

IV-30 AN OVERVIEW OF PROFITABILITY ANALYSIS PAKISTAN RAILWAYS : FREIGHT SECTOR

Mursaleen M.SHEIKH Student Member, Univ. of Tokyo
Hitoshi IEDA Regular Member, Univ. of Tokyo
Kazushi SANO Regular Member, Univ. of Tokyo

1-Introduction.

Pakistan Railways PR form the life line of the country catering to all its needs for large scale movement of freight as well as passenger traffic, thereby contributing to its economic growth as well as national integration. PR was founded in 1861, since then substantial improvements have been made in the system. In order to make a critical evaluation of it commercial and non-commercial services PR undertook its first profitability study for both passenger and freight sectors. However, here in this paper only freight traffic is considered.

2-Review of freight traffic structure in Pakistan.

Inland freight traffic has been expanded with the growth of economic activity in the country, and has to depend on Roads and Railways. More than half of the railway revenue is earned from the freight traffic, during the fiscal year 1989-90, which reflects due attention to be paid to this sector. Figs. 1 show an overall picture of the major commodity areas served by PR freight sector during 1988-89 and 1989-90. Where as Fig. 2 Shows recent trends in freight traffic, and were used in profitability analysis.

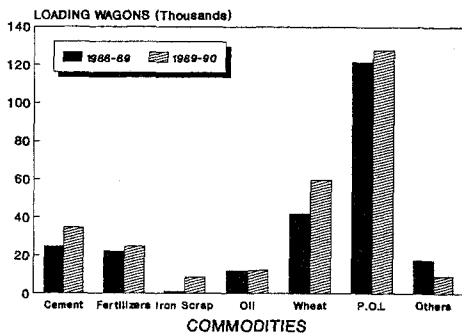


Fig.1 Preview Freight traffic 1988-89

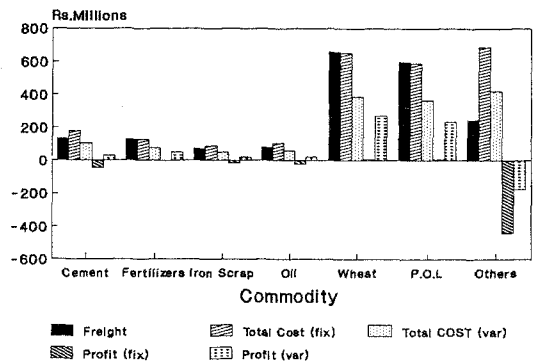


Fig. 2 Freight Traffic Recent Trends

3-Profitability Analysis.

Basically, the analysis was carried out to establish future service criteria, after forecasting different aspects of freight traffic in future.

Methodology: The exercise was done taking into account the actual expenses for different departments. Audited figures of expenditures were used for apportioning the total expenditures between passengers and freight services. Further subdivision was done by working out the expenditures pertaining to terminals, on way and haulage cost etc.

Speciality of each of the commodities varies according to its type. All these could be categories in two main classes, one those imported, these commodities are to be transported from Karachi to upword and usually covers whole run. And the other class may include local commodities, their transportation run varies according to resource

location and consumer spots. Out of all these major seven commodities are selected here for description.

Freight traffic has been analysed by splitting it into two main groups according to traffic offering and movement pattern. First group consisting of six principal commodities namely P.O.L, Edible oil, Cement, Fertilizers, Wheat, and Iron Scrap constitutes 73% of total volume of traffic. The other group contains miscellaneous commodities. Railway and departmental traffic constitutes 27% of total volume, and is offered in small volumes .

Data based on previous twenty years record and the actual performance during 1988-89 was used for analysis and was studied in view of different aspects. Important factors considered were:

(a)-Changes in population (b)-Changes in freight demand (c)-Resource development (d)- Change in investment trend in freight sector ; etc.

Commodity wise study yielded useful or applicable analytical results but roughly reveals under development of resources. But on the other hand, highly useful traffic and resource availability projections are made based on the above analysis.

Traffic Projections.

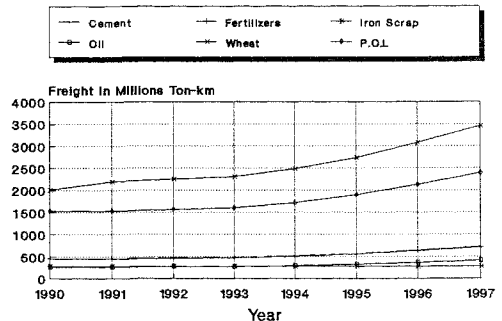
Traffic projections has been made by individually concentrating on the principal commodities, and has been split into two phases, the first phase spans the period 1990-91 to 1992-93. During this period benefits due to investments will be partial due to time lag. The improvements will mainly come through operational efficiency and improved management skills.

While in the second phase, from 1993-94 to 1996-97, traffic will grow based on new investments viz, core investment programme, subject to availability of additional resources and expansion of economy as a consequence of development process. Fig. 3 shows commodity wise forecasted trends.

Financial projections for the freight sector further reveals that sector starts throwing a surplus in fiscal year 1995-96 at an annual tariff increase of 10%, however at 12% annual tariff increase, it would start throwing surplus in fiscal year 1990-91.

Furthermore future trends relationship between different commodities is worthy to note. Almost similar trend is followed by all commodities, which reflects a balanced expansion of economic activities in the country. As for, Wheat and P.O.L are concerned, need to develop other transportation means looks unavoidable.

Fig. 3
Freight
Traffic
Projections



4-Conclusions.

This study is quite helpful to get prepare in order to cater for future growth in freight transport as well as provides a strong basis for this kind of studies. As a whole it could be referred as a considerable initiative in this direction.

References.

1. PR Year Book, Nov. 1991
2. Profitability analysis Report Pub. April 1991, by Pakistan Railways
3. Economic Survey Of Pakistan 1988-89