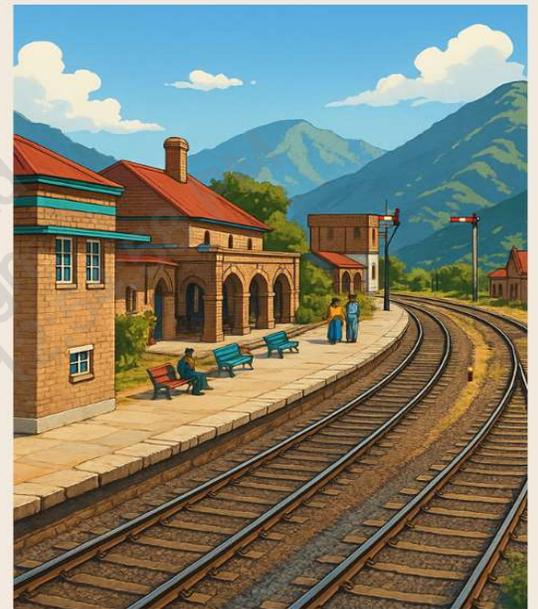




PAKISTAN RAILWAYS



COMPREHENSIVE RESTRUCTURING, REVIVAL & GROWTH PLAN

1. Introduction & Overview of the Plan

Pakistan Railways (PR) is a strategic national asset with a critical role in public service delivery, national integration, defense logistics, and economic connectivity. At present, rail transport accounts for approximately 8 percent of the national freight share.

This Restructuring, Revival & Growth Plan provides a comprehensive roadmap to transform Pakistan Railways into a financially sustainable, freight-led, and commercially oriented railway system, aligned with national priorities, the National Transport Policy, and broader economic and investment frameworks. The plan consolidates reforms already undertaken, formalizes ongoing initiatives, and outlines the next phase of institutional, financial, legal, and operational transformation.

The document proceeds in a structured manner. It sets out the strategic direction for Pakistan Railways, followed by a Four-Pronged Reform Strategy covering financial sustainability, governance and right-sizing, public-private partnerships, and digital transformation. It then details the legal and legislative reforms undertaken to enable private participation and a track access regime, followed by priority infrastructure and flagship projects aimed at freight growth and national connectivity. The plan concludes with the implementation approach and expected outcomes, presenting a clear pathway for execution and long-term impact.

2. Strategic Direction

The restructuring aims to reposition Pakistan Railways as a modern, efficient and reliable transportation backbone, supporting domestic mobility, export competitiveness, energy security and regional connectivity. The adopted Four-Pronged Reform Strategy focuses on strengthening governance, restoring financial discipline, leveraging private sector participation, digitization and upgrading infrastructure to support long-haul freight and high-capacity corridors, while ensuring continuity of essential public services through transparent compensation mechanisms under PSO framework.

3. Four-Pronged Reform Strategy

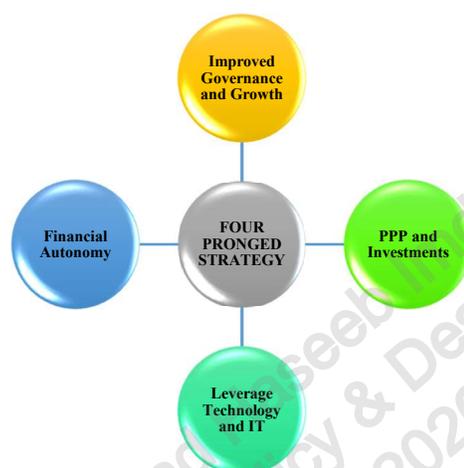


Figure 1: Pakistan Railway's Four Pronged Strategy

I. Financial Sustainability (Achieved, Underway and Planned)

PR's fiscal stress has been driven by a skewed expenditure structure dominated by pensions, salaries, fuel and utilities. Financial stabilization is therefore being pursued through immediate cost controls and structural reforms.

Actions taken and underway include:

- Initiation of pension rationalization, with separation of pension liabilities from core railway operations and structured handling at the federal level
- Cost-control measures operationalized, including fuel management arrangements, energy rationalization, solarization initiatives and 100% digital procurement
- Transition toward market-based fare and freight pricing, with linkage to key input costs to reduce revenue volatility

Public Service Obligation (PSO) Framework: Pakistan Railways operates necessary passenger services that are not commercially viable. A PSO framework is being developed and institutionalized to:

- Clearly define PSO routes and services
- Establish transparent costing and service standards
- Enable targeted state compensation without distorting commercial performance

This reform ensures continuity of public service while restoring financial clarity.

II. Governance, Institutional Reform and Right-Sizing (Achieved and Ongoing)

A decisive shift in governance and organizational structure is central to restructuring.

Key governance actions achieved and underway include:

- Closure and winding-up of PR subsidiary companies (PRACS¹, RAILCOP², PRFTC³), streamlining the institutional footprint
- Retention of REDAMCO⁴ as the entity for railway land and estate development

Right-Sizing and Rationalization (Achieved):

- A comprehensive rationalization exercise has been initiated resulting in the abolition of 21,451 posts across Pakistan Railways
- Rationalization covered both core and support departments

Ongoing HR strategy focuses on need-based, contract-driven recruitment to prevent re-accumulation of surplus staff besides reduction in future pension burden

III. Public-Private Partnerships and Private Investment (Operationalized and Expanding)

Given fiscal constraints, PR has shifted from exclusive public funding to structured PPPs and outsourcing, several of which are already operational.

Key initiatives achieved and ongoing include:

- RABTA (Railway Automated Booking and Travel Assistance) executed under PPP mode
- Outsourcing of selected passenger train services under performance-based contracts
- Private sector participation in freight marketing and logistics
- Outsourcing arrangements for railway hospitals and educational institutions, improving service quality while reducing administrative and fiscal burden
- Developing strategy to engage private sector in workshops and production facilities to introduce efficiency and technology Outsourcing of 02 sleeper factories of Khanewal & Sukkur
- Government to Government (G2G) based outsourcing of dry ports development with Abu Dahbi ports
- Outsourcing of Royal Palm golf & country club

¹ Pakistan Railway Advisory & Consultancy Services.

² Railway Constructions Pakistan Ltd.

³ Pakistan Railway Freight Transportation Company.

⁴ Railway Estate Development & Marketing Company.

- Outsourcing of rest houses
- Outsourcing of Pakistan Railways Solarization
- Outsourcing of luggage vans, brake vans, dining cars

IV. Digital and Technology Enablement (Implemented and Scaling Up)

Digital transformation underpins all reforms and is actively being deployed.

Progress includes:

- ERP (SAP) implementation underway for financial, asset and materials management
- RABTA (Railway Automated Booking and Travel Assistance) for online booking and passenger facilitation
- Implementation of PM's initiative regarding cashless economy
- Modernization of passenger amenities at railway stations
- Implementation of E-office, E-inspection system, case management system, development of IT applications for real-time train monitoring, safety systems and asset tracking
- Railway Advance infrastructure network (Phase 1, Phase 2, Phase 3 & Phase 4)

4. Legal and Legislative Reforms (Achieved and In-Process)

The restructuring of Pakistan Railways is being firmly anchored in legal and legislative reforms to ensure sustainability, investor confidence and enforceability.

Key measures include:

- Promulgation of the Transfer of Railways (Amendment) Act, 2026, amending the Transfer of Railways Order, 1962
- Introduce a track access regime
- Legally enable private sector entry into railway operations
- Facilitate competitive access to railway infrastructure under regulated conditions

These reforms mark a decisive shift from administrative control to a rules-based, market-enabled railway framework.

5. Infrastructure and Flagship Projects (Approved and Advancing)

Infrastructure modernization anchors PR's revival and freight-led growth.

Priority projects approved or under execution include:

- ML-1 Upgradation – the national rail artery connecting Karachi-Lahore-Peshawar
 - ML-3 Upgradation – for transportation of copper concentrate from Reko Diq mines to Karachi Port
 - Thar Rail Connectivity – enabling domestic coal evacuation from Thar to ensure energy security, reduce reliance on imported fuels, and promote environmentally efficient, rail-based energy logistics as part of the broader green transport framework.
 - Kohat–Thal–Kharlachi (KTK) Link – strengthening trans-regional and Trans-Afghan connectivity to promote regional connectivity, economic integration, and expansion of strategic trade and logistics corridors.
 - Dedicated Freight Corridors – addressing port congestion and improving throughput
 - Engagement with provincial governments for upgradation of branch lines and conversion of un-manned level crossings
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6. Implementation Approach

The restructuring is being executed through a phased approach. Financial stabilization, governance reform, legal enablement, right-sizing and digital transformation are already underway, followed by infrastructure execution and freight expansion. Structured PPP frameworks and digital monitoring ensure discipline, transparency and accountability.

7. Expected Outcomes

With reforms already in motion, the plan is expected to deliver:

- With upgradation of ML-1 (Karachi-Rohri), expected increase rail share in passenger market from 5 % to 10 %
- With upgradation of ML-1 (Karachi-Rohri), Increase rail utilization, through Public Private Partnership, driven by freight growth, expected enhance rail share in freight market from 8 % to 25 %
- With upgradation of ML-1 (Karachi-Rohri), Reduce Karachi – Lahore travel time from 20 hours to 13 hours

- Reduced fiscal burden through cost rationalization, PSO transparency and completed rightsizing
 - Improved service reliability, safety and customer confidence
 - Mobilization of private investment under a clear legal framework
 - Lower national logistics costs and enhanced export competitiveness
 - Stronger national and regional connectivity
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8. Conclusion

This Comprehensive Restructuring, Revival & Growth Plan consolidates reforms already delivered, embeds them in law and institutional frameworks and provides a clear roadmap forward. With empowered governance, transparent treatment of PSO and pensions, completed rationalization and a legally enabled track access regime, Pakistan Railways is positioned to transition from chronic dependence to long-term resilience, efficiency and growth.