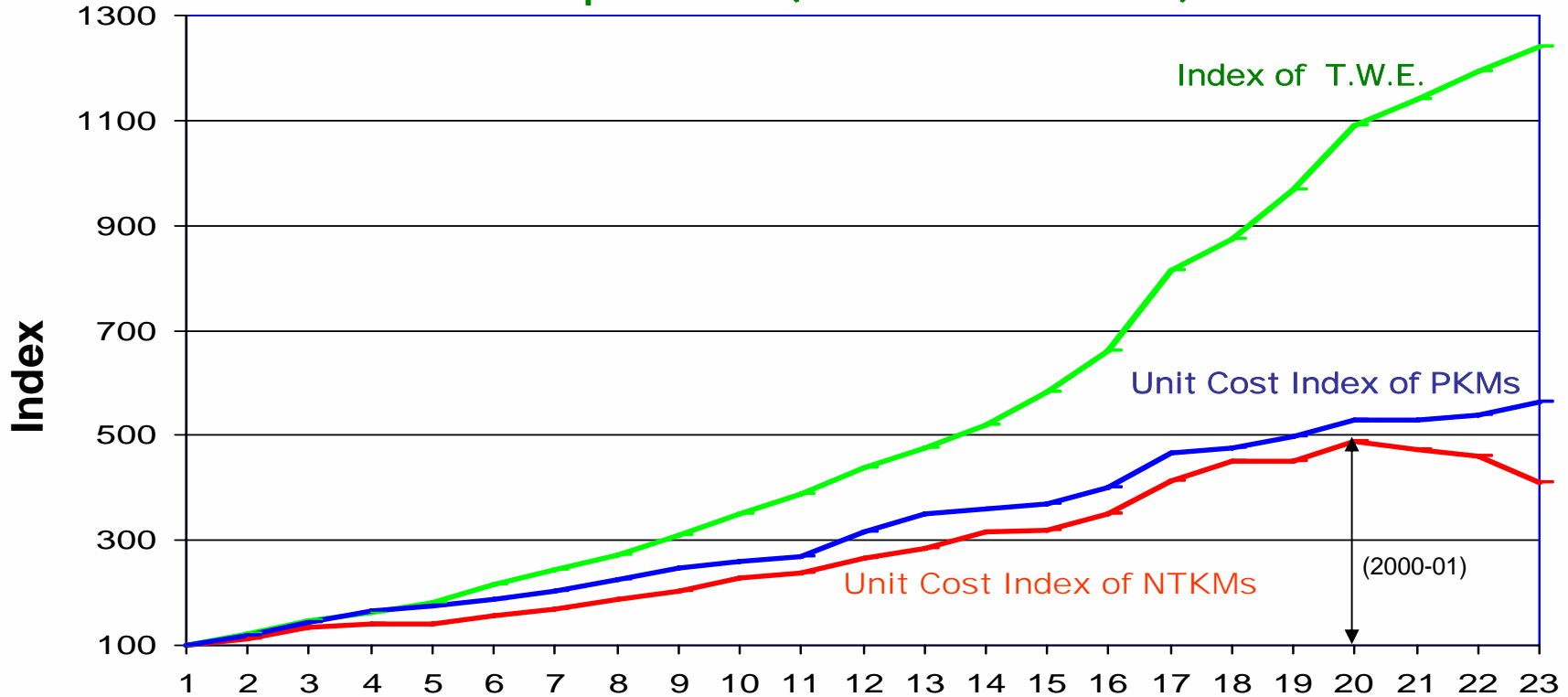


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Index of T.W.E., Unit cost of PKMs, NTKMs at current prices (81-82 to 03-04)



	1981-82	1991-92	1997-98	2000-01	2003-04
T.W.E. (in Billion Rs.)	32	124	259	347	395
T.W.E. CAGR(%)		14.56	13.06	10.24	4.40
Total Earnings (in Billion Rs.)	36	138	286	353	428
Total Earnings CAGR(%)		14.53	12.83	7.30	6.68
BTKMs	164	250	284	312	381
BTKMs CAGR(%)		4.30	2.15	3.19	6.87

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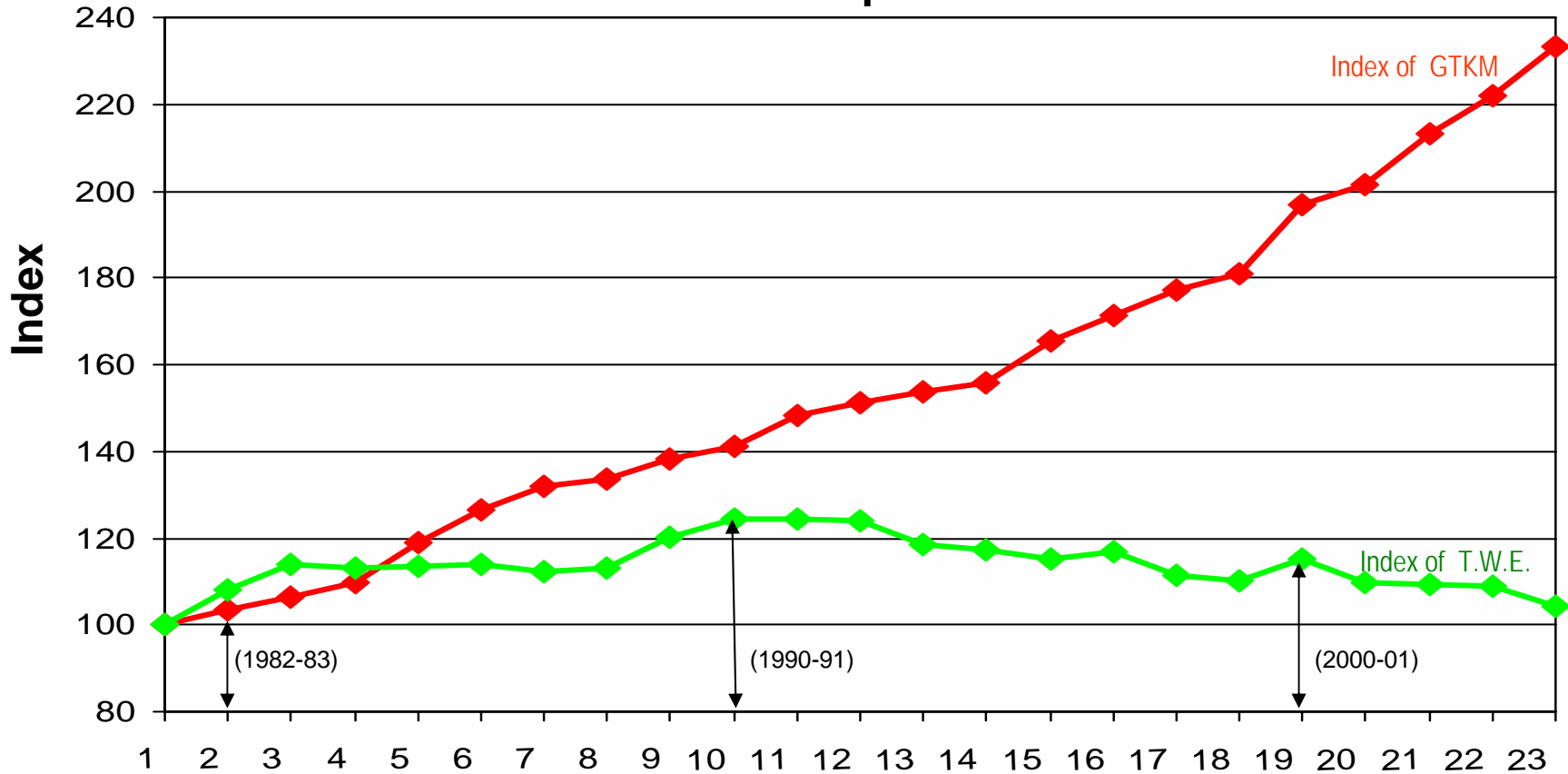


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HOW LONG IS LONG-TERM



(LTVC may be taken as 78.5% – F.Code, para 217)
Index of T.W.E. at constant prices and GTKMs



	1981-82	1982-83	1990-91	2000-01	2003-04	1981-82 to 2003-04
GTKM (Billion)	500	518	705	1007	1166	-
T.W.E. (Billion Rs.)	32	34	40	35	33	-
CAGR GTKM	-	-	3.89% <small>(1981-82 to 1990-91)</small>	3.63% <small>(1991-92 to 2000-01)</small>	5.00% <small>(2001-02 to 2002-03)</small>	3.92%

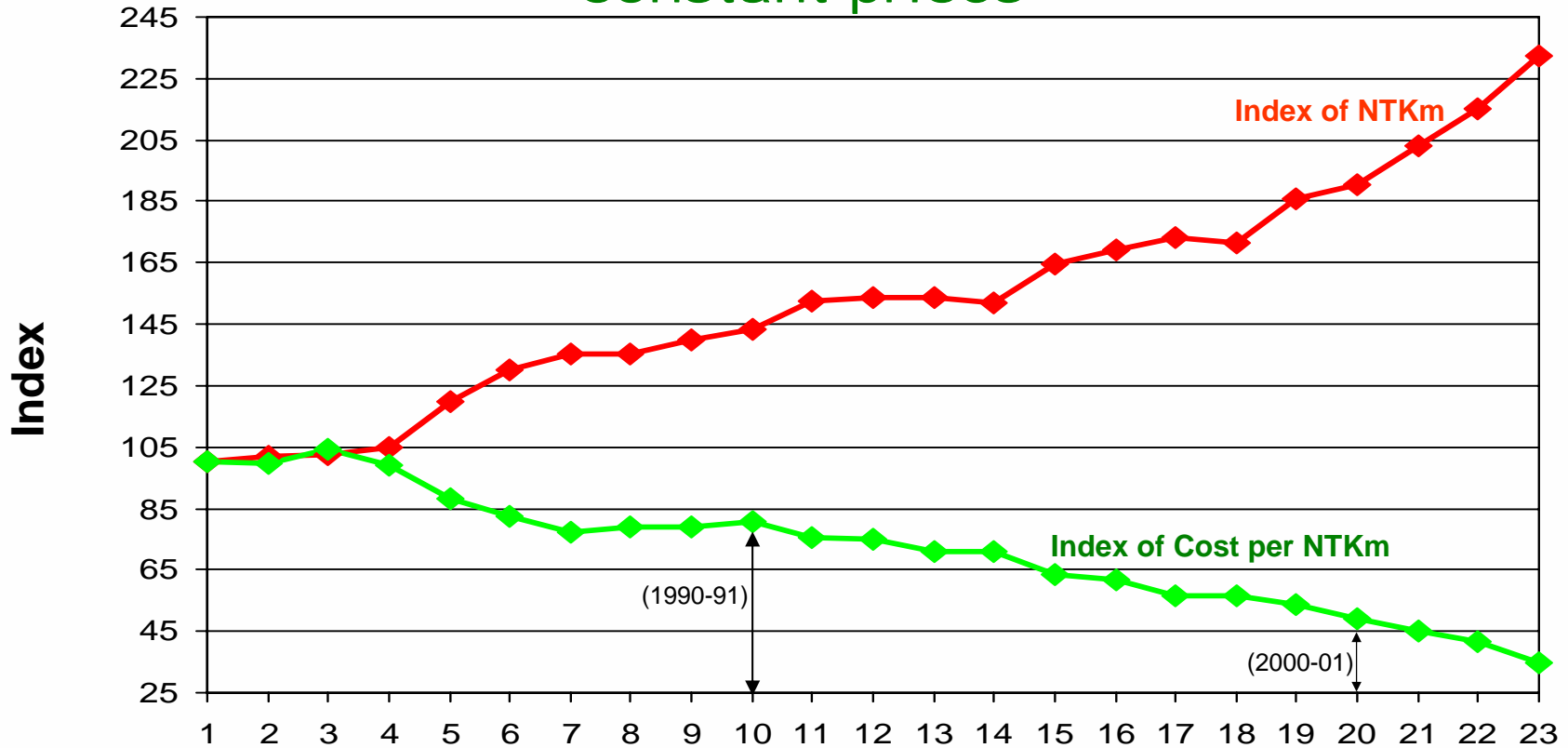
Years (1981-82 to 2003-04)

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Index of NTKM and cost per NTKM at constant prices



Years (1981-82 to 2003-04)

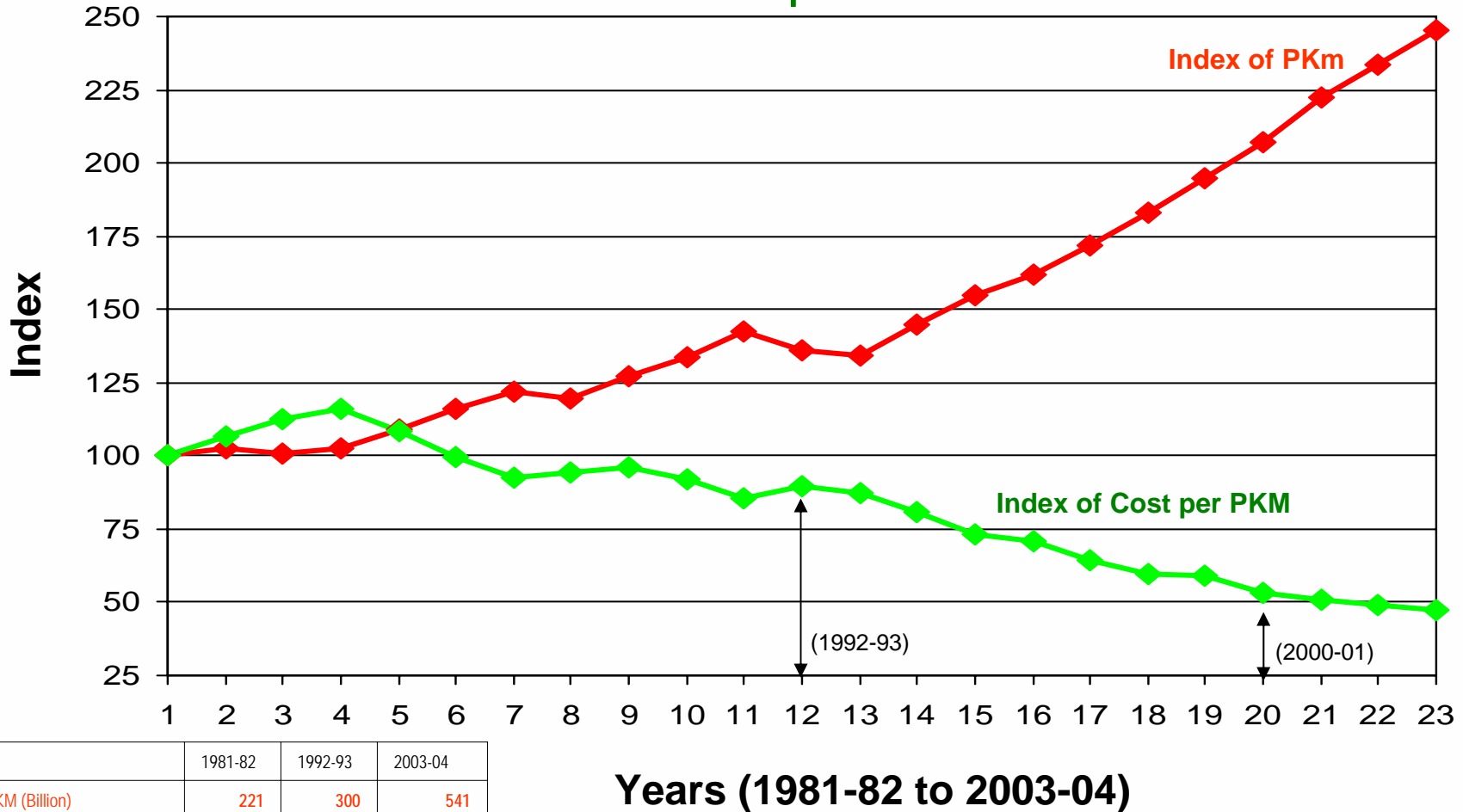
	1981-82	1990-91	2000-01	2003-04	1981-82 to 2003-04
NTKM (Billion)	164	236	312	381	-
Cost per NTKM (Paise)	12.39	10.01	6.09	4.28	-
CAGR NTKM	-	4.10% <small>(1981-82 to 1990-91)</small>	2.85% <small>(1991-92 to 2000-01)</small>	6.87% <small>(2001-02 to 2003-04)</small>	3.90%
Freight Earnings at Current Prices (Billion Rs.)	24	84	233	276	
Freight Earnings at Constant Yield (Billion Rs.)	24	34	45	55	
Rate Per NTKM (Paise)	14.35	35.66	74.61	72.44	

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Index of PKM and Unit Cost at constant prices



	1981-82	1992-93	2003-04
PKM (Billion)	221	300	541
Cost per PKM (Paise.)	7.19	6.44	3.42
Passenger Earnings at current prices (Billion Rs.)	10	43	133
Passenger Earnings at Constant Yield (Billion Rs.)	10	13	24
Earnings PKM (Paise)	4.48	14.37	24.53

Years (1981-82 to 2003-04)

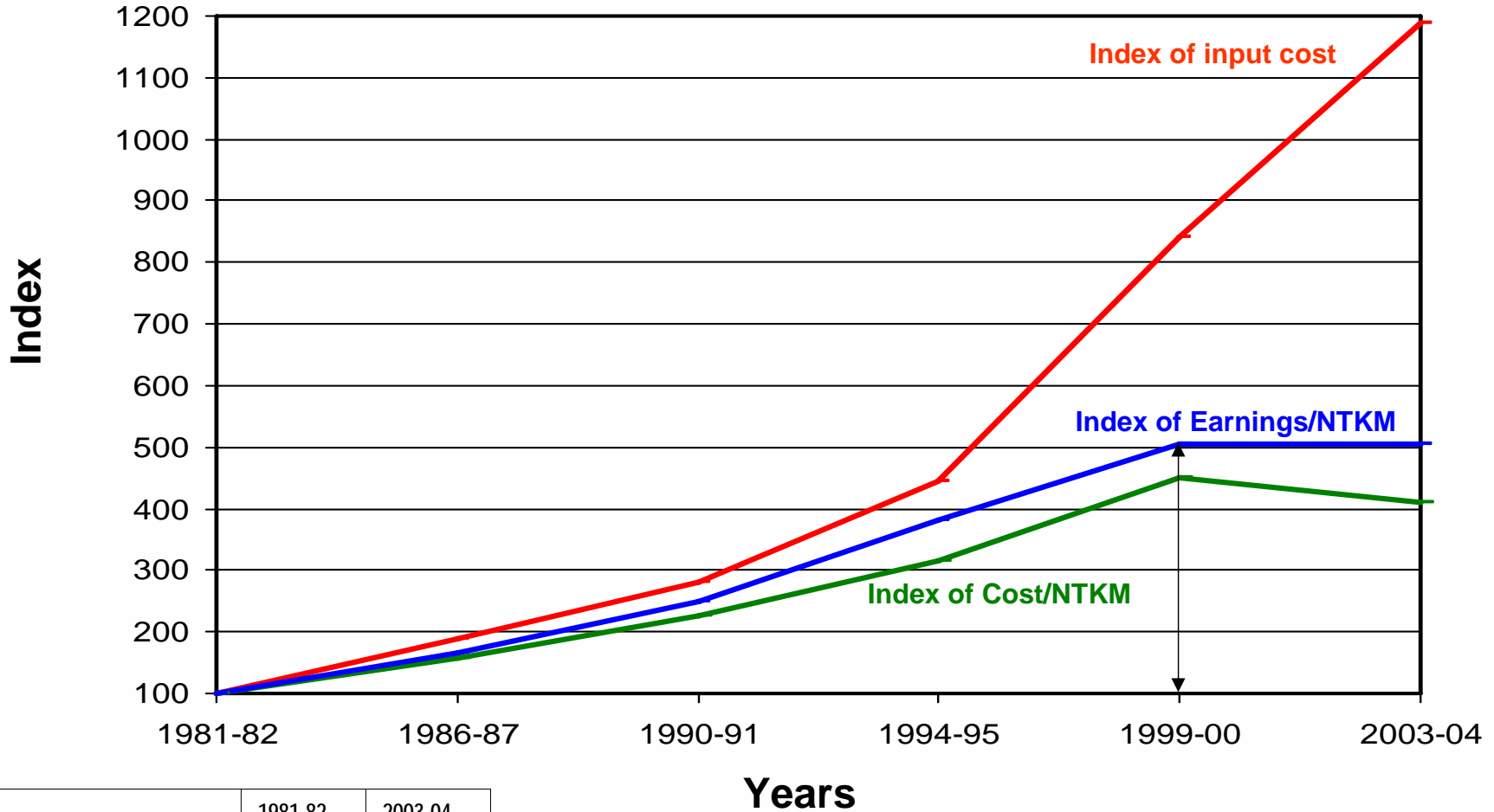
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Index of Unit Freight Cost and Realisation at Current Prices



	1981-82	2003-04
Index of Input Cost	100	1188
Cost/NTKM (Paise)	12.39	50.89
Earnings/NTKM (Paise)	14.35	72.44

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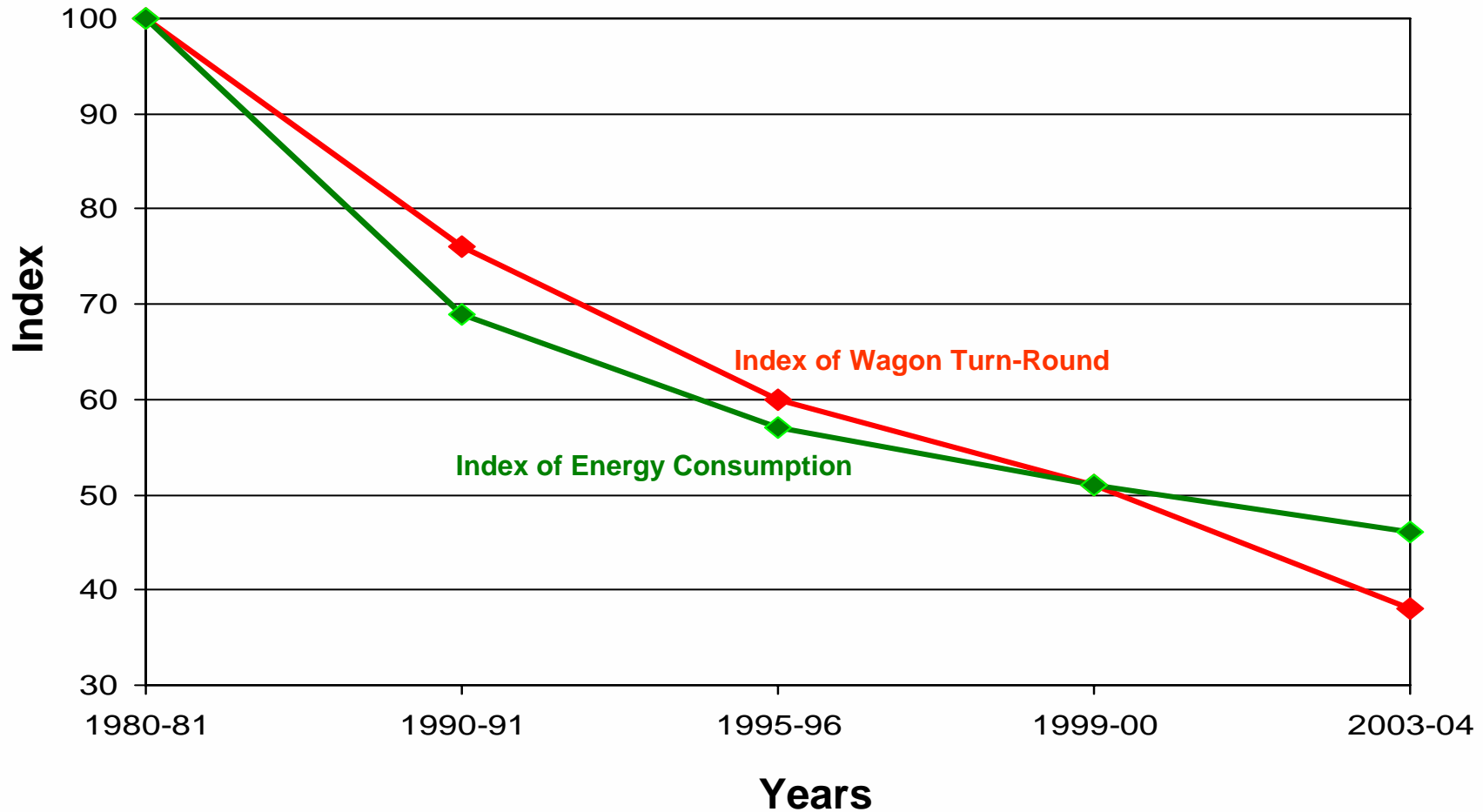


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Operating Efficiency, Technology and Productivity Gains



	1980-81	2003-04
Wagon Turn-round	15.2	6.7
Energy Consumption (in thousand Frt. GTKM)	30.6	14.15

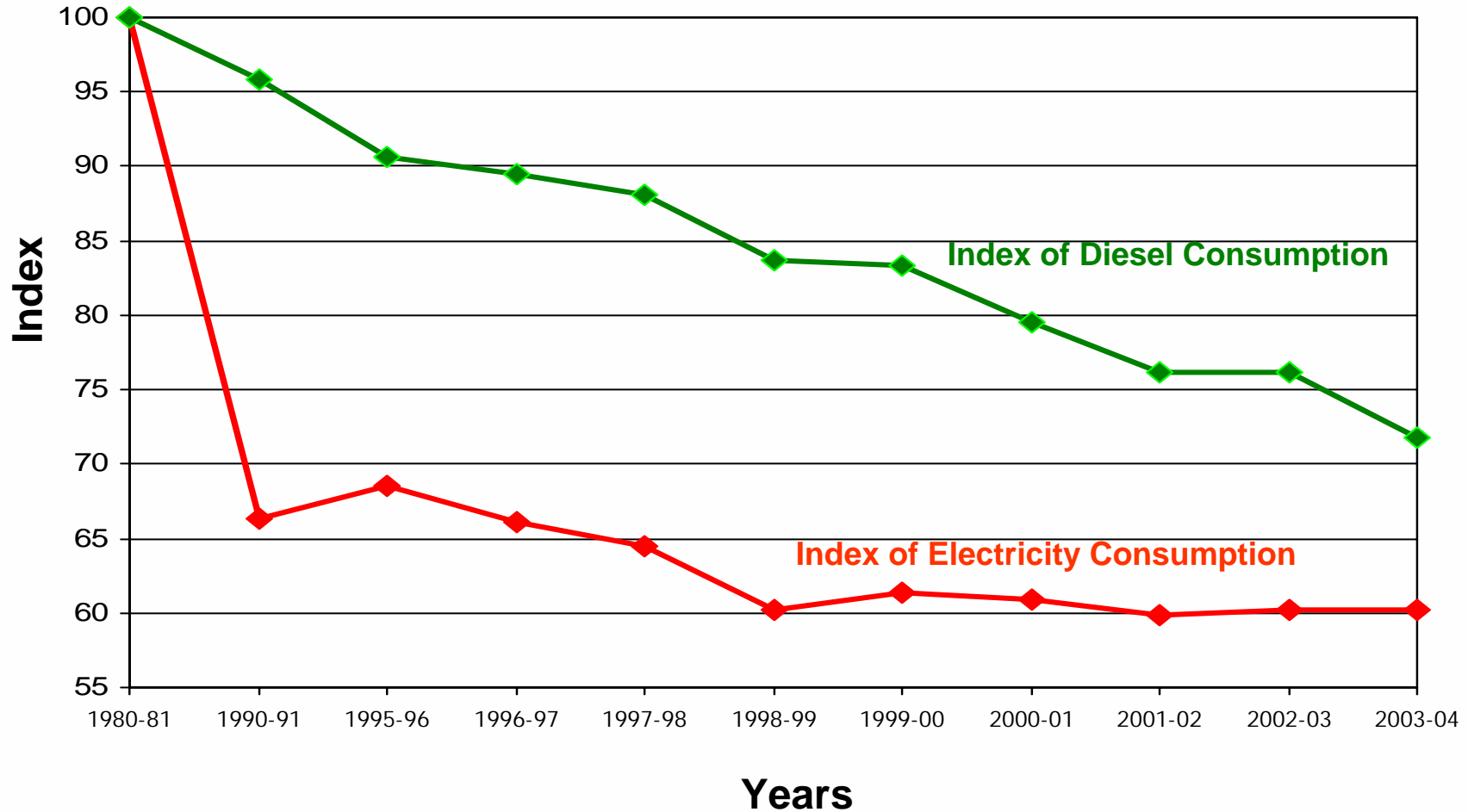
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Operating Efficiency, Technology and Productivity Gains

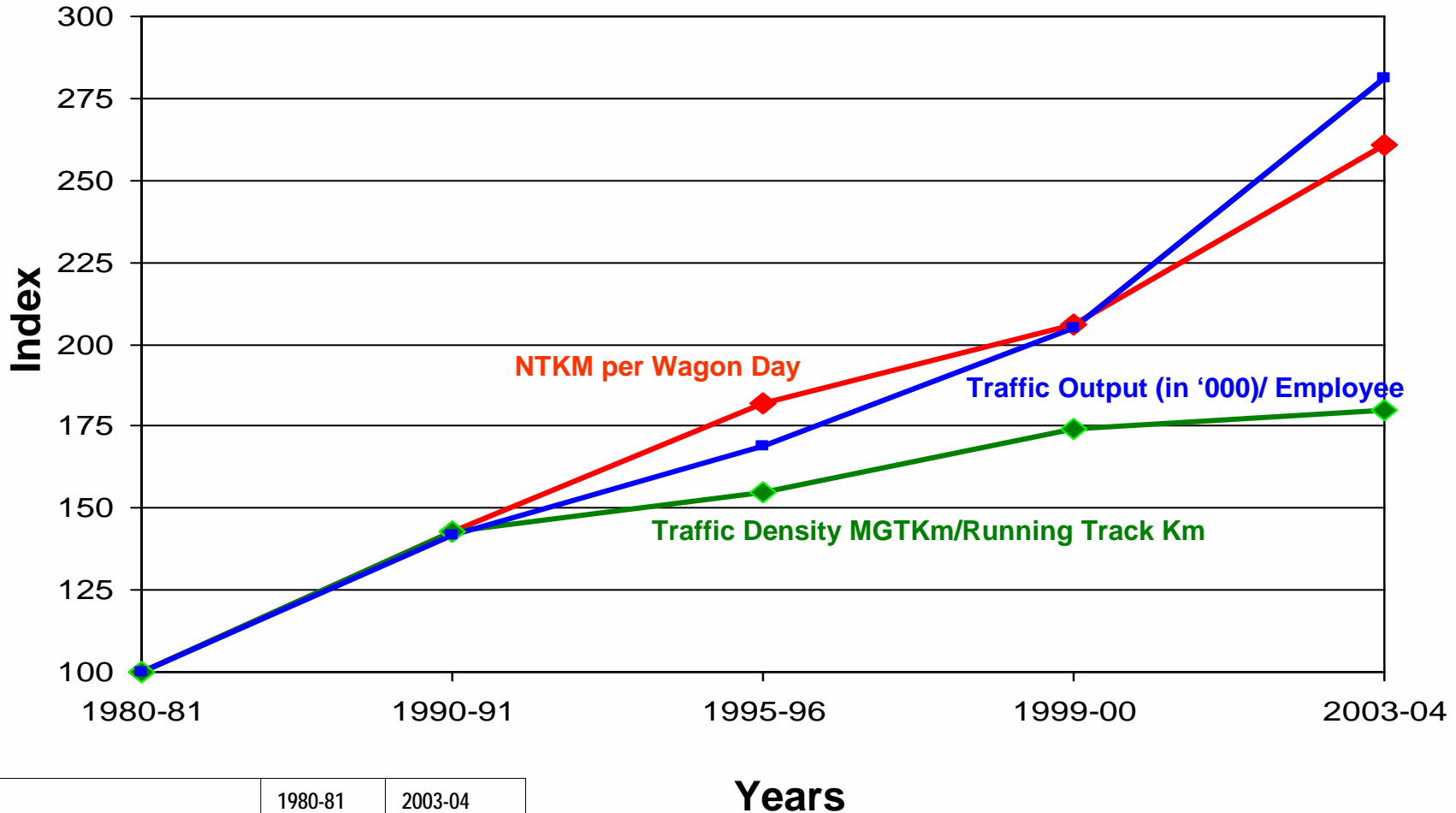


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Operating Efficiency, Technology and Productivity Gains



	1980-81	2003-04
NTKM Per Wagon Day	986	2570
Traffic Density MGTKm per Running Track Km	8.84	15.92
Traffic Output (in thousand) Per Employee/annum	244	686

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KEY STRATEGY

- **Play on freight volumes to reduce unit cost.**
 - a) Enhancement of carrying capacity of wagons
 - i) BOX-N increased from 60 tonnes to 70 tonnes
 - ii) BCN increased from 58 tonnes to 63 tonnes
 - b) Reducing **turn around time of wagons from 7 to 5 days.**

- **Implement three categories of investments on HDN in parallel**
 - Upgrade existing infrastructure for higher operating efficiency
 - Invest in additional track capacity/electrification of routes
 - Increase reliability of systems (wagons/coaches, locos, tracks, signalling)

- **Operating strategy for maximisation of throughput**

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KEY STRATEGY

➤ Reduce passenger losses by

- a) increasing occupancy of trains through passenger profile management
- b) Increasing volume of upper class travel
- c) Augmenting load of well patronized trains to 24
- d) Reducing losses on catering and parcel by 50% in 2005-06

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REDUCING THE TURN ROUND TIME OF WAGONS TO 5 DAYS

COMMERCIAL, OPERATIONAL & INVESTMENT ISSUES

- Full rake placements
- Round the clock working
- Electrification of diesel sidings on electrified routes
- Amendment in Preferential Tariff Schedule (PTS)
- Faster train examination

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TARIFF RATIONALISATION

- **IR has no real competition in “door to door” bulk and heavy freight delivery beyond 400 kms**
 - a) Freight of raw materials/minerals increased.
 - b) Freight of finished products reduced.

- **Scraping of minimum weight condition concept**

- **4000 commodities grouped into 19 commodity heads with single uniform class for different commodities in the same group.**

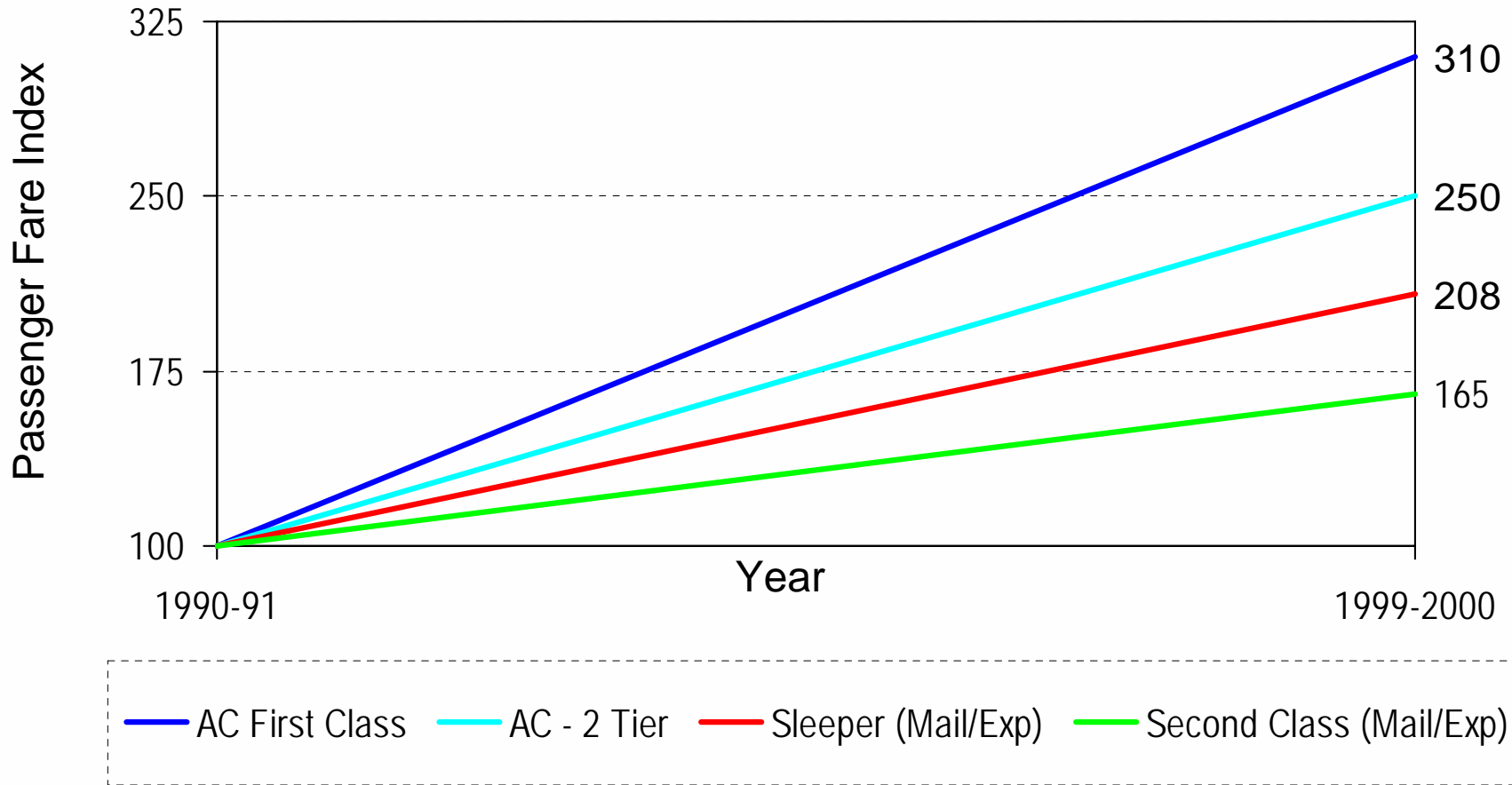


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HITHERTO RECIPE FOR SOLVENCY

Increase in Passenger Fares (from 1990-91 to 1999-2000)



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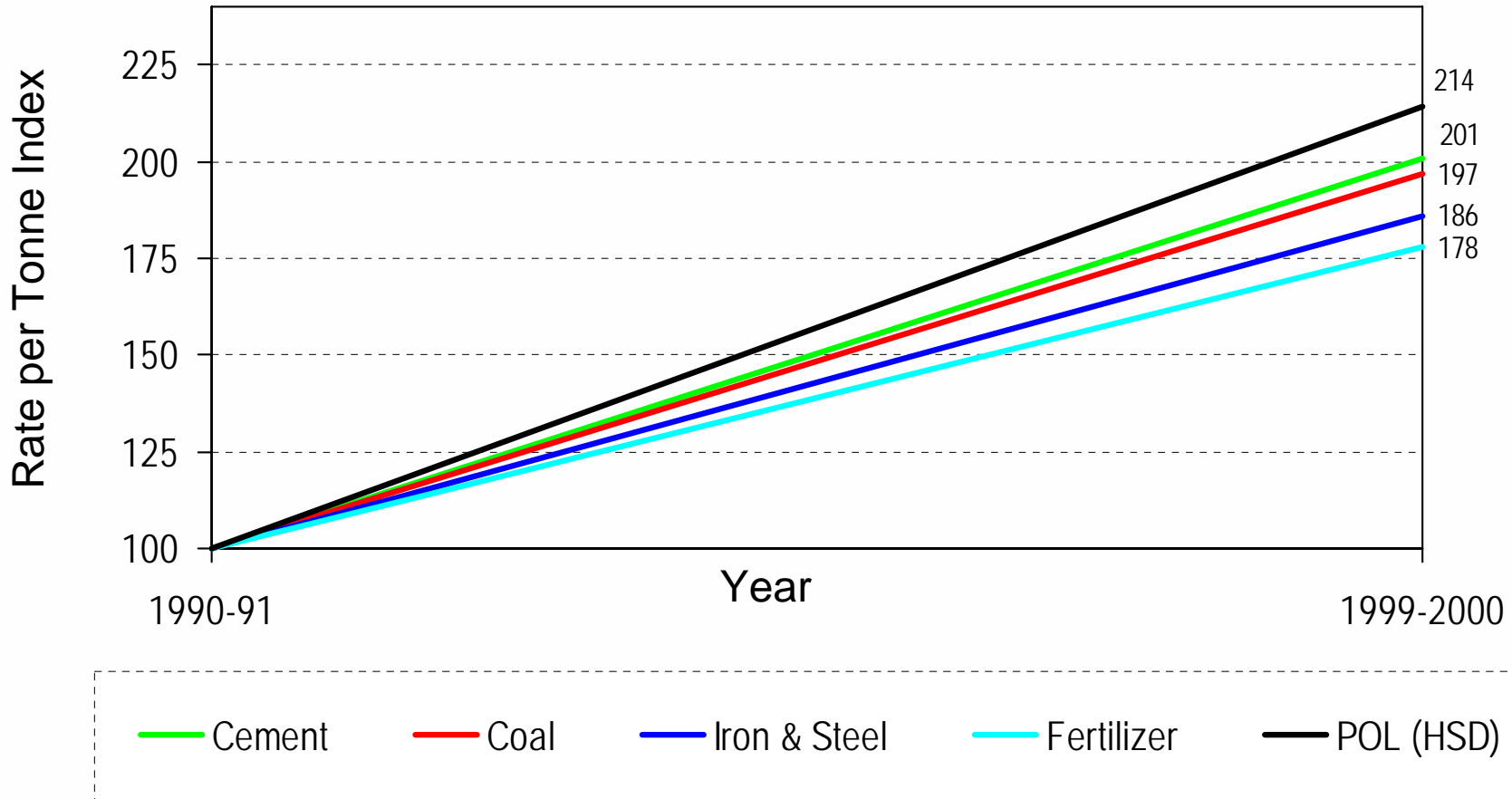


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HITHERTO RECIPE FOR SOLVENCY

Increase in Freight Rates of Major Commodities (from 1990-91 to 1999-2000)



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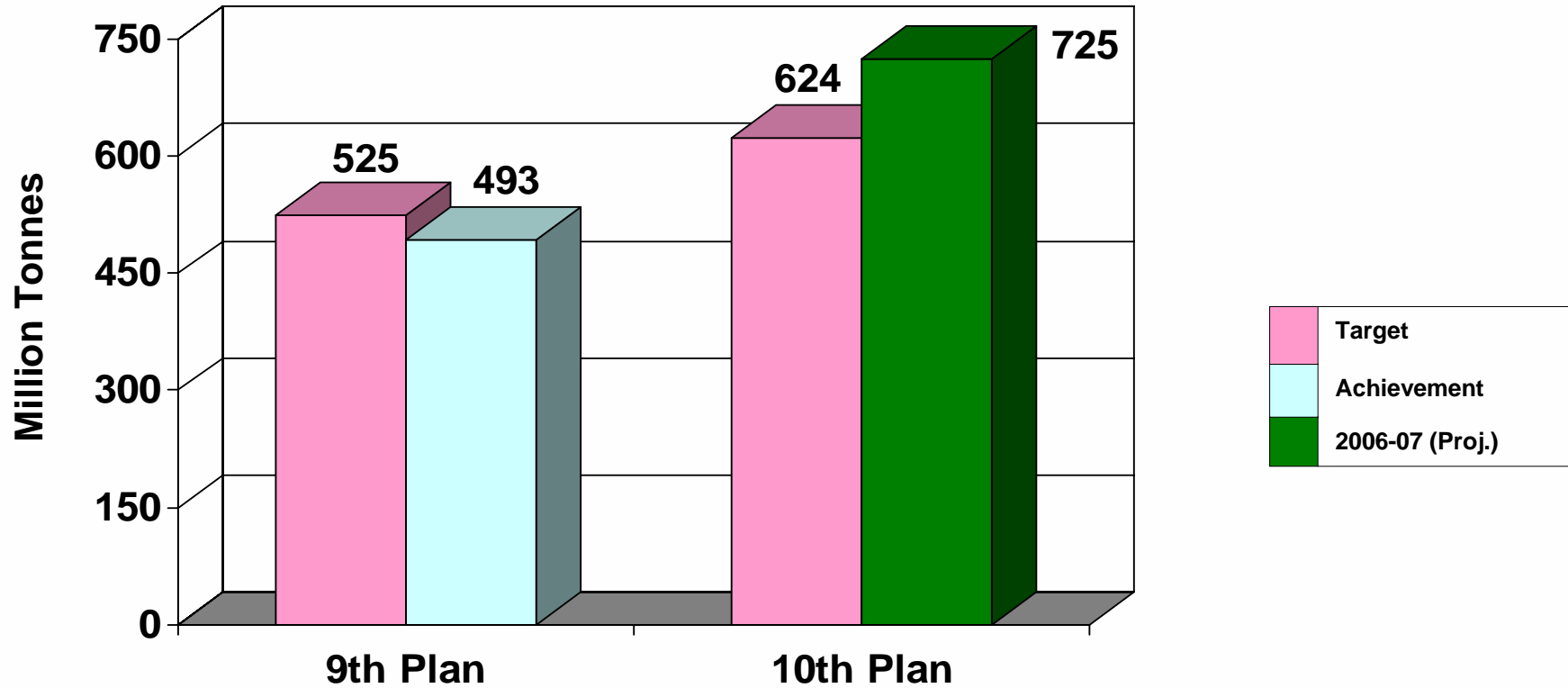


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NINTH & TENTH FIVE YEAR PLAN TARGET AND ACHIEVEMENT



Freight loading target is likely to be surpassed in 2005-06 and is likely to be exceeded by 18-20% in 2006-07.

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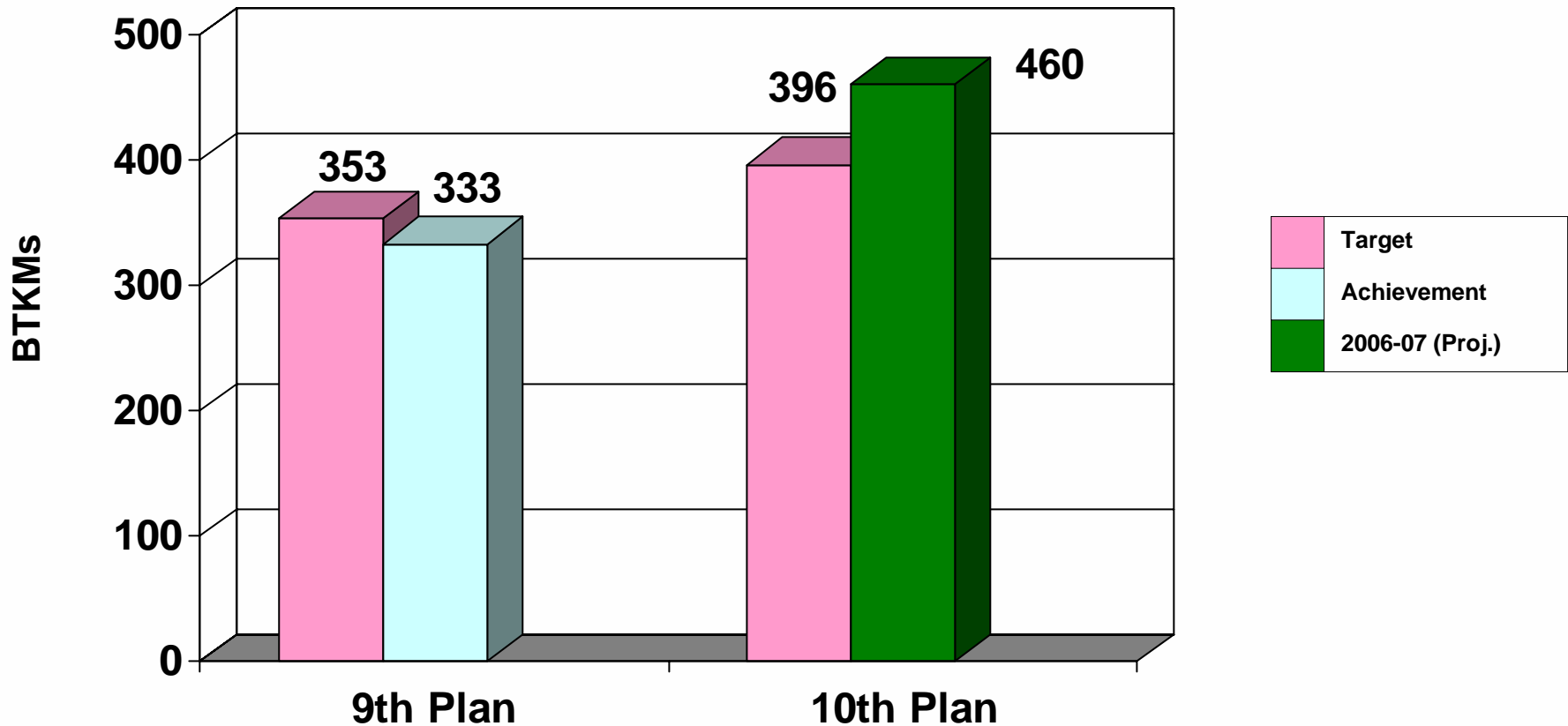


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NINTH & TENTH FIVE YEAR PLAN TARGET AND ACHIEVEMENT



Freight tonne Km target has been surpassed by 4% in 2004-05 and is likely to be exceeded by 16% in 2006-07.

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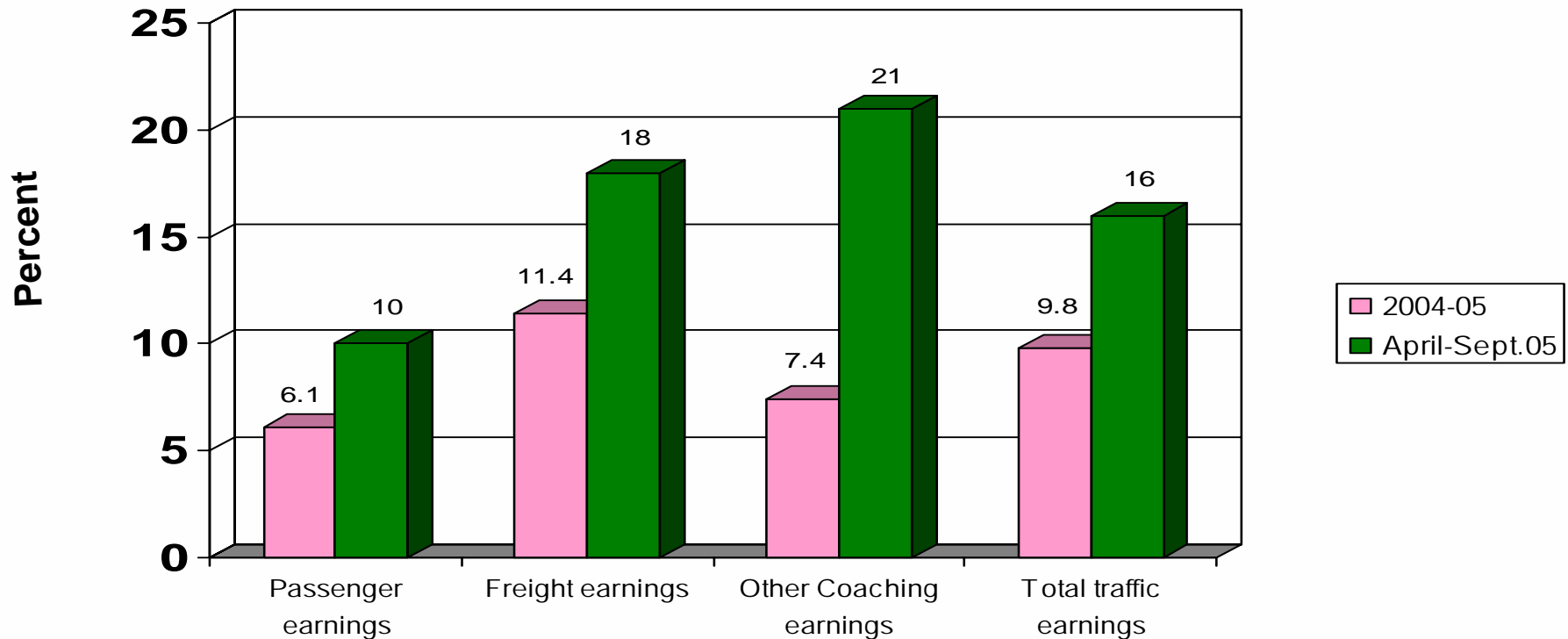


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GROWTH IN PASSENGER, FREIGHT , OTHER COACHING AND TOTAL TRAFFIC EARNINGS

- NO PASSENGER FARE HIKE
- NO PARCEL RATE HIKE



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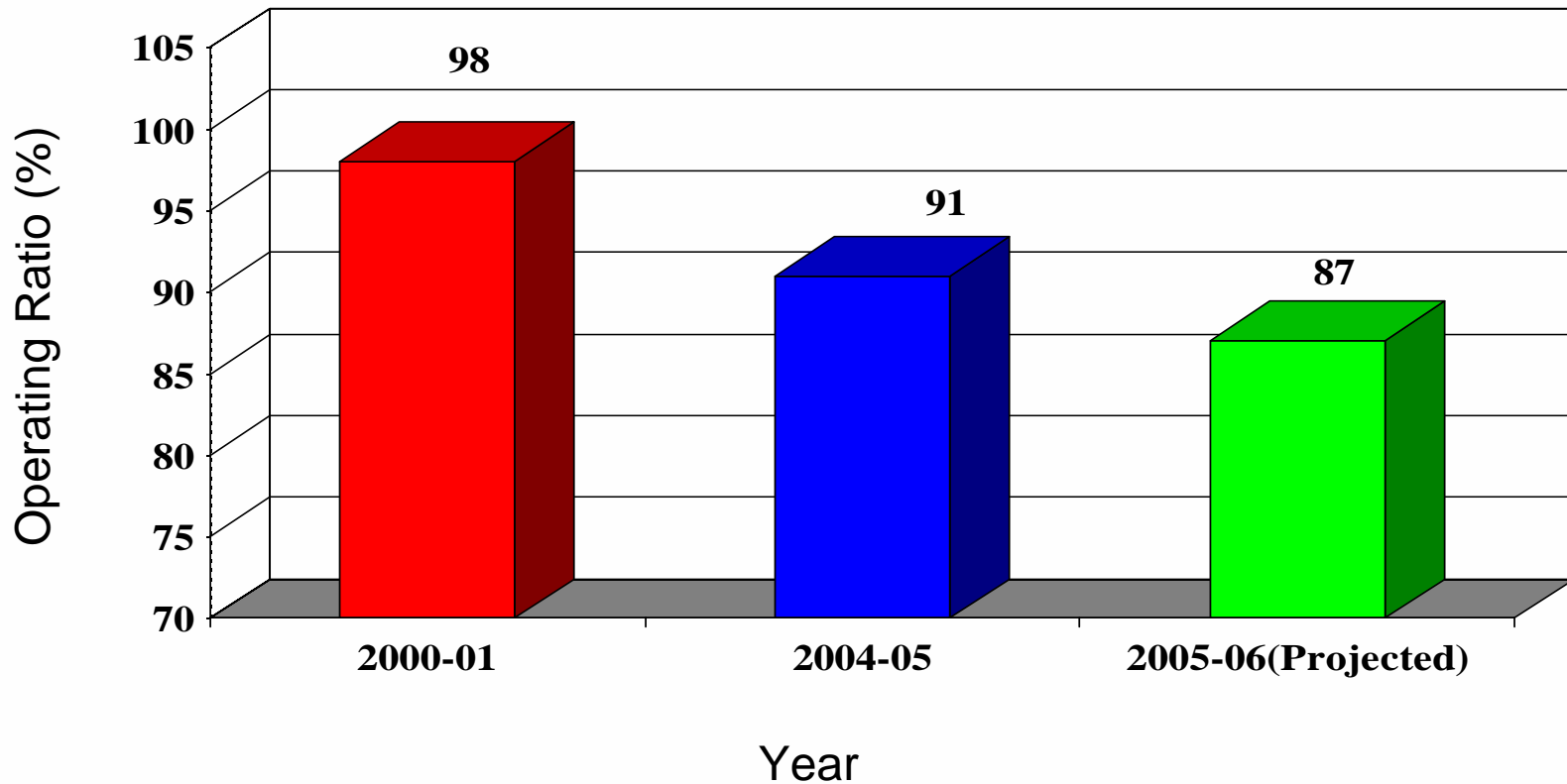


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Operating Ratio



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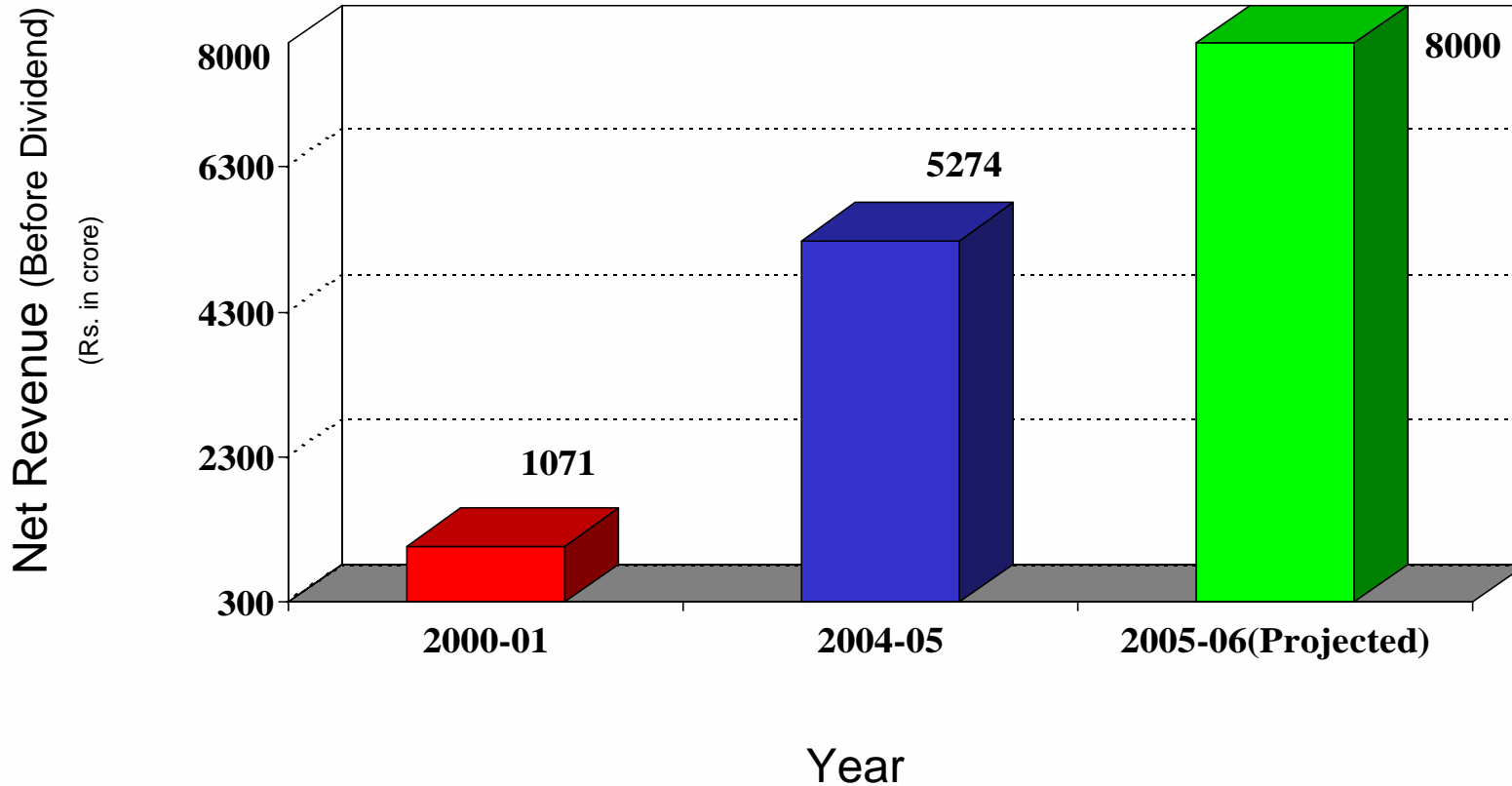
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A MIDAS TOUCH

NET REVENUE



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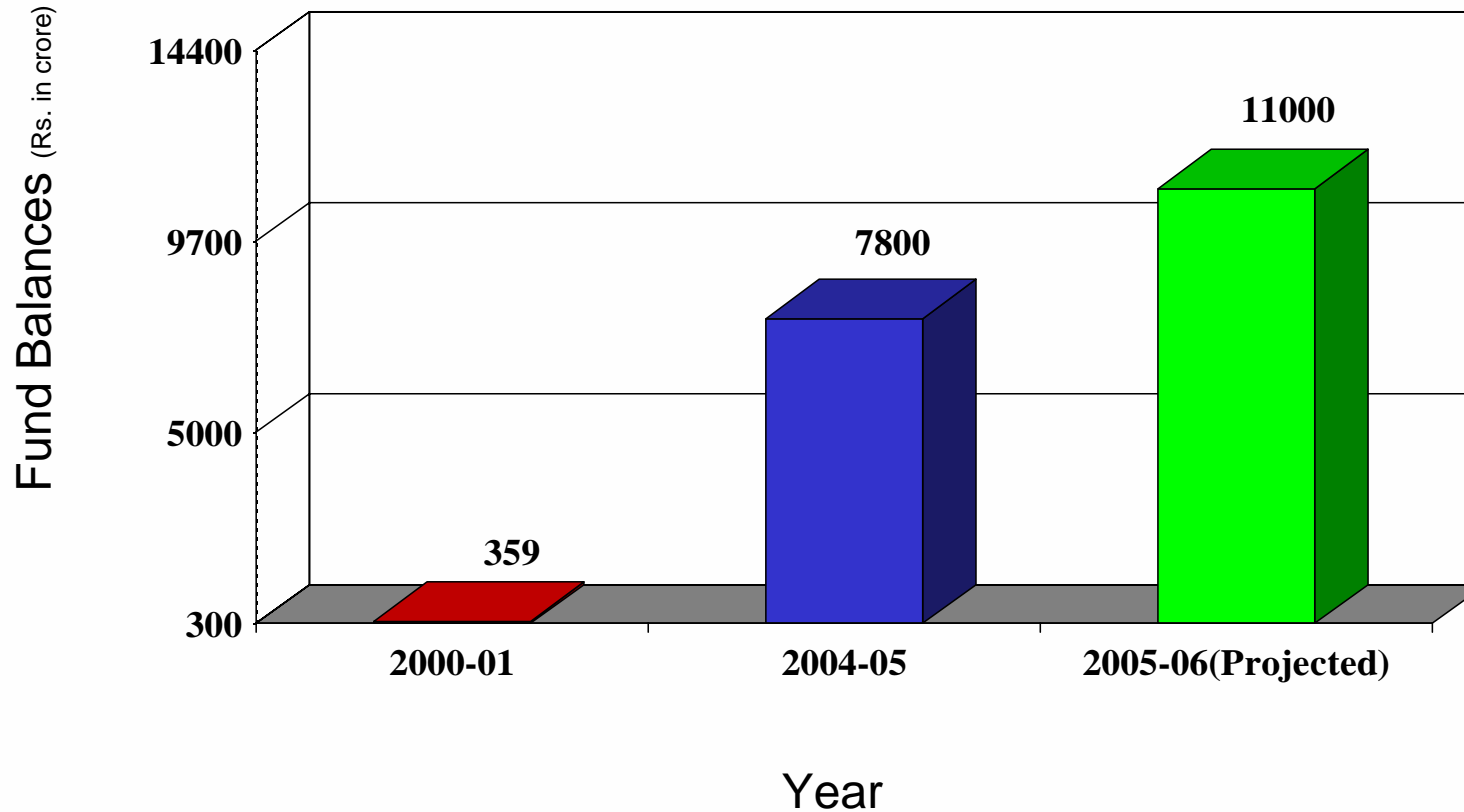
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GROWTH IN FUND BALANCES



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CHALLENGES AHEAD

- **Bringing down unit cost of freight traffic at current prices by 50% over five years:-**
 - a) **Universalization of 22.9 t axle load on IR.**
 - b) **Increasing axle load for iron ore movement from 22.9 to 25 tonnes.**
 - c) **Improving loaded empty ratio to 75% over a period of 3-4 years.**
 - d) **Transformation of IR from a bulk transporter to a multi-modal transporter.**
 - Promoting a consolidation industry for non-bulk traffic
 - Aggressively promoting EXIM and domestic containerized movement through PPP
 - Development of integrated multi-modal logistics parks
- **Technology upgradation and modernisation including application of IT.**
- **Construction of dedicated Freight Corridors.**



THE END

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