P R E F A C E

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.

Indian Railways (IR), which was declared to be heading towards bankruptcy as per the Expert Group on Indian Railways in 2001, is today the second largest profit making Public Sector Undertaking after ONGC. The fund balance crossed Rs.12,000 crores in 2005-06, which had reached a low of just Rs.149 crores in 1990-2000. The total investment being planning for the eight-year time frame (2007-2015) is tentatively in the order of Rs.350,000 crores. This confidence is not only due to the rising trend of performance, but also due to the significant growth in the past two years. These two years coincided with Mr. Lalu Prasad being at the helm of affairs of the IR, having moved into his position on 23rd May, 2004. Railway officials called this as the ‘turnaround’ of IR.

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 tones of revenue earning goods traffic (originating). The Railways freight traffic was 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.

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 year's 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. In terms of Net Tonne Kilometre (NTKM), the increase in revenue earning goods traffic was 4.4 per cent during April-December 2001.

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 benchmarking 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.

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.

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 counterproductive. 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.

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 nontraditional sources. Parcel services of the Railways are also being improved with leasing of space in brake-vans of passenger trains.

Indian industry on Jan. 30 hailed the interim railway budget, terming it development-oriented with its focus on renewal of tracks, passenger safety, security and better connectivity.

The five pronged focus on efficiency, including replacement, renewals and de-bottlenecking, security, safety, connectivity and passenger convenience, would enable the Indian Railways to provide a fillip to the growth and
development of the Indian economy. This certainly reflects the high priority government is giving to up-gradation and modernization of railway infrastructure.

Complimenting the railways for registering an impressive growth in freight traffic, Mahendra said: "The 6 percent-plus growth is in tune with the current resurgence in the economy and has been the result of the pragmatic approach and user friendly measures adopted by the railways." Railway Minister Nitish Kumar's decision to maintain status quo on the freight and passenger tariff this year too, was also lauded as "the railways have an important role to play in sustaining and building competitiveness of Indian industry and freight tariff is a crucial factor in it."

While describing the interim budget as "populist," Associated Chambers of Commerce and Industry of India (Asocham) President Mahendra Sanghi welcomed the focus on customer service and safety and introduction of new trains and extensions. He expressed hope that the full budget after the general election would address critical issues such as new measures to bring more revenues and optimal utilisation of railway's land.

This, he said, should be viewed in light of the competition from the road transport sector both in terms of movement of goods in small lots and its better safety record.

Federation of Indian Chambers of Commerce and Industry (FICCI) President Y. K. Modi said: "It is heartening that the operating efficiency of the railways have increased resulting in lower expenses and leaving additional resources with the minister, which can be passed on to the consumer in the form of betterment of railway services and higher safety."

The Rs. 200 billion programme for execution and completion of railway projects in remote areas is a step in the right direction, said Modi, expressing confidence that the programme will achieve the objective of

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creating employment opportunities. "This programme will hasten the process of development of backward areas and generate additional demand for a wide range of manufactured items," Modi said.

Rationalization of freight rates was essential to keep Indian Railways on track and woo back customers who moved away because of high tariffs. There is a need to focus on providing dedicated corridors for movement of goods train on important routes and better connectivity from the northern region to the ports.

This thesis attempts a diagnosis of the ‘turnaround,’ beginning with the question as to whether it really was a ‘turnaround’. This thesis then carried out an analysis of the various determinants of the ‘turnaround’ related to goods, passenger and other operations. This is followed by a critical assessment of the strategies and key processes being the ‘turnaround’. Finally the sustainability of the ‘turnaround’ is explored. The present study has been divided into eight chapters. The first chapter is relating to Introduction, Overview of Indian Railways, Organizational Structure, Objective of the of the study, Research Methodology and Review of Literature etc., have been discussed in detail. The Second Chapter relates to Indian Railways plans with defined phases and Trends. Chapter third discusses various reforms made in Railways by GOI. Chapter fourth explains Private-Public sector Participation and Technological Development in Indian Railways. Chapter fifth depicts the various steps taken by GOI to bring Indian Railways more effective. Chapter sixth is based on Customer Opinion Survey. Chapter seventh discusses the various problems to improve the condition of the Indian Railways. The last but not the least chapter relating with Concluding Observation.

We hope that this present work will be very much beneficial to the readers/research scholars etc.

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