

Economics of the Railway System of Sri Lanka: A Case for Structural Reforms

T L Gunaruwan
Department of Economics, University of Colombo
and
Nuwan Indika
Faculty of Management, University of Colombo

Railway system is an important element of the transport infrastructure in Sri Lanka. Though its share of the economy's transport market has gradually declined over the past few decades, it still accounts for nearly 5% of the passenger transportation in the overall economy, and nearly 20% along the main corridors towards Colombo in sub-urban areas. The freight haulage by railway is about 1% of the economy-wide land transportation of goods tonnage.

Though the market share is rather meagre, the congestion alleviation, accident avoidance, pollution prevention and fuel economic advantages of the railway operations is very significant. This important role played by the railway system in the Sri Lankan economy is felt particularly when the service is obstructed during rush hours due to some reason, where the highways become impassable and fuel consumption on road transport modes increase. For example, approximately sixty large size public passenger busses would be needed to ply on Kandy road to transport the same passenger load carried by an office train approaching Colombo in the main line.

The importance of the railway system is bound to be felt more with more demand for passenger and goods transport in the years to come the economic upturn and end of terrorism in Sri Lanka. The scales of traffic that could be anticipated under sustained high growth of the economy could not possibly be handled by road traffic without having to incur heavy travel costs and investment on highways. The economically sustainable strategy would be to develop the railway system quantitatively and qualitatively to become sufficiently geared to assume the challenge.

However, this requires proper understanding of the comparative economics of the present railway system, its capabilities and handicaps, and to carve out a workable economic strategy to reform the system. The present research intends to undertake this task. It will gather the relevant information and data, appraise the current economics of the Sri Lanka Railway, and identify the avenues of improvement. The study also intends to develop a feasible structural reform agenda for the railway system of Sri Lanka to evolve as a vibrant public transport provider in the economy.