

Indian Railways – Budget 2016-17

25 February, 2016

Overall vision for IR has been clearly laid out

Breakthrough Ideas to be implemented by 2020



Railway University fully functional



DFC Operational



At least 100+ stations under various stages of redevelopment



HSR construction in full swing



Newly designed Coaches with modern amenities



Zero discharge

We started on this journey last year by tackling most critical issues

Issues which had been ignored for years needed fundamental fixing

- Congested network with 65% of traffic moving on oversaturated (>100% utilization) network
- Project identification skewed towards certain regions rather than on merit
- Limited internal resource generation
- Lack of market borrowing

Budget 2015-16 – Path breaking announcements

- Medium term planning – Rs. 8.56 lakh crore investment plan unveiled
 - Market borrowings to finance projects – ensuring assured fund availability
 - Innovative financing models such as State JVs
 - Huge push to PPP investments in manufacturing and Station Redevelopment
- Prioritizing of investment to remunerative projects – 77 projects identified as first lot to fulfill immediate needs. Focus on doubling and electrification projects
- Adoption of customer – centric approach for passengers through variety of measures
- Improving management practices – bringing in delegation and accountability

We have delivered on most of our promises from last year and ensured unprecedented achievement on physical targets

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**Budget
announcements
implemented**

+99%

**Increase in Doubling Kms
(2014-15 till Dec vs 2015-
16 till Dec)**

+409%

**Increase in New line Kms
(2014-15 till Dec vs 2015-
16 till Dec)**

+16%

**Increase in gauge
conversion Kms (2014-15
till Dec vs 2015-16 till Dec)**

+47%

**Increase in Electrification
Kms (2014-15 till Dec vs 2015-
16 till Dec)**

This budget takes the transformation journey started last year to next level

Context

- Started the journey last year by clearly laying out the vision
- **Identified underinvestment as the root cause** for poor service delivery and **tapped extra budgetary resources** through innovative financing to fix it
- Now, the need is to 'enable' the organization – Would happen by **shaking up the processes and mindset cemented over years**

Budget 2016-17 – New approach, New way of working

- **Nav Arjan – New Revenues**
 - ✓ Increase freight modal share by revamping the policies – Rationalizing tariffs, Increasing sensitivity to customers
 - ✓ Target passenger revenues through 'New Products' to meet unmet customer need
 - ✓ Focus on Non fare box revenues – advertising, monetizing data, land monetisation, exports
- **Nav Manak – New Norms**
 - ✓ Bring in mindset of ' Each rupee that gets spend would be optimised'
 - ✓ For the first time, absolute reductions in diesel and electricity not just less growth from last year
- **Nav Sanrachna – New Structures**
 - ✓ Revisit all processes, rules and structures to enable the organization to step change the pace of execution

We have envisaged a fundamental shift in our freight policies

Context

- Continually declining modal share in transportation
- Historical over-reliance on tariff hikes as the way to increase resources
- With capacity augmentation in full swing, and network likely to be decongested in next couple of years, it is time to set the policy changes in action

Freight policy reforms

- **Tariff Rationalisation**
 - ✓ Review the current rate structure to make them more competitive vis-à-vis other modes including offering long term contracts
 - ✓ Differentiated tariffs to increase utilization of alternate routes
- **Expanding the freight basket**
 - ✓ Undertaking a full market study to identify and capture non bulk traffic through new delivery models e.g., Roll on Roll off, Pilot time tabled freight trains, Multi point loading
 - ✓ Big push on expanding containerization – opening the sector, allowing part loads, opening good sheds for containers
 - ✓ Building terminal capacity to handle increased conventional and new traffic – Modernisation of goods shed, rail side warehousing
- **Nurturing customers**
 - ✓ Appoint key customer managers for big freight customers
 - ✓ Publish citizen charters by each Zonal Railway
 - ✓ Explore feasibility of opening general purpose wagons for leasing

Cost optimisation is a key input for next year's performance

Context

- Historically expenditure has **increased by a CAGR of almost 10% in last 5 years** but next year (excluding the pay commission impact) **it is expected to grow at only 3%**

Cost optimisation initiatives

- **Fuel**
 - ✓ Targeted a decrease of Rs 1500 crore from this year's spend
 - ✓ Exploring revamp of procurement policy by buying directly from overseas
 - ✓ Rigorous consumption monitoring to optimize usage and reduce pilferage
- **Electricity**
 - ✓ Annualised savings of Rs. 3000 crores to be achieved by end of this year, a year before the commitment
 - ✓ Continue to adopt the procurement model of open source purchase
 - ✓ Target to save additional Rs 300 crores through energy conservation
- **Other administrative expenses**
 - ✓ Austerity drives planned to optimise controllable costs

Non fare box revenues would see a major push in next year

Initiatives Areas

- **Revamping parcel business**
 - ✓ Liberalise the policy to enhance volumes, set up online portal for booking
 - ✓ Open the sector to container operators
- **Advertising – Target to increase revenues by almost 4 times**
 - ✓ Study to assess the pan Indian potential to set up a neutral benchmark for potential advertisers
 - ✓ First batch of stations to be tendered out by June
 - ✓ Branding of stations and trains being actively considered
- **Monetising data/software/other assets**
 - ✓ Actively looking at various opportunities: Data monetization through web service, FM radio in trains, IPR monetisation
- **Monetising land**
 - ✓ Cabinet note to utilize land near tracks for horticulture in final stages
 - ✓ Land utilization for building specialised warehouses to be explored
- **Exports**
 - ✓ Target to reach Rs 4000 crore by 2020 through exports of Machinery & Plant
- **Scrap disposal : Special focus to increase scrap sale by more than 50%**

The Budget also solves for some inherent structural issues of the organisation

Context

- The future growth as envisioned would not be possible in absence of fundamental structural changes
- Need to change the ethos, mindset and processes cemented over years to adopt to this new way of working

Budget announcements – Structural Changes

- Railway planning and investment organisation
- Change in organization structure
- Mission mode implementation
- New R&D organization (SRESTHA)
- Best in class Data analytics by a dedicated wing called as SUTRA. Would comprise of professional analysts, decision support system and optimization engines

An independent planning and investment corporation would streamline new investments

Context

- Current appraisal process does not analyse 'strategic fit' with overall plan
- Lack of standard set of assumptions for Detailed project reports
- Lack of established processes to analyse the 'value' the project promised vs delivered

Railway Planning and Investment Organisation

- Responsible for drafting of Medium term (5 year) and Long term (10 years) Corporate plan
- Identify projects which fulfil the corporate goal
- Independently conduct market intelligence to assess demand and operational feasibility studies and then develop the Detailed Project Reports
- Propose the right financing mechanisms for the projects
- Analyse the performance of completed projects vis-à-vis the initial estimates.

Our current structure does not enable cross-functional collaboration and facilitate new business development

Context

- Themes that warrant cross functional collaboration have shown limited progress e.g., Speed, Information Technology, Planning
- Minimal business orientation has resulted in overdependence on limited commodities

Organisational restructuring

- Ensure an organisation working towards a unified corporate goal
- Redefine Railway Board structure with members responsible for business functions such as Passenger services, Freight services rather than functions such as Electrical, Mechanical
- Empower the Chairman, Railway Board
- Create independent directorates with cross functional teams to pursue key priorities like Non fare revenues, Speed increase, Information Technology and Motive Power
- Initiate merger of services for fresh recruitment

Current economic and operational scenario require new processes for 'Project Delivery'

Salient features of 'Mission Mode' implementation

- Missions headed by a Mission Director, reporting directly to CRB or Member and heading a cross functional team
- Empowered to take all budgeting and expense decisions
- Annual outcome based performance targets for the Mission to be announced
- Support teams in zones for implementation

Budget announcements – 7 new missions

- Mission 25 Ton – Shift 20% of freight traffic to high axle load wagons by this year and 70% by 2019
- Mission Zero Accident – Eliminate all unmanned level crossings in next 3 years. Induct collision avoidance system on high density network in 3 years
- Mission PACE – Reduce ordinary working expenses including fuel in the next financial year
- Mission RAFTAAR – Increase average speeds of all types of trains (Freight, Passenger, Mail/Express)
- Mission Century - Commission 100 sidings in next 2 years
- Mission beyond book keeping – Roll out accrual and outcome based accounting across full organization in next few years
- Mission Capacity Utilisation – Develop and action a plan to utilise excess capacity on existing routes post DFC commissioning

A specialised R&D organisation would help IR develop indigenous rail technology

Context

- Currently Research, Development and Standards organisation is involved with variety of works including administrative works
- Need to focus energy and efforts on research to help Indian Railways modernise

Salient features of the organisation

- Distinct organization from RDSO
- Headed by eminent scientist reporting directly to CRB
- Staffed by scientists and limited railway officers
- Would only be involved in future technology research
- RDSO processes would also be reviewed to ensure full transparency

Customer focus cannot be lost sight of, quality of service delivery has to continue to improve

Guiding principles for ideas conceived on Customer/Aam Aadmi

- Promote national projects e.g., Swachh Bharat, Digital India
- Launch products to fulfil unmet customer needs
- Ensure visible changes in customer interface to garner wide public appreciation
- Initiatives for all customer types e.g., Women, Middle class, Disabled

Budget announcements (*Only Indicative list*)

- Launch new services – Tejas, Humsafar and UDAY express
- Deen Dayalu coaches in trains
- PR Skills to staff and personnel of service providers
- E-catering to be expanded further to 408 stations
- Multi purpose stalls on platforms
- Janani seva – Children’s menu in trains, Availability of hot water, milk on platforms
- All redeveloped stations to be accessible by persons with disability
- Incorporate 30,000 bio toilets to target zero discharge
- New coach designs with better aesthetics and increased capacity
- Ticketing for unreserved through handheld POS terminals
- New suburban systems with partnership of States

In addition we need to further improve processes to improve ease of doing business

Budget announcements – Process improvements

- EPC Projects proliferation
- Review of service contracts to make them performance oriented
- Tabling of bill on Rail Development Authority
- Paperless contract management system
- Technology based Project Monitoring system (Use of drone and satellite imagery to reveal on site, real time project status) – To be initiated for DFC in this financial year