RAILWAY SECTOR IN CHINA: REFORMS, CHALLENGES AND PERSPECTIVES

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Executive Summary

1. The Ministry of Railways (MOR) was abolished after a “super-ministry” style of institutional restructuring and Cabinet reshuffle by the State Council of China took place in March 2013.

2. In its place is a new State Railway Administration (SRA) to oversee the railway administration function under the Ministry of Transport (MOT). Meanwhile, a new China Railway Corporation (CRC) is being established to take over the commercial functions previously performed by the MOR.

3. The new state reforms mainly aim to separate government from enterprise, shift from control to regulation and supervision, reduce red tape and boost administrative efficiency, strengthen supervision of rail transport safety and tackle rampant corruption.

4. By separating commercial firms in charge of railway operations from government institutions responsible for policy formulation and implementation, the Chinese government hopes to develop a more market-oriented railway system. The abolition of the MOR signals an end to the industrial ministries of China’s central planning economy.

5. The CRC is a centrally administrated state-owned enterprise with an absolute monopoly in the industry. It is the largest railway company in the world in terms of registered capital and staff strength.

6. The railway sector is a strategic industry in China that precludes participation of foreign and domestic private enterprises.

7. China’s railway sector is fast developing but with serious problems. It has to deal with the challenging issues of high centralization of power, monopoly control, low efficiency, corruption, transport management and safety, and huge debt burden.

8. In spite of the thorny issues of low efficiency and funding diversity, the new reform initiatives announced in March 2003 have provided very little in the way of concrete measures to encourage competition or bring private investment into the railway sector.

9. China's railway sector has experienced several major rounds of reform and institutional restructuring. These reform initiatives have largely been unsuccessful due to strong resistance from vested interest groups within the industry and from the military for the use of the railways.

10. Ironically, the reform plans made by the government might bring more problems to the sector. The CRC may become a mini-MOR. Incorporating the MOR into the MOT cannot solve the serious problems faced by the railway sector.