

388  
MOC  
2003  
06636

17

## Project Report

**ASIAN DEVELOPMENT BANK**

**Ministry of Communications  
Government of Pakistan**  
National Transport Research Centre

## National Transport Policy

### ASSESSMENT OF CRITICAL CURRENT TRANSPORT SECTOR NEEDS

ISLAMABAD  
December 2003

*This report is confidential and intended solely for the use and  
information of the organizations to which it is addressed*



**NTRC Library**



**NTRC06636**

NTRC 256

# TABLE OF CONTENTS

	<b>EXECUTIVE SUMMARY</b>	<b>i</b>
<b>I.</b>	<b>PROJECT BACKGROUND AND OBJECTIVES</b>	
	National Transport Policy	1
	International Financing Institution Participation	2
	Project Scope	2
	Project Staffing	4
<b>II.</b>	<b>PRELIMINARY DRAFT TRANSPORT POLICY REVIEW</b>	
	Background	5
	Previous Efforts	6
	The Policy Component of the Current ADB TA Project	8
	The Current Version of Transport Policy – Strengths and Weaknesses	8
	Proposed National Policy Guidelines	9
	Organization for Policy Development and Approval	10
	Sub sector Policy Components	13
	Mission Statement	13
	Strategic Objectives	13
	Policy Statements	14
	Performance Indicators	15
<b>III.</b>	<b>INFRASTRUCTURE SHORTFALLS</b>	
	Introduction	16
	Capacity Analysis	16
	Interurban Road System	17
	Rail Network	18
	Air Services and Airports	19
	Seaports	20
	Karachi Port	20
	Port Qasim	21
	Gwadar Port	21
	Competing Modes	21
	Cost Estimates	23
	Interurban Road System	23
	Rail Network	26
	Air Services and Airports	26
	Sea Ports	28
<b>IV.</b>	<b>TOR FOR FOLLOW-ON STUDY</b>	<b>29</b>
	<b>APPENDICES</b>	
<b>I.</b>	Proposed National Transport Policy Guidelines	
<b>II.</b>	TOR for Follow-on Study	
<b>III.</b>	Officials Who Contributed	
<b>IV.</b>	Literature That Was Reviewed	

## LIST OF ACRONYMS

<b>Acronym</b>	<b>Expansion</b>
<b>ADB</b>	Asian Development Bank
<b>Avg.</b>	Average
<b>BOO</b>	Build Operate Own
<b>BOT</b>	Build, Operate & Transfer
<b>CAA</b>	Civil Aviation Administration
<b>C&amp;W</b>	Construction and Works (Department)
<b>EDO</b>	Executive District Officer
<b>EIRR</b>	Economic Internal Rate of Return
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>GoP</b>	Government of Pakistan
<b>JICA</b>	Japan International Cooperation Agency
<b>JS</b>	Joint Secretary
<b>KDLB</b>	Karachi Dock Labour Board
<b>Km</b>	Kilometre
<b>KPT</b>	Karachi Port Trust
<b>LPG</b>	Liquid Petroleum Gas
<b>M</b>	Meter
<b>MoC</b>	Ministry of Communications
<b>MOT</b>	Maintain Operate Transfer
<b>NA</b>	Not Available
<b>NHA</b>	National Highway Authority
<b>NTRC</b>	National Transport Research Centre
<b>Pass-km</b>	Passenger Kilometres
<b>PC</b>	Project Cost
<b>PIA</b>	Pakistan International Airways
<b>PQA</b>	Port Qasim Authority
<b>PTA</b>	Provincial Transport Authority
<b>PTD</b>	Provincial Transport Department
<b>R&amp;D</b>	Research and Development
<b>RO/RO</b>	Roll On / Roll Off
<b>Rs.</b>	Pakistan Rupees
<b>RTA</b>	Regional Transport Authority
<b>TA</b>	Technical Assistance
<b>TCC</b>	Transport Coordination and Cooperation (Committee)
<b>TDSI</b>	Transport Sector Development Initiative
<b>TOR</b>	Terms of Reference
<b>Tonne-Km</b>	Tonne Kilometres
<b>US \$</b>	United States Dollars

**EXECUTIVE SUMMARY**

## **EXECUTIVE SUMMARY**

### **National Transport Policy**

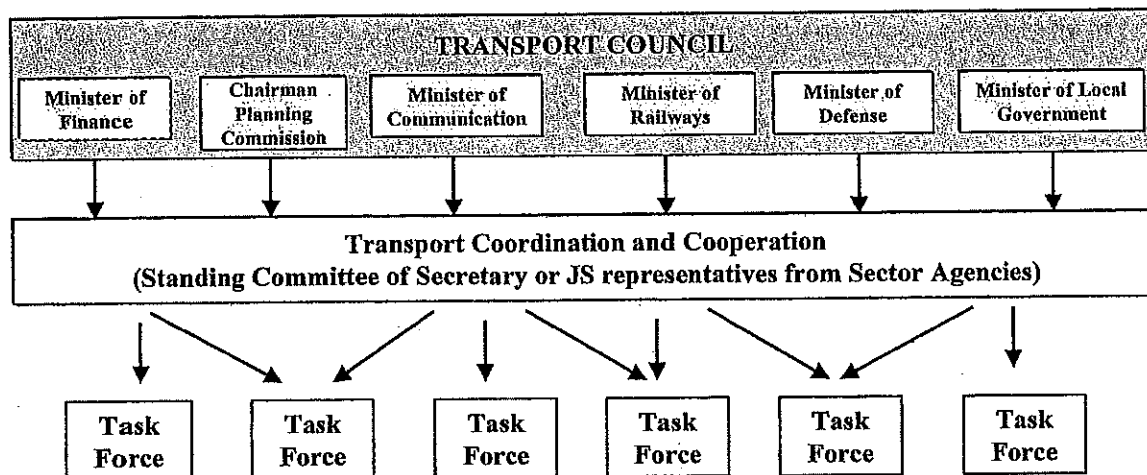
The Transport Sector in Pakistan is driving force behind growth of the national economy but its impact should be much greater. One important reason is the lack of a comprehensive National Transport Policy to promote coordination among the sectors in order to achieve consistency in application of national priorities. Recognising the need for a National Transport Policy, Government has taken several initiatives to frame a policy and de facto policy reflects the recommendations of these efforts. Still no comprehensive sector policy and strategy exists. The consultant believes that this is because the implementing agencies within the sector have not driven the effort. The policy makers in the transport sector, the heads of the responsible Ministries and their executive officers, need to take a more active role in formulation of the National Transport Policy.

The latest effort to support development of the National Transport Policy was initiated in November 2003 through a Technical Assistance (TA) grant from the Asian Development Bank. This report contains the findings of the TA. The path forward that is proposed relies on the policy makers in the sector to drive the process of obtaining cabinet approval of the document. It also contains a preliminary assessment of infrastructure shortfalls and Terms of Reference for a follow-on ADB TA grant to support the process of policy formulation and define critical infrastructure investment needs in line with the Policy.

### **Proposed National Policy Guidelines**

The proposed National Policy Guidelines are contained in Appendix I of this report. They define transport priorities and establish the policy principles that will govern all transport sector sub agencies. They were developed after research of existing documents and consultation with transport sector stakeholders both inside and outside of Government. The guidelines need to be reviewed and modified as required so that they truly reflect the thinking of Government. Once they are approved the process of defining sub sector policy statements should begin immediately. Sub sector policy statements will contain a Mission Statement, Strategic Objectives, Policy Actions and Performance Indicators. Each of the policy principles defined in the guidelines will be addressed in the sub sector policy statements.

A major weakness in the transport sector identified through this TA is the lack of coordination among the different agencies in the sector. This begins with policy formulation and extends to coordination of activities, intermodal planning and enforcement of existing legislation and regulations. To address this need a mechanism needs to be set up to drive the effort, initially for policy formulation and approval, but more importantly for coordination and cooperation among sector agencies. The organisation for this effort is shown below.

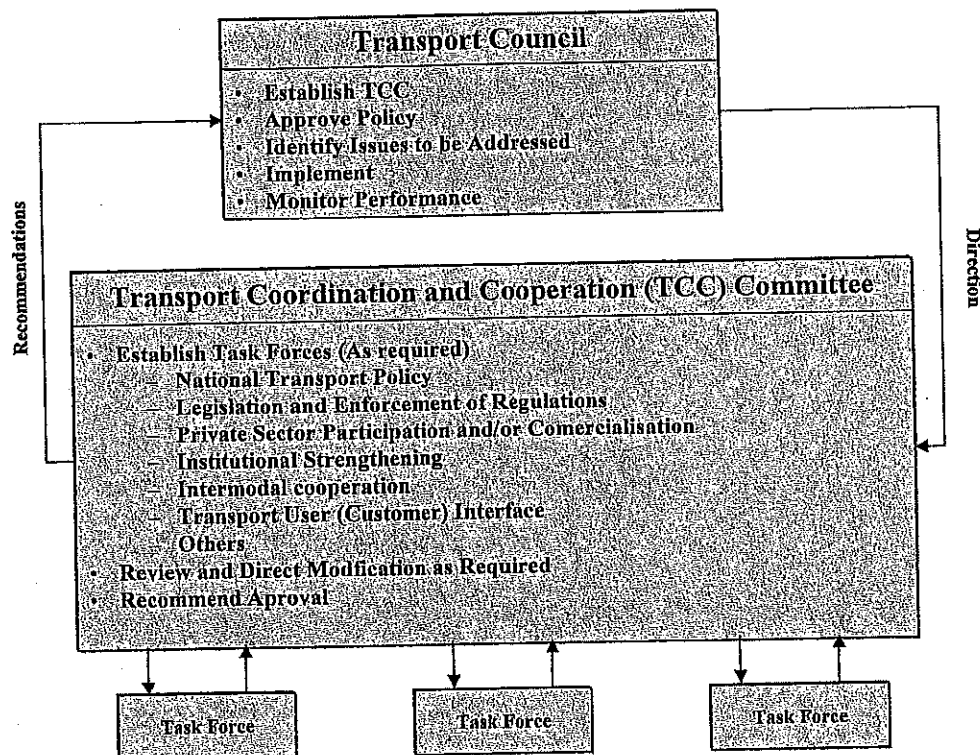


The Transport Council would meet annually. Its primary function will be to provide direction and promote coordination within the sector for an integrated approach to Transport Development in Pakistan. Its first tasks will be to establish the TCC committee and to direct the efforts to finalise development of the National Transport Policy and obtain its approval by the Cabinet.

The TCC Committee would meet quarterly or as required. Its first task would be to review the policy guidelines contained in Appendix I of this report, modify them if needed and recommend approval by the Transport Council. It would also establish and monitor the work of task forces to address other issues requiring cooperation and coordination among the sectors.

Task Forces will be ad hoc working groups appointed by the TCC and assigned specific tasks. After the Transport Council has approved the policy guidelines the task forces will develop sub sector agency policy statements that will become a part of the National Transport Policy.

The diagram below illustrates the relationship between the coordination and cooperation groups:



### Sub Sector Policy Components

The sub sector policy statements will be developed for each agency that operates within the sector including, National Highways, Provincial Highways, Railways, Civil Aviation and Sea Ports and Shipping and NTRC. These statements will contain the following components:

- Mission Statement, defining its purpose and principal goals. It should support the transport sector mission and be in line with national transport priorities as outlined in the national policy guidelines.
- Strategic Objectives, defining how the agency will accomplish its mission. Normally there would be at least one strategic objective for each policy principle.
- Policy Statements are actions that will be taken to accomplish strategic objectives.
- Performance Indicators are verifiable targets that demonstrate that identified policy actions have contributed to achievement of strategic objectives.

## Infrastructure Shortfalls

Officials in each sub sector agency were interviewed and investment plans of each agency analysed to obtain a general understanding of:

- issues related to planned investment for renewal and expansion of the Agency's transport infrastructure,
- degree to which inter agency and intra agency competition exists,
- areas in which additional capacity is required and where capacity meets or exceeds short to medium term demand.

An estimate of mid term investment needs was prepared based on this assessment. Since it was decided to forego the contracting of the Transport Economist originally expected to be part of the TA Team the estimate relies heavily on information provided by each of the agencies.

### Interurban Road Network

Investment in the interurban road network is needed to provide intermodal connectivity for the port of Gwadar, expected to be completed in 2005 and to upgrade critical links of the two major highways, N-5 and N-55 as well as selected routes that emanate from these major highways. These improvements will provide required capacity from the ports at Karachi and Gwadar to the interior of the country, to Afghanistan and Central Asian countries and to India. The table below summarizes proposed investment in the interurban road network.

Investment in Interurban Road System

Route	Section	Length (Km)	Estimated Cost Million US \$	EIRR
N 5	Peshawar - Torkham	46	36.9	12
N 25	Quetta - Chamman	129	54.8	36
N 55	Sehwan - Dadu	97	56.9	35
N 55	Dadu - Larkana	101	64.2	35
N 55	Rajanpur - D.I. Khan (Malana)	300	87.3	44
N 55	D.I. Khan (Malana) - Sara-e Gambila	117	56.1	21
N-65	Jacobabad Bypass - Shikarpur	30	25.5	27
N 65	Sibi - Quetta	148	36.4	46
N 70	Loralai D.G. Khan	280	124.1	17
Gwadar Khudzar	Hoshab - Awaran	158	65.2	13
Gwadar Khudzar	Awaran - Khudzar	250	12.9	16
Gwadar Khudzar	Khudzar - Shahdadkot - Ratodero	242	141.6	8
Total		1,898	761.7	



## Railway Network

In spite of recent initiatives to regain market share, Pakistan Railway attracts only 5% of the freight traffic and 10% of the passenger traffic. There is great potential to increase market share to approach railway share in Western Europe, Japan and the United States of between 30 and 40 percent. But structural changes and process reengineering are necessary to increase competitiveness and improve customer service. Until the railway takes institutional strengthening measures investment should be limited to purchase of rolling stock and critical track rehabilitation. Proposed investment is summarized below.

Project	Estimated Cost Million US \$
Procurement of 30 Diesel Electric Locomotives	88.2
Recommissioning of 55 Stabled locomotives	16.0
Strengthening of Bridges	2.0
Procurement/ Manufacture of 85 passenger coaches	70.7
Procurement of 650 High Capacity Wagons	53.4
Track rehabilitation	59.9
Total	290.2

## Air Services and Airports

Investment in airports will be internally financed through CAA revenue from airport services, private sector investment in airports and airport infrastructure. Investment in purchase or lease of airplanes will be made by private sector airlines or by PIA. Figures for expected investment were not available at the time this report was written.

## Sea Ports

Investment in facilities at all ports is expected to be primarily through the private sector. Limited Government investment in Karachi and Qasim ports will be from port revenues and confined primarily to dredging and the provision of tugs and surveillance boats. Private sector investors and port administrators expressed satisfaction with results obtained with BOT/BOO projects to date. Planned investment in the sector is summarised in the table on the next page.

**Investment in Sea Ports**

<b>Port</b>	<b>Description</b>	<b>Investor</b>	<b>Estimated Cost Million \$ US</b>
Karachi	Desalination Plant	KPT	1.82
Karachi	Dredger and Channel Deepening	KPT	29.09
Karachi	Container Terminals	Private Sector	80.00
Karachi	Deep Draft Berth	Private Sector	NA
Karachi	Bulk Cargo Terminal	Private Sector	NA
Karachi	Naiper Mole Bridge Warf for Costal Shipping	KPT	3.09
Karachi	Expansion of Keamari Grotne Complex	KPT	2.73
Qasim	Dredger, 2 Tugs, 2 Pilot Boats and 3 Surveillance Boats	PQA	39.16
Qasim	Second Jetty at Oil terminal	Private Sector	18.84
Qasim	Liquid Cargo Terminal	Private Sector	11.40
Qasim	Clinker/Cement Terminal	Private Sector	7.27
Qasim	Fertilizer and Wheat Terminal	Private Sector	NA
Qasim	LPG Terminal	Private Sector	25.00
Qasim	Container Berth and Backup Area	Private Sector	NA
Qasim	2 Iron Ore and Coal Berths	Private Sector	NA
Qasim	Edible Oil and Molasses Berth	Private Sector	2.73
Gwador	Container Terminal	Private Sector	NA
Gwador	Dry Bulk Terminal	Private Sector	NA
Gwador	RO/RO Terminal	Private Sector	NA
Gwador	Oil Terminal	Private Sector	NA

**TOR for Follow-On Study**

The TOR for a follow-on TA funded through an ADB grant are contained in Appendix II of this report. The TA will assist the TCC in the finalisation of the National Transport Policy by:

- organising coordination and consultation workshops for stakeholder groups inside and outside of Government,
- reviewing infrastructure shortfalls and institutional requirements for providing needed infrastructure,
- identifying governance issues and recommending measures to promote more effective use of the private sector,
- analysing capacity of sector institutions and recommending structure and processes for effective governance,
- compiling the comprehensive National Transport Policy document.

## **I. PROJECT BACKGROUND AND OBJECTIVES**

# PROJECT BACKGROUND AND OBJECTIVES

## National Transport Policy

The Transport Sector in Pakistan has experienced tremendous growth during the more than 50 years of independence and it has been one of the driving forces behind growth of the national economy during this period. But the sector's contribution to economic growth could have been much greater if investment in transport infrastructure had been more wisely directed.

This was not due to a lack of planning. Until 1998 the Planning Commission prepared five Year Plans. In 1999 a ten- year planning period with rolling three-year development plan was adopted. Sub sector plans have been and continue to be prepared by implementing organisations. These plans have been effective in directing investment in new infrastructure projects and the upgrading of existing infrastructure.

But the sector continues to be plagued by:

- lack of a comprehensive strategy for its development,
- fragmentation of implementing agencies with overlapping responsibilities,
- unilateral approaches to planning and management
- unwillingness in some agencies to implement the structural reform required to adapt to global changes,
- reluctance in many agencies to take full advantage of private sector investment and operational efficiency,

It can be argued that these weaknesses can all be traced, at least in part, to lack of a comprehensive national transport policy to promote cooperation among the sectors and consistency in application of national priorities. This has led to failure to attract foreign investment, insufficient funding and imbalance of funding within the sector, outdated legislation and regulatory framework and poor levels of enforcement of existing regulations. In a speech delivered in Karachi on December 13, 2003 President Pervez Musharraf expressed displeasure over the absence of policies for all sectors of the economy. He said that the absence of policies hindered the efforts to attract foreign investment in the country.

Recognising the need for a national transport policy the Government has undertaken several initiatives to develop a National Transport policy for Pakistan. These efforts began in 1990 when the National Transport research Centre (NTRC) was directed to coordinate the development of a Draft National Transport Policy. This document was submitted to Government in January 1992.

Subsequently, in 2001 and again in 2002, NTRC developed Draft Policy documents. Although these documents were not formally approved many of the concepts they promoted have become de facto policy and are contained in approved policy statements of sub sector agencies. In spite of these incremental improvements there still is no comprehensive transport sector strategy.

### **International Financing Institution Participation**

Following the development of the 1992 Draft of the National Transport Policy, the Japan International Cooperation Agency (JICA) funded a project entitled "A Study on the Transport Master Plan". (This was the third in a series of Master Plan Studies funded by JICA between 1983 and 1995) The final report for this study, submitted in February 1995, addresses some of the weaknesses in the de facto policy at the time. In 1999 the Government requested the World Bank to support the Transport Sector Development Initiative (TDSI). Through this initiative, coordinated by NTRC, the World Bank funded technical assistance to conduct workshops and provide expert advice in building consensus on the essential elements of a National Transport Policy for Pakistan. This effort resulted in the development of a Concept Note that summarized findings of the TDSI and contained recommendations for moving the process forward. This effort provided input into the development of the Second Draft of the National Transport Policy in 2001. In June 2002 a third version of the policy was prepared. The Ministry of Communications (MoC) forwarded this draft to the Asian Development Bank (ADB) in June 2002.

In November 2003, the Government asked ADB for technical assistance to support its efforts to frame a Transport Policy for the country to provide an enabling environment to address key transport issues and needs. In consultation with Government, ADB prepared Terms of Reference (TOR) for this assessment. It contains three components:

- review the Draft Transport Policy 2002 and related policy documents,
- identify Current infrastructure shortfalls,
- analyse and revise TOR for a Follow-on Study to finalise the National Transport Policy .

### **Project Scope**

The activities covered under the draft transport policy review component include:

- i. compilation of transport sector data; its presentation, its review and analysis;
- ii. analysis of strengths and weaknesses of the current/formal/de facto transport policy;
- iii. identification of areas for improvement of the preliminary draft policy document;

- iv. identification of areas where further analysis is needed to formulate a comprehensive, integrated transport policy for the country;
- v. analysis of the institutional capacity to implement the major thrusts of the preliminary draft policy.

The activities covered under the infrastructure shortfall component include:

- i. capacity analysis of the interurban road system, rail network, air services, airports and seaports; and for each mode identification of areas where capacity is insufficient, just sufficient or more than sufficient to meet current needs;
- ii. identification of areas where two or more different transport modes compete against each other;
- iii. preliminary cost estimate of needed infrastructure to overcome identified capacity shortfalls in each mode as identified in (ii) above;
- iv. estimate of Economic Internal Rate of Return (EIRR) of each of the infrastructure improvements in (iii) above.

The follow-on study component involves identifying additional support for Government to implement a comprehensive and integrated transport policy. It includes:

- i. review of the draft TOR for follow-on Technical Assistance (TA) that were prepared by ADB with Government input;
- ii. identification of areas in the TOR requiring improvement to ensure that the follow-on study provides sufficient data and analysis on major issues;
- iii. identification of additional support for further consultation with Government and transport sector stakeholders.

This report covers the findings in the three component areas. The component on current infrastructure shortfalls is not covered to the same detail as the others for two reasons:

- inability of ADB to recruit a domestic consultant as described in the project staffing section below;
- decision by JICA to fund a National Transport Master Plan Study, expected to begin in the first semester of 2004. The JICA study will include an in depth and comprehensive study of infrastructure requirements, costs and corresponding economic benefits.

The decision to concentrate the efforts of the international consultant on the "policy" and "follow-on study" components was made in consultation with Government and ADB. All parties



**II. PRELIMINARY DRAFT TRANSPORT POLICY  
REVIEW**



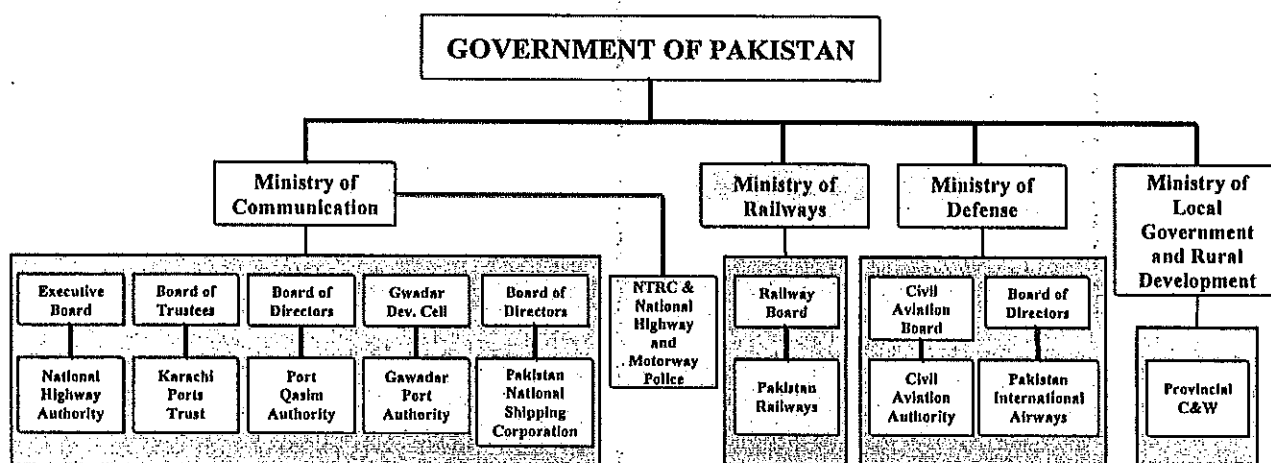
# PRELIMINARY DRAFT TRANSPORT POLICY REVIEW

## Background

The Transport Sector in Pakistan is characterised by multiple agencies that fall under the purview of various ministries with some implementing agencies responsible for infrastructure, others for operations and some responsible for both. This diversity is one important reason that, after so many attempts, a policy that could be accepted by all of the parties has not evolved. Another important factor is that those who determine transport policy, the Ministers of the responsible sector agencies, have not been directly involved in preparation of the policy documents.

At the national level direct responsibility for implementing transport sector policy falls under the purview of four Ministries. The Ministry of Communications is responsible for the National Highway and Ports Sectors, the Ministry of Railways for the Railway Sector, the Ministry of Defence for the Civil Aviation Sector and the Ministry of Local Government and Rural Development assists the provincial governments in implementing some rural road projects and programs. Executing Agencies within each sector report to officers at different levels, either through a Board of Directors or directly to a Secretary or to a Joint Secretary.

The diagram below shows the organisation of the transport sector in Pakistan. The Planning Commission and the Ministry of Finance are not shown on the diagram but they directly impact upon the sector through plan approval and budgetary allocations.



ORGANIZATION OF THE TRANSPORT SECTOR IN PAKISTAN

The Ministry of the Interior and the Provincial Police are responsible for enforcement of legislation and regulations. With devolution the Provincial Government has been granted a high level of autonomy.

Yet there is general agreement among experts interviewed for this report that the need for an integrated national transport policy to guide development of the sector is critical. In light of the diversity of agencies that operate within the sector the need becomes especially urgent.

### Previous Efforts

This technical assistance to review and recommend improvements to the existing Draft National Transport Policy document is intended to be an initial step by ADB to support the process. But it is only the latest in a series of efforts that have been undertaken over the last twelve years. These efforts have produced three versions of the national policy document and several other documents that attempt to define national policy. The Ten Year Perspective Development Plan 2001-10 is an official government document and as such is the most definitive expression of policy. But it was not intended to be, nor did it attempt to articulate a comprehensive policy for the sector. Other notable efforts include:

- the Draft National Transport Policy submitted in January 1992,
- the JICA Master Plan Study on the National Transport Plan for the Islamic Republic of Pakistan submitted in February 1995,
- the TSDI concept note prepared in April 2000,
- the second draft of the National Transport Policy submitted in March 2001,
- the third draft of the National Transport Policy submitted in June 2002.

For the first draft of the National Policy prepared in 1992, four working groups were formed and almost one hundred Government officials and private citizens participated in the development of the policy. The groups were:

- research, planning and coordination,
- financing, policy and investment,
- operation, regulations and management, and
- energy, conservation and environmental impact.

Although the policy was never officially adopted, current de facto Transport Policy is in agreement with many of its principal recommendations. They include:

- the need for entities to operate under principles of commercialisation,
- more private sector participation,

- stricter enforcement of existing regulations, both for use of infrastructures and for the provision of transport services,
- more cooperation among the sectors,
- improvement in safety and environmental protection,
- adequate and stable funding,
- strengthening planning and financial management,
- research and development,
- human resources development.

The JICA Master Plan Study did not attempt to establish policy. Its focus was on projecting growth in all transport sectors and recommending infrastructure to meet projected needs. Some policy initiatives were recommended including; giving priority to investment in maintenance, ploughing a greater portion of user charges back into the sector, stricter enforcement of existing regulations and promoting private sector investment. The importance of institutional reform and route rationalisation in Pakistan Railways was also highlighted.

In 1999 the World Bank funded the TDSI. The principal objectives of the initiative were to:

- update the Bank's transport sector strategy for Pakistan in consultation with stakeholders,
- facilitate the development of the Government's transport sector development policy,
- carry out consultation with Government and non government stakeholders,
- assemble preliminary contents of a draft policy document.

Focus groups were formed to develop policy recommendations for the transport sub sectors:

- Aviation,
- Urban Transport,
- Rural Transport,
- Trade Logistics and Facilitation,
- Ports and Shipping,
- Railway,
- Roads and Highways.

Issues addressed, policy recommendations, articles prepared by concerned individuals who visited the site and selected statistics are posted the web at [www.roadpeople.org/tsdi/](http://www.roadpeople.org/tsdi/). Following the TDSI initiative in 2001 a second draft of the policy was submitted for Government approval.

In June 2002 NTRC undertook the preparation of the third draft of the National Transport Policy. This document drew upon all of the previous efforts incorporating the recommendations of the TDSI initiative and current thinking on policy for the sector.

### The Policy Component of the Current ADB TA Project

This ADB TA project is funded through a Technical Assistance grant. It was initiated at the request of the Ministry of Communications. The intent of the project is to help frame a Transport Policy that shall provide an enabling environment to address key transport issues and needs including improved coordination among the different modes and achievement of a more equitable distribution among them. Specific tasks include a review of the 2002 draft National Transport Policy document, identification of its strengths and weaknesses and recommendation of a path forward. This report presents a strategy to move the process forward based on the following:

- Review of the policy principles cutting across all sector components that have been documented in this report,
- Introduction of a coordination mechanism to be put in place immediately to review these principles and modify them as required,
- Preparation of policy statements for each transportation sub sector based on these principles.

Terms of Reference for ADB technical assistance for follow-on work to facilitate further consultation with stakeholders and to support the development and approval of the National Transport Policy are included in the report.

### **The Current Version of the National Transport Policy – Strengths and Weaknesses**

The current version of the draft National Transport Policy, prepared in 2002, is one of the principal documents consulted in carrying out the project. This document is important because:

- it builds upon experience gained in earlier efforts,
- it was developed after extensive consultation with stakeholders inside and outside of government – each of the three attempts dating back to 1992 relied heavily on workshops and teams of experts to prepare sub sector recommendations,
- the policy recommendations are consistent with de facto policy for the transport sector as articulated in the Planning Commission's Ten Year Perspective Development Plan 2001 – 2011 published in September 2001,
- overall policy objectives are consistent with national objectives.

Discussions with key transport sector stakeholders reveal that the policy was never adopted because it does not define specific objectives for each sector, actions to be taken to achieve these objectives and performance targets. Other weaknesses identified include:

- too much emphasis was placed on background statistics and description of the sector with very little detail on policy objectives,
- the guiding principles were not clearly articulated – and because of this statements for the different sectors did not address many of the national policy priorities,
- the importance of coordination among the sectors was highlighted but a mechanism for achieving coordination was not addressed,

Because these efforts have involved so many stakeholders, both inside and outside of Government, issues that affect the sector have been discussed and possible solutions identified. Many of the participants in earlier workshops are government officials who are in a position to establish policy for their sector or to take action to implement sector policy. Others are private sector investors or transport service users and providers who are affected by transport policy decisions. These stakeholders will support a coherent national policy that permits the pursuit of medium and long-term goals and promotes cooperation among the sectors.

### **Proposed National Policy Guidelines**

The proposed National Policy Guidelines are contained in Appendix I. These Guidelines are intended to serve as the initial sections of National Transport Policy. They contain seven sections:

- Introduction
- Policy Objectives
- Transport Sector Assessment
- Economic and Financial Assessment
- Transport Sector Organisation
- Transport Priorities
- Policy Principles

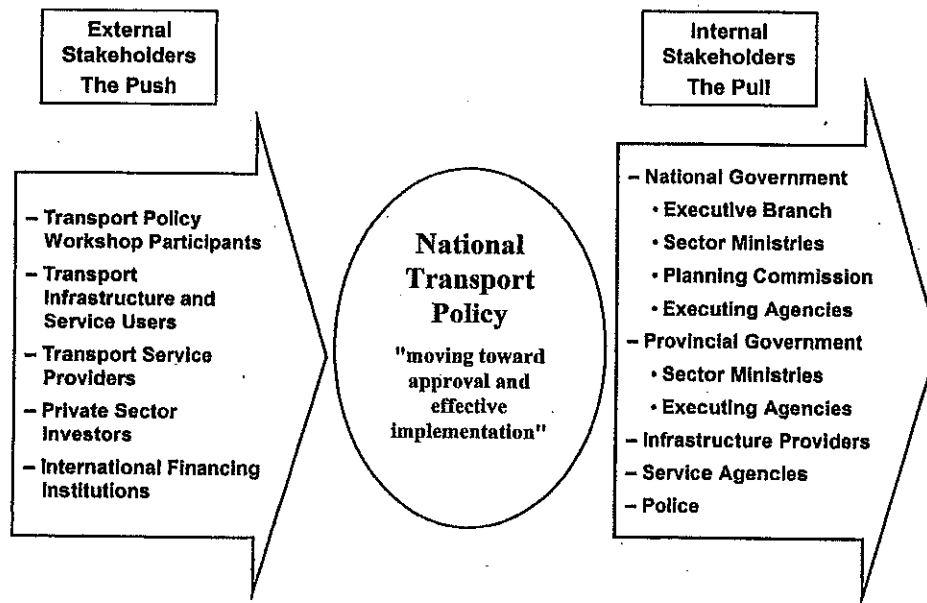
The first five sections provide background information. The sections on Transport Priorities and Policy Principles are critical because they set the tone for the National Transport Policy. They were developed through research of existing documents and consultation with key players. Drafts of the document were distributed, verbal and written comments were received and

changes were made in response to these observations. But it is likely that more adjustment and fine-tuning or even the addition of new material is required.

Once policy makers in each sector have agreed upon the priorities and principles, Sector Policy Statements need to be formulated. These policy statements will be incorporated into the National Transport Policy. The sector policy statements will contain a mission statement, strategic objectives and policy actions.

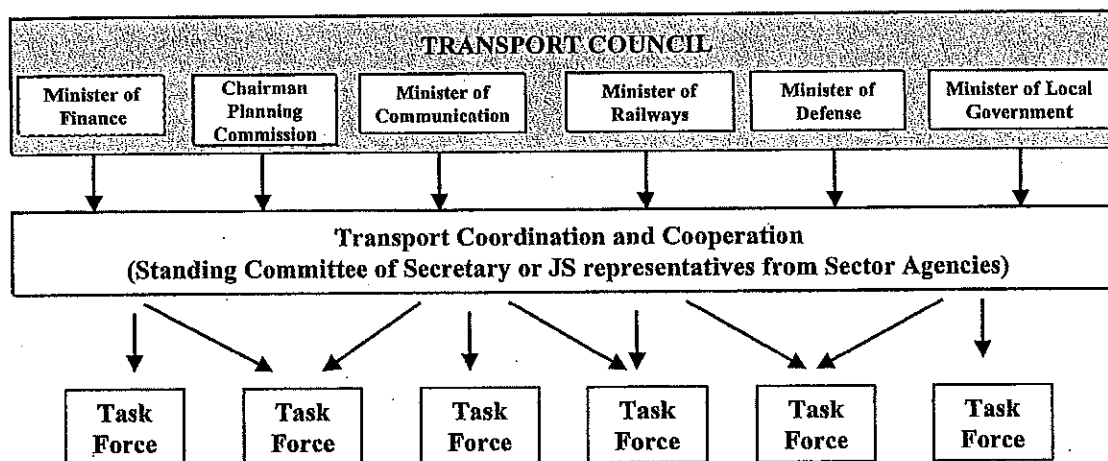
### Organization for Policy Development and Approval

External and internal stakeholders drive the development and approval of the National Transport Policy. The President of Pakistan is one of the most important internal drivers, often speaking out about the need for defining policy for all sectors in order to drive economic development and reduce poverty. And there are many other internal stakeholders. Likewise, there are external stakeholders including participants in transport policy workshops, transport infrastructure users and international financing institutions like ADB, the World Bank and JICA. Stakeholders have been supporting the definition of National Transport Policy for over a decade. The time is right to move this process forward.



As shown on the diagram on the next page, three organisational levels for policy finalisation and approval are proposed. The Transport Council to be comprised of Ministers from the Ministries with direct responsibility over the sector as well as the Deputy Chairman of the Planning

Commission. In the future, if a person other than the Minister of Finance chairs the Planning Commission, the Council will decide whether the Minister of Finance should be a member. The council will establish the Transport Coordination and Cooperation (TCC) Committee. Membership in the TCC will be determined by the Transport Council but should be of at least Joint Secretary level. Task Forces will be constituted by the TCC for specific assignments. The NTRC will be the nodal agency that supports the TCC. The Task Forces may include government employees and stakeholders who represent private sector and community groups.



It is expected that the Transport Council would meet annually. Its purpose will be to promote coordination within the sector for an integrated approach to Transport Development in Pakistan. Its first task will be to direct the efforts to finalise development of the National Transport Policy and obtain its approval of the by the Cabinet.

The TCC Committee would review the Policy Guidelines contained in Appendix I of this report in detail, modify them as required and recommend approval by the Transport Council.

Once Policy Guidelines have been approved the TCC will establish Task Forces for each of the transport sectors and a task force for R&D. The task forces will develop sub sector policy statements to include:

- Mission Statement
- Strategic Objectives
- Policy Actions
- Performance Indicators

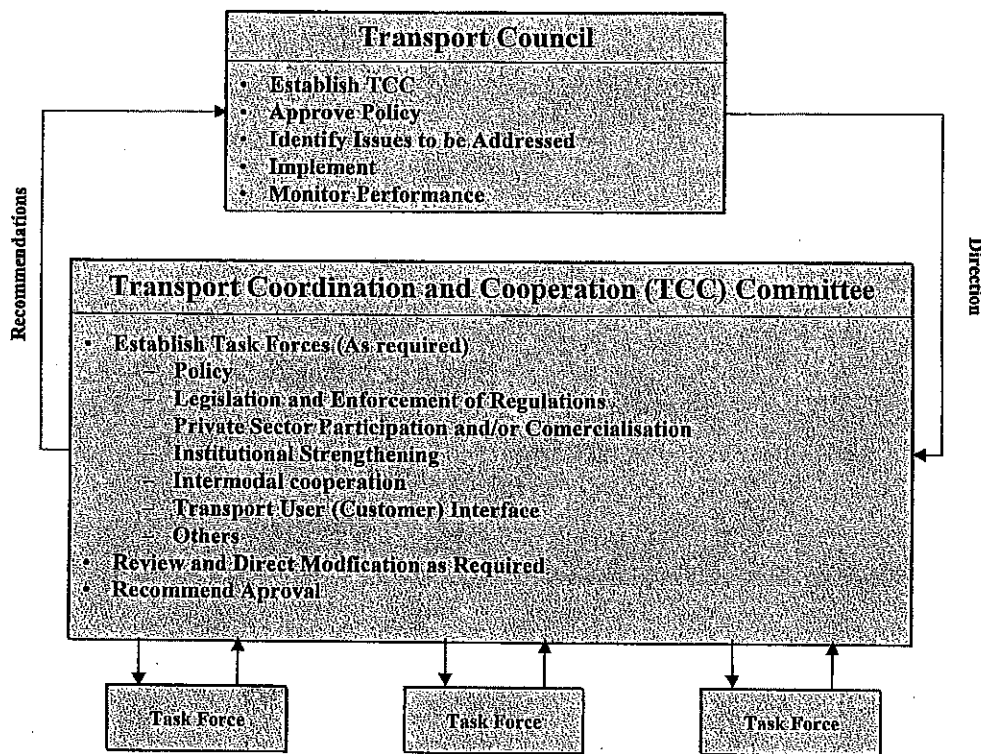
The TCC will review the work of the Task Forces, direct modification and recommend approval to the Transport Council. The sub sector mission statement, strategic objectives and policy

actions will become a part of the National Transport Policy. The Transport Council will decide whether performance indicators will be included in the document or if each Ministry and Implementing Agency will use them internally to monitor compliance with strategic objectives.

In developing the policy it is important that task forces consider the nation as a whole and the people who use or are affected by transport infrastructure and services as customers. Previous policies have focused on the modes of transport and the suppliers of infrastructure and services. Focusing on the customers enables Government to take a step back from current details and vested interest groups and look at what the country needs to achieve for its people.

After the approval of the Transport Policy the Transport Council and the TCC will continue to function. They will monitor the compliance by implementing agencies and their respective ministries with performance indicators and identify corrective actions. These may include actions that are external or internal to the implementing agency such as allocation of additional resources, coordination among agencies, technical assistance, restructuring or reassignment.

The diagram below illustrates this relationship.





## **Sub sector Policy Components**

Sub sector policy statements developed by each sub sector agency should contain three components:

- Mission Statements
- Strategic Objectives
- Policy Statements

Mission statements, strategic objectives and policy action statements must be "owned" by the sector organisation. To promote ownership the agency should develop its own mission statement, strategic objectives and policy initiatives. Task forces appointed by the TCC in consultation with the agency will prepare them and they will be reviewed by the TCC and submitted to the Transport Council for approval. Sub sector policy documents that have been approved will remain in force. Task forces will use these documents as the basis for development of sub sector statements that form part of the national transport policy document. These agencies may determine that their policy document should be modified to more closely reflect and support the National Transport Policy once Government adopts it.

### Mission Statement

The mission statement should support the mission for the transport sector and be in line with national transport priorities as outlined in the national policy guidelines. The mission statement for a national highway agency describes what the agency intends to accomplish to support the transport sector mission and how this will contribute to national goals. An example of a mission statement for a highway organisation is:

"To provide linkages between the nation's major production centres, its seaports and railways to all parts of the country and to gateways to neighbouring countries on infrastructure that is well maintained, safe, reliable and efficient, thus lowering transport costs and contributing to economic growth and improved quality of life."

### Strategic Objectives

In establishing strategic objectives the task force needs to consider each of the policy principles listed in Section 7 of the national policy guidelines. Some of the strategic objectives may address more than one policy principle and it is possible that a given principle applies to the transport sector as a whole, but does not apply to a given sub sector agency. The task force should review

each policy principle, discuss how it applies to the sub sector agency or service provider and agree upon strategic objectives for their agency that address the principal. The examples given below show the strategic objectives that might be included in the national policy document for a highway sector agency:

- To give first priority to maintaining the road network at a level that protects the nation's investment in its road assets,
- To prioritise investment in infrastructure in terms of sustainable economic, regional development and strategic priorities,
- To ensure stable and adequate funding for road maintenance through a dedicated fund with proceeds from toll revenues and a portion of road user levies from taxes on petrol,
- To improve integration of services with Ports and Railways and integration of routes with Provincial Governments,
- To support improved enforcement of weight control and safety regulations through better coordination with motorway and provincial police departments,
- To serve as a catalyst in improving vehicle size, configuration and weight control legislation,
- To establish dialogue with the private sector to improve existing contracting mechanisms and to explore opportunities for increased private sector participation in the provision of services,
- To improve environmental quality through better planning and control mechanisms for construction and support to national vehicle emission control programs,
- To encourage development of human resources by providing incentives for personal development,
- To actively pursue the recruitment of qualified women professionals,
- To support efforts of NTRC for carrying out indigenous R & D in the fields of transport planning, highway engineering and road safety.
- To promote road safety training at specialised institutes and in the nations educational institutions.

### Policy Statements

Once strategic objectives have been developed, policy actions that will be taken to accomplish these objectives need to be identified. For the strategic objective "To give first priority to maintaining the road network at a level that protects the nation's investment in its road assets", policy statements might include:

- Continued attention will be given to justifying greater appropriations for infrastructure maintenance.
- The imbalance in expenditure in construction, reconstruction and upgrading of highways will be addressed and steps will be taken to remove the maintenance backlog.
- The necessary actions will be taken to complete the Authority's asset inventory data base and to fully implement the asset management system to justify maintenance funding requirements and support effective use of allocated funds.
- Steps will be taken to improve the efficiency of maintenance operations through introduction of improved contracting mechanisms including performance based contracting and Maintain Operate Transfer (MOT) schemes. Innovative contracting mechanisms will be implemented on a pilot basis and expanded as appropriate.

### Performance Indicators

The indicators or targets will measure whether identified policy actions were accomplished as planned and supported achievement of strategic objectives. Example performance indicators for policy actions described above are:

- Maintenance budgetary allocations increase by 10% per year in constant 2003 rupees for the next four years.
- Budgetary allocations for maintenance as a percentage of the total agency budget increase from 25% to 45% over next four years.
- Asset management system is fully operational, is accepted by finance as backup for budgetary requests and is certified by 80% of field supervisory staff as useful instrument for control of contract maintenance operations.
- Two innovative maintenance pilot projects underway in FY 2004 and one MOT contract implemented in FY 2005.

### **III. INFRASTRUCTURE SHORTFALLS**

# INFRASTRUCTURE SHORTFALLS

## Introduction

The Terms of Reference identified four activities for the Infrastructure shortfall component of the Technical Assistance:

- i. capacity analysis of the inter-urban road system, rail network, air services and airports and sea ports,
- ii. identification of areas where two or more different transport modes compete against each other,
- iii. development of a preliminary cost estimate of needed infrastructure to overcome capacity shortfalls,
- iv. estimate of Economic Internal Rate of Return (EIRR) of each of the infrastructure improvements identified.

Since ADB could not locate and employ a Transport Economist in the time frame required, the International Consultant in consultation with Government and ADB offices in Islamabad and Manila, decided on an approach that would rely almost exclusively on information that was readily available. Each sector agency has developed infrastructure expansion plans with cost estimates for proposed projects. These estimates were used for cost calculations. Estimates of EIRR were only available for NHA projects.

This approach allowed the International Consultant to focus on the Policy Component, the area that Government considered it could most benefit from this Technical Assistance Project. Furthermore consultation with the JICA Advisor attached to NHA revealed that JICA intended to fund a Master Plan Study for the Transport Sector. The proposed JICA study, scheduled to commence in April 2004, will provide the resources to comprehensively address each of the activities of the Infrastructure Shortfall component of this TA.

## Capacity Analysis

Interviews were conducted with officials responsible for planning at the Ministerial and the Implementing Agency levels to evaluate the capacity of each mode and the degree to which there was competition among the modes. Responses were analysed and compared to establish the need

for additional capacity. In light of these interviews current plans for infrastructure were reviewed to determine the extent to which perceived capacity shortfalls coincided with plans.

### Interurban Road System

The interurban road network joins Karachi, the major seaport and industrial centre, to the major cities in the North of the country - Lahore, Islamabad, Peshawar and Quetta. There are two principal routes, N-5 to the east of the Indus River and N-55 to the west of the river. The cities of Lahore and Islamabad are served by N-5. Peshawar and Quetta are served by N-55. Both N-5 and N-55 also connect to the gateways to neighbouring countries. India in the east is connected to Karachi by N-5 through Lahore to the boarder. Afghanistan in the West is connected by N-55, N-25 and N-65 to Kandahar through Quetta and Chamman and by N-55 to Kabul and Central Asian Countries through Peshawar. Traffic to Afghanistan from Lahore and from India will use N-5 to N-70. The N-70 route also connects N-5 to N-55 at approximately the midpoint between Karachi and the northern cities of Islamabad, Lahore and Peshawar. Statistics maintained by NTRC show traffic growth rates over the past 5 years of 4 to 6 percent. Three factors will likely contribute to increased levels of growth over the next five years:

- the growth of the National economy, projected at 5-7 % per annum,
- cross boarder trade with Afghanistan - both imports for the rebuilding of Afghanistan and through increased Pakistani trade with Afghanistan
- as tensions between Pakistan and India are reduced through ongoing initiatives, cross boarder trade with India and traffic between India and Afghanistan.
- expected cross boarder trade with Central Asian Countries in the medium term.

Upgrading of the nation's major highways to meet future demand has been underway since 1992 and the sections that have been upgraded are adequate for projected traffic volumes over the next five years. The sections that have not yet been upgraded require upgrading to meet future needs.

The principal capacity building road projects planned by NHA over the next five years are:

- Dualization of the remaining sections of N-5 to Lahore,
- Upgrading/Dualization of sections of N-55 (Phase III of the Indus Highway Project)
- Widening of sections of N-65 from the N-55 Junction to Quetta
- Widening of sections of N-70 from Multan to Quetta
- Widening of the Peshawar to Torkham section of N-5

With the opening of the Port of Gwadar, scheduled for 2005, connecting Gwadar to the interurban road system assumes increased importance. The port of Gwadar is currently connected to Karachi through N-10, the coastal road that is in the process of being rehabilitated. However, Gwadar Port is not expected to compete with Karachi and Qasim. The bulk of the inland freight traffic from Gwadar Port will be to the interior of the country and to Afghanistan. To accommodate this traffic major upgrading of the Gwadar – Ratodero road is required, connecting Gwadar Port to Peshawar through N-55 and to Quetta through N-25. Traffic to Lahore and Islamabad would also travel over this route.

### Rail Network

The rail network runs parallel to the N-5 on the east of the Indus River and N-55 on the west bank. It connects Karachi to the northern cities of Lahore, Islamabad Peshawar and Quetta as well as Afghanistan, Central Asian Countries and India along the same corridors as the national highway network. But growth in railway traffic has not kept pace with the growth of the economy over the past twenty years. This is due primarily to failure of the Railway to make structural changes and to upgrade assets as required to be competitive with the road transport sector.

The railway sector has taken steps to improve operational efficiency through improved utilization of available resources, elimination of uneconomical routes, rationalisation of rates, improved fare collection and refurbishing of passenger coaches. As a result, after many years of decline, revenue has increased from 9.5 billion rupees in FY 1999-2000 to 14.4 billion in 2002-03. Over the same period passenger freight volumes increased by 20%. Nevertheless the railway's market share remains at only 5% of freight traffic and 10% of passenger traffic. This compares to a market share of more than 70% of freight traffic and 40% of passenger traffic in the 1950's.

The railway reports that growth in freight traffic is hindered by the lack of locomotives and freight wagons and steps have been taken to acquire 15 new locomotives from China. In addition, the railway has included the following capital investment initiatives in their medium term rehabilitation plan:

- procurement of 175 and rehabilitation of 240 passenger coaches
- execution of purchase agreement for 30 diesel electric locomotives
- procurement of 69 and rehabilitation of 101 diesel electric locomotives

- procurement of 300 high capacity bogie wagons
- procurement of 1,300 new generation freight trains
- signalisation from Shahdara to Rohri
- track rehabilitation/dualization from Khanewal to Lahore for higher speed service
- track rehabilitation from Lodhran to Khanewal

But the massive investment that these initiatives cannot be justified until fundamental restructuring and process reengineering is initiated. This includes commercialisation or spinning off of coach and locomotive building workshops and downsizing of the existing workforce. If these structural changes do not take place, capacity improvements will not translate directly to increased volumes of freight and passenger services.

### Air Services and Airports

The Civil Aviation Administration (CAA) is responsible for maintaining and operating the thirty-six airports in the country. Currently six of these cater to international flights, nineteen are domestic and eleven serve as feeder airports. Six additional airports exist but they are not operational. The Aviation Policy 2001 envisions a greater role for the private sector.

With the exception of the Islamabad and Peshawar, Pakistan's airports generally have adequate capacity to meet current and mid term needs. The Islamabad airport is intended to become one of two international hubs in Pakistan and, although runway capacity is generally adequate, a new international terminal facility is required. To address this need the government is currently negotiating with private sector providers to construct a new facility on a BOT basis. In the mid term, investment will be required to upgrade the Peshawar airport to meet forecasted needs. The existing air navigation system is outdated and investment is required in a modern system.

The new international airport at Lahore is operational and construction of ancillary facilities under a Build Operate Transfer ( BOT) scheme is expected to commence in the first semester of 2004. Construction of an International Airport under a BOT scheme at Sialkot, an industrial town, is underway.

Competition in the domestic airline industry is sufficient to maintain adequate levels of service and pricing. The National Airline PIA and two domestic carriers are currently operating. One new carrier is has been issued a license to operate by the CAA and it is expected to begin operations in 2004. Frequency of International flights has improved as foreign airlines that



curtailed operations after September 11, 2001 have begun to return to Pakistan. British Airlines resumed operations to Islamabad in December 2003 and Indian Airlines will initiate operations to Lahore and Karachi in January 2004.

### Sea Ports

The two existing seaports, Karachi Port and Port Qasim, cater to international traffic, handling over 95% of international sea borne trade. A new seaport, scheduled for completion in 2005, is being constructed at Gwadar to the west of Karachi near the boarder with Iran. The construction is funded through a loan from the Peoples Republic of China.

The physical facilities at the two existing ports are generally adequate to meet existing demand of 39 million tonnes, but both plan to increase capacity in the near term to meet a forecasted demand of 70 million tonnes by 2010<sup>1</sup>.

Currently, Karachi Port handles about two thirds of the sea borne trade while Port Qasim handles the remaining third. Port Qasim expects to increase its market share over the next decade primarily because of limited area for expansion at Karachi Port.

Both ports have adopted a landlord port policy, with all new facilities to be built and operated by the private sector under a BOT scheme. Both ports report strong interest on the part of the private sector in entering into BOT agreements.

#### Karachi Port

Expansion plans at Karachi Port include:

- construction of a desalination plant (KPT funding),
- purchase of an additional dredger and channel dredging (KPT funding)
- two container terminals with combined capacity of one million tonnes (BOT)
- New 70 metre Deep Draft Berth (BOT)
- Bulk Cargo Terminal (BOT)

The Karachi Dock Labour Board (KDLB) established in 1973 under the Karachi Dock Workers Ordinance currently handles general cargo. The Karachi Port Trust (KPT) plans to gradually

---

<sup>1</sup> Source *Pakistan Merchant Marine Policy 2001*

transfer this function to the private sector. To minimize the social impact, the KPT Board of Directors has requested Government approval of a voluntary separation scheme for KDLB employees currently numbering about 6,000. The KPT intends to fund the voluntary separation scheme with investment funds generated from real estate and port operation revenues.

### Port Qasim

Expansion plans by the Port Qasim Authority (PQA) for the 2000-2010 planning period include:

- Procurement of a Dredger, 2 Tugs and 3 Surveillance Boats (PQA funding)
- Second Oil Jetty at existing Oil Terminal (BOT)
- Liquid Cargo Terminal (BOT)
- Clinker/Cement Terminal (BOT)
- Fertilizer and Wheat Terminal (BOT)
- LPG Terminal (BOT)
- Container Berth and Back-up Area (BOT)
- Two Iron Ore and Coal Berths (BOT)
- Edible Oil and Molasses Berth (BOT)

### Gwadar Port

Gwadar Port is expected to come on line in mid 2005. It will operate as a landlord port with facilities offered to the private sector under BOO or BOT arrangements. The Government intends to attract investors by providing attractive working agreements and incentives as necessary commensurate with its privatisation policy. Gwadar Port is seeking investment from domestic and international investors on a BOO / BOT basis for the following projects:

- Container Terminal
- Dry Bulk Terminal
- RO/RO Terminal
- Oil Terminal

### Competing Modes

The core networks highway and railway modes run north and south along the Indus River, connecting Karachi to Lahore, Islamabad and Peshawar. A westerly spur of the railroad runs parallel to the highway to Quetta from where road connections are available to Kandahar in

southern Afghanistan. This creates a situation in which the Railway and Highway modes of transportation are in direct competition.

Since the 1950's highways have increased market share of freight traffic from 25% to 95% and market share of passenger traffic from 60% to 90%. There is great potential to recover some of the lost traffic if railroads are modernized. In the United States, Western Europe and Japan approximately 40 to 50% of freight is transported by railroad while highways account for only 30 to 40%. Pakistan Railway should target similar figures.

But investment in infrastructure alone will not be sufficient to recover market share. The main reason that Pakistan Railway's loss in market share was the inability to operate on a commercial basis. This caused subsidies from Government to be diverted to cover operating costs rather than maintenance and renewal of assets. This problem was compounded by a lack of customer focus and a resulting decline in the level of service to customers. Before significant investment is made in upgrading railroad assets the railroad must modernise its mode of operation. This entails downsizing its labour force, reengineering its processes to take full advantage of private sector effectiveness and efficiency and moving to operation on a commercial basis.

When this happens, even if Pakistan Railways doubles or triples its share of freight traffic over the next ten years, the majority of freight traffic will continue to be borne by the highway sector and capacity enhancements proposed for this mode would be economically justifiable.

Considering the Ports sector, competition is expected to occur between port facilities rather than with competing modes of transport. The only route in which competing modes can operate is between Gwadar and Karachi where sea borne traffic could divert traffic from the road sector. Traffic between these ports will likely be limited in the near to mid term, so it should not impact upon the overall traffic scenario.

Karachi Port and Port Qasim serve the same general area and will compete for the same client base. This competition has been very healthy as both ports are taking steps to remain competitive. Karachi port is seeking to leverage its competitive advantage of being located closer to the commercial centre of Karachi. It has plans to right size its labour force and is already moving toward operating as a landlord port. The private sector is responding to these initiatives. Port Qasim is leveraging the advantage location in a less congested area with room for

expansion. The Ministry of Communication regulates rates at the two ports in an effort promote fair competition among them.

Gwadar Port is not expected to compete directly with the two ports near Karachi. Rather it seeks to take advantage of its location just outside of the Straits of Hormuz to serve as a gateway and transshipment port for traffic between the Far East and the Middle East. It also expects to compete and possibly enter into a strategic agreement with Iran for traffic from Central Asian Nations. With construction of the Gwadar Ratodero Road it will also be in a position to compete for traffic for the rebuilding of Afghanistan.

### **Cost Estimates**

Cost estimates for the proposed investment in infrastructure by the different modes are contained in the tables below. The estimates for NHA are accompanied by the EIRR, but for the other modes benefit cost analysis was not available.

### **Interurban Road System**

The Table on the next page lists investment in the interurban road system needed to meet mid term capacity requirements. Cost estimates for identified roads were obtained from the following documents:

- For N-55, the Indus Highway from 2<sup>nd</sup> Revised PC-1 Indus Highway Project Phase III prepared in July 2001 by Pacific Consultants International in association with Engineering Associates
- For Gwadar Ratodero Road from the PC 1 for the Gwadar - Ratodero Road Project prepared in August 1998 by Engineering Consultants Road Design Consortium
- For National Highway N-70 from the PC 1 for Widening and Strengthening of National Highway N-70 prepared in August 1996 by National Engineering services Pakistan (Pvt) Limited
- For other listed projects estimates were developed from the Medium Term Budgetary Framework prepared by NHA in October 2003.

Costs were escalated to 2003 prices and converted to US \$ at the rate of 55 Rs to 1\$US. When section end points did not agree exactly or when they were missing, estimates were made of the project length. The figure below is a summary of costs and EIRR. The PC 1 for the Khudzar – Shahdadkot – Ratodero section was prepared in 1996. It covers only 143 Km. of this 242 Km.

section of road. The calculated EIRR is only 8%. The cost for the entire length was estimated assuming constant per kilometre costs to arrive at total construction costs. It is likely that traffic on this section is much greater than it was in 1996. Some sections of this road have been improved and generated traffic between N-55 and N-25 is likely greater than originally forecasted. Therefore it is likely that EIRR for this section exceeds 12 percent..

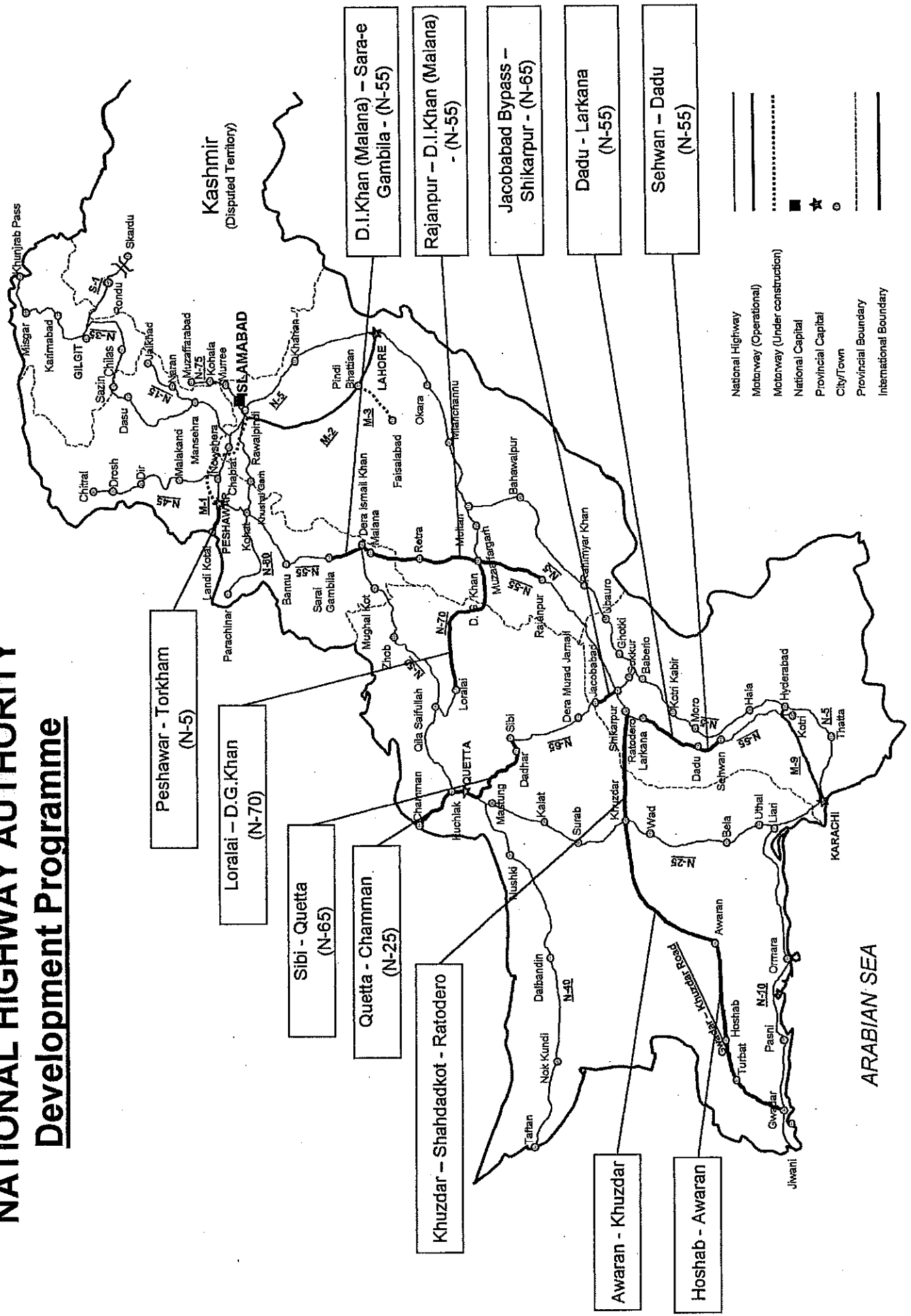
#### Investment in Interurban Road System

Route	Section	Length (Km)	Estimated Cost Million US \$	EIRR
N 5	Peshawar - Torkham	46	36.9	12
N 25	Quetta - Chamman	129	54.8	36
N 55	Sehwan - Dadu	97	56.9	35
N 55	Dadu - Larkana	101	64.2	35
N 55	Rajanpur - D.I. Khan (Malana)	300	87.3	44
N 55	D.I. Khan (Malana) - Sara-e Gambila	117	56.1	21
N-65	Jacobabad Bypass - Shikarpur	30	25.5	27
N 65	Sibi - Quetta	148	36.4	46
N 70	Loralai D.G. Khan	280	124.1	17
Gwadar Khudzar	Hoshab - Awaran	158	65.2	13
Gwadar Khudzar	Awaran - Khudzar	250	12.9	16
Gwadar Khudzar	Khudzar - Shahdadkot - Ratodero	242	141.6	8

Source NHA

The map on the next page shows the location of roads recommended for capacity expansion.

# NATIONAL HIGHWAY AUTHORITY Development Programme



DBO (RAMS)

D:\Database\map\map national highways & motorways\map NHA.ppt

## Rail Network

Cost estimates of Pakistan Railway projects were obtained through consultation with railway officials and from a document entitled Rehabilitation Plan (2000-06) prepared in December 2003. The investments selected are only a portion of those identified by Pakistan Railways. They are the investments that the Consultant considers necessary to meet growth in passenger and freight traffic over the next 2 to 3 years if Pakistan Railway takes institutional strengthening actions. The JICA Master Plan Study and the ADB follow-on technical assistance projects, expected to commence in 2004, will make more precise estimates of investment requirements. A map of the Pakistan Rail Network is shown on the next page.

<b>Project</b>	<b>Estimated Cost Million US \$</b>
Procurement of 30 Diesel Electric Locomotives	88.2
Recommissioning of 55 Stabled locomotives	16.0
Strengthening of Bridges	2.0
Procurement/ Manufacture of 85 passenger coaches	70.7
Procurement of 650 High Capacity Wagons	53.4
Track rehabilitation	59.9

Source Pakistan Railway

## Air Services and Airports

Investment in airports and airline services is expected to be internally financed from CAA, PIA or private sector airlines. Data on expected investment costs was not available at the time this report was written.

PAKISTAN

200 (IR  
TERRITORY)

Rou

N

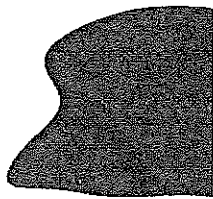
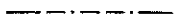
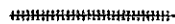
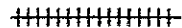


ZAHIDAN

KOHI

I R A

LEGEND



NAL BOUNDARY

NTROL



## Sea Ports

Investment in facilities at all ports is expected to be primarily through the private sector with Government investment confined primarily to dredging and the provision of tugs and surveillance boats. Private sector investors and port administrators expressed satisfaction with results obtained with BOT/BOO projects to date. Planned investment in the sector is summarised in the table below:

**Investment in Sea Ports**

Port	Description	Investor	Estimated Cost Million \$ US
Karachi	Desalination Plant	KPT	1.82
Karachi	Dredger and Channel Deepening	KPT	29.09
Karachi	Container Terminals	Private Sector	80.00
Karachi	Deep Draft Berth	Private Sector	NA
Karachi	Bulk Cargo Terminal	Private Sector	NA
Karachi	Naiper Mole Bridge Warf for Costal Shipping	KPT	3.09
Karachi	Expansion of Keamari Grotne Complex	KPT	2.73
Qasim	Dredger, 2 Tugs, 2 Pilot Boats and 3 Surveillance Boats	PQA	39.16
Qasim	Second Jetty at Oil terminal	Private Sector	18.84
Qasim	Liquid Cargo Terminal	Private Sector	11.40
Qasim	Clinker/Cement Terminal	Private Sector	7.27
Qasim	Fertilizer and Wheat Terminal	Private Sector	NA
Qasim	LPG Terminal	Private Sector	25.00
Qasim	Container Berth and Backup Area	Private Sector	NA
Qasim	2 Iron Ore and Coal Berths	Private Sector	NA
Qasim	Edible Oil and Molasses Berth	Private Sector	2.73
Gwador	Container Terminal	Private Sector	NA
Gwador	Dry Bulk Terminal	Private Sector	NA
Gwador	RO/RO Terminal	Private Sector	NA
Gwador	Oil Terminal		

#### **IV. TOR FOR FOLLOW-ON STUDY**

## TOR FOR FOLLOW-ON STUDY

The Government of Pakistan places priority on defining a Transport Policy that supports National Policy and will serve as a catalyst to for development of the sector. The Transport Policy document will provide an enabling environment for development of a modern and efficient transport sector that will support the Government's goal of poverty reduction through balanced economic growth. Pakistan's transport sector agencies spearheaded by NTRC have been engaged in this effort since 1992. ADB, the World Bank, JICA and other international agencies have supported this effort. Now the Government intends to take steps to finalise and obtain Cabinet approval of the National Transport Policy and ADB intends to continue its support of this effort through a Technical Assistance grant.

This report recommends an approach to finalise and implement a comprehensive and integrated National Transport Policy. This approach envisages the establishment of a Transport Council and appointment of a Transport Coordination and Cooperation (TCC) Committee to steer the process of finalising the National Transport Policy. This committee should be formed prior to the commencement of the ADB technical assistance project and it should establish the task forces to develop sub-sector sections of the National Transport Policy. These task forces should have commenced the development of the policy before the ADB Technical Assistance team is mobilised. The TA will support the TCC by:

- organising coordination and consultation workshops for stakeholder groups inside and outside of Government,
- reviewing infrastructure shortfalls and institutional requirements for providing needed infrastructure,
- identifying governance issues and recommending measures to promote more effective use of the private sector,
- analysing capacity of sector institutions and recommending structure and processes for effective governance,
- supporting the formulation of a comprehensive transport policy.

The Terms of Reference for this follow-on TA are contained in Appendix II. The chart on the next page is a staffing plan for the project with estimated levels of participation and responsibility matrix.

The project is expected to commence in October 2004 when data on transport demand for road, rail, air and seaports, to be collected under a JICA Technical Assistance grant, is available for analysis of infrastructure shortfalls.

Position	Category	Months	Overall Quality of Deliverables	Analysis of Transport Demand	Analysis of Infrastructure Shortfalls	Analysis of Resource Requirements and Constraints	Analysis of Sector Governance Issues	Analysis of Institutional Capacity	Formulation of Transport Policy
Transportation Planner/ Team Leader	International	4.0	P	P	P	P	S		S
Institutional Specialist	International	1.5					S	P	S
Institutional Specialist	Domestic	4.0	S		S	S	S	S	P
Transport Economist	Domestic	4.0		S	S	S			
Legal Advisor	Domestic	2.0					P	S	S

P - Primary Responsibility  
S - Support

## APPENDICES

**APPENDIX I  
PROPOSED TRANSPORTATION  
POLICY GUIDELINES**

**APPENDIX I****TABLE OF CONTENTS**

I.	INTRODUCTION	1
II.	POLICY OBJECTIVES	2
III	TRANSPORT SECTOR ASSESSMENT	3
IV	ECONOMIC AND FINANCIAL ASSESSMENT	5
V	TRANSPORT SECTOR ORGANISATION	6
VI	TRANSPORT PRIORITIES	7
VII	POLICY PRINCIPLES	9
VIII	POLICY STATEMENTS	14

## ACKNOWLEDGEMENT

This document was prepared under a Technical Assistance grant of the Asian Development Bank in November and December 2003. It relies heavily on prior efforts by the Government of Pakistan. Its purpose is to consolidate transport policy principles of various Government Agencies and compile them in these guidelines that are intended to drive the development of an approved National Transport Policy for Pakistan. Principal documents consulted include Draft Transport Policy prepared by the National Transport Research Centre (NTRC), policy statements contained in the Ten Year Investment Plan 2001 - 11, mid term plans, approved policies for Civil Aviation and Ports and Shipping and policy statements of the National Highway Authority and Pakistan Railways. A complete listing of people consulted and documents reviewed is contained in the TA project report submitted to MOC and ADB.

This document takes the process of formulating the National Transport Policy one step further. It documents policy principles that pertain to all of the transport sectors in a way that they could serve as the initial sections of the National Transport Policy. In the coming months each of the transport sectors should develop policy statements consistent with the national policy to be incorporated in this document. In the process of developing sectoral policy statements the need to expand upon or modify the contents of this document may be identified.

The National Transportation Council, the Transport Coordination and Consultation (TCC) Committee proposed in this document should be formed immediately and tasked with the finalisation of this document. ADB intends to provide additional technical assistance in 2004 to support the process of finalising the National Transport Policy Document and obtaining Government endorsement.



**DRAFT****NATIONAL TRANSPORT POLICY GUIDELINES****I. INTRODUCTION**

1.1 Transport is an all-pervading industry, impacting upon all phases of production and distribution of goods. This sector has substantially shaped the growth and development of Pakistan by providing mobility for people and goods. The National Transport Policy guidelines outline the broad policy considerations that are designed to ensure that transport will continue to play an effective role in the economic development of Pakistan, consistent with other important national priorities and aspirations.

1.2 Policy is an evolving process that seeks to coordinate input from all transport sectors and take full advantage of the comparative strength of each sector. Input from each sector was sought and incorporated in the development of these guidelines. It is recognised that this document may likely still contain statements that do not accurately reflect Government Policy. Comments from each sector are encouraged and will be considered before the final document is published in 2004.

1.3 The transport system serves the citizens of Pakistan, hence each Government agency will develop a mechanism for continued consultation with users to ensure that the policy decisions reflect the needs of the people.

1.4 The National Transport Policy is not a plan. It is intended to guide decision making toward national goals. It provides general direction and focus but it does not define the optimal infrastructure or transportation system. Keeping the Policy guidelines in view, specific plans and programs shall be prepared and implemented by each executing agency in accordance with its assigned responsibilities and duties.

## II. POLICY OBJECTIVES

2.1 The guiding objective of the National Transport Policy is to sustain and enhance economic vitality and growth, productivity and the quality of life. The mission for National Transport in Pakistan is:

*“To provide the people of Pakistan a safe reliable, affordable and modern transport network and services to effectively support the economy and act as a catalyst for economic development and social growth”.*

2.2 Underlying this mission statement is the principal that diversity and intermodal competition are essential to an effective transportation policy. This policy is intended to promote increased productivity and cooperation within and among the different modes of transportation, enabling each mode to reach its maximum potential.

2.3 The transport system should meet the collective and individual transport needs for growing the economy and improving the quality of life of all citizens at the least possible cost to the national economy by promoting optimum utilization of available resources.

2.4 The National Transport Policy will support the development of a network that will:

- provide travellers connectivity to all parts of the country on infrastructure that is safe and in good condition with adequate facilities for inter modal transfers
- provide the rural population access to market, health, social welfare and education centres, and
- become a regional transportation hub connecting landlocked areas of neighbouring countries to Pakistan's seaports and the global market.

### III. TRANSPORT SECTOR ASSESSMENT

3.1 At independence in 1947 Pakistan inherited a limited but well functioning transport system to cater to a population of 30 million. Passenger and freight movement were 8-9 billion pass-km and 2-3 billion tonne-km, respectively. The Karachi Port handled the bulk of the trade, around 3.5 million tonnes of cargo annually. The railway was the primary mode of inland transport carrying nearly 90% of the freight and passengers. The road network was limited to about 50,000 km with 30,577 registered vehicles. Karachi airport was the only airport and there was no indigenous airline.

3.2 Growth of the transport system since independence has been impressive. All sectors, except railways have grown significantly. The railroad sector has not kept pace, partly due to its failure to adapt to global changes. As a result there has been a dramatic modal shift in favour of road transport and now it accounts for 90% of passenger traffic and 95% of freight traffic.

Growth of the Transport Sector in Pakistan  
Independence (1947) to Present

Indicator	Unit	Independence <sup>(2)</sup>	Current <sup>(1)</sup>	Growth Multiple
Population	Millions	30	149.0	5.0
Transport Sector				
Passengers	Billion Passenger-Km	8 - 9	247.9	29.2
Freight (Land and Air)	Billion Tonne-Km	2 - 3	114.1	45.6
Sea Transport				
Number	Ports	1	2	
Freight Volume	Million Tonnes of Cargo	3.5	43.0	12.3
Rail Transport				
Track	Km of Route	8560 <sup>(3)</sup>	7,791	0.9
Locomotives	Number	862 <sup>(3)</sup>	577	0.7
Freight Wagons	Number	24,251 <sup>(3)</sup>	23,893	1.0
Passengers	Billion Passenger-Km	6.77 <sup>(3)</sup>	22.4	3.3
Freight	Billion Tonne-Km	4.37 <sup>(3)</sup>	4.6	1.1
Road Transport				
Length	Km of Roads	50,000	251,845	5.0
Registered Vehicles	Millions	0.03	4.78	156.3
Passengers	Billion Passenger-Km	0.5	209.4	418.8
Freight	Billion Tonne-Km	0.5	108.8	217.6
Air Transport				
Number	Airports	1	36	
Passengers	Billion Passenger Km		16.1	
Freight	Billion Tonne-Km		0.7	

1 Economic Survey 2002-03 and Annual Reports of Respective Agencies

2 Draft Transport Policy 2002

3 Railway Yearbook 2000-01 - Figures for 1950

3.3 Although growth has been impressive and some structural reforms are in place, the sector is not prepared to adequately support the national goal of five percent annual growth of the economy in the short to medium term and 6.3 percent by 2010. Some transport sector shortcomings are listed below:

- 60 percent of the roads on the National Highway Network require reconstruction or rehabilitation and Provincial Networks are worse – 90% in Punjab and 70% in Sind,
- more than half of the railroad tracks in the country require replacement,
- less than half of rural communities that have motorable access are served directly by transport services,
- 30 to 35 percent of the perishable harvest is lost due in large part to inadequate access to markets,
- almost 70 percent of Pakistan Railway locomotives are in need of

- Users of transport services are never consulted when planning for investment in infrastructure and providing transport services.

#### IV. ECONOMIC AND FINANCIAL ASSESSMENT

4.1 Transportation currently accounts for about 10% of Pakistan's GDP. A significant portion of energy consumption and public sector expenditure is for the sector. The sector is dominated by government agencies and generates considerably more tax revenue than corresponding public expenditure. Within the sector Pakistan Railways is one of the largest money losing public organizations with annual deficits in the range of Rs. 6-7 billion.

**Economic and Financial Impact of the Transport Sector in Pakistan**

Indicator	Unit	Current
National GDP <sup>(1)</sup>	Percent	9.9%
National Gross Capital Formation <sup>(1)</sup>	Percent	15.1%
National Energy Consumption	Percent	35%
Total Public Sector Expenditure	Percent of	20 - 25 %
Public Sector Expenditure in Transport	Billion Rs	108
Public Sector Revenue from Transport Sector	Billion Rs	135
<b>Railroads</b>		
Public sector Expenditure (Avg. 1990-2000)	Billion Rs	13.1
Revenue (Avg. 1990-2000)	Billion Rs	9.2
<b>Roads</b>		
Expenditure in National Highways	Billion Rs	13.2
Expenditure in Other Roads	Billion Rs	7.1
Road Related Revenue Collection	Billion Rs	32.5
<b>Civil Aviation</b>		
Expenditure (Avg. 1990-2000)	Billion Rs	3.5
Revenues (Avg. 1990-2000)	Billion Rs	3.4
<b>Ports</b>		
Expenditure (1999-2000)	Billion Rs	5.77
Revenues (1999-2000)	Billion Rs	8.43

<sup>1</sup> Economic Survey 2002-03

4.2 In spite of the high level of expenditure in the road sector, maintenance has been neglected estimated, in the 2001 - 11 Ten Year Perspective Development Plan published by the Planning Commission, to be to be only 30% of required expenditure.

4.3 To overcome the shortfalls in transportation infrastructure a policy framework that ensures an adequate and stable flow of funds to the sector is required. Total need for resources in the short to medium term will exceed the capacity of the public sector to generate resources. Internal generation of resources through toll collection and other user charges to supplement public sector financing may be pursued.

## V. TRANSPORT SECTOR ORGANISATION

5.1 At the Federal Level the Ministry of Communications (MOC) is responsible for roads and road transport, ports and shipping, the Ministry of Railways is responsible for railways while the Ministry of Defence is responsible for civil aviation. At the Provincial level, the Communications and Works Departments perform road functions for the provincial network. As a result of the implementation of the Devolution Plan of 2000, responsibilities for intra-district provincial networks have been devolved to the districts. Agencies responsible for construction, maintenance and regulation are shown in the table below.

Sector	Area	Agency Responsible for Regulation and Operations	Agency Responsible for Enforcement
1. Roads	National Highways, Motorways and Strategic Roads	National Highway Authority under Communications Division of MOC	National Highway and Motorway Police
	Provincial Highways and most District Roads	Provincial Communications and Works Department	Provincial Police Department
	Local Roads	District Works and Services Department, Local Bodies, Municipalities and Cantonments	Provincial Police Department
	Foreign aided Farm to Market Road Construction	Ministry of Local Government and Rural Development for construction and the Various Local Agencies for Maintenance	Provincial Police Department
2. Railways	All aspects of Railway Operations	Railway Board under the Ministry of Railways	Railway Police
3. Civil Aviation	Airports and Airlines	Civil Aviation Authority under Civil Aviation Division of the Ministry of Defense	Airport Security Force
4. Ports & Shipping	All aspects of Ports and Shipping	Ports Authority under Communications Division of the MOC	Provincial Police Department
5. Road Transport	Planning, Route Allocation, Regulation, Fares, Standards	Provincial Transport Authority (PTA) or Regional Transport Authority (RTA) under Transport Department of Provincial Governments	Provincial Police Department

5.2 Provincial governments through Provincial Transport Departments (PTDs), Provincial Transport Authorities (PTAs) and Regional Transport Authorities (RTAs) regulate road passenger transport services. They plan, allocate routes, regulate fares, prescribe and enforce standards, collect revenues and assert day-to-day control over inter and intra city passenger transport services. The PTAs are the operational arm of the Transport Departments for inter-city transport activities while the RTAs are the district level operational arms. Urban transport is within the purview of RTAs.

5.3 Post devolution, the Transport and C&W Departments are being merged as the Works and Services Department. The city district government manages road transport for city districts under an EDO (Executive District Officer) Transport. However, institutional structures for provision of road and road transport services at the district level are still evolving.

5.4 Hence responsibility for the sector is divided among three ministries at the federal level and various agencies at the provincial and district levels. As a result, the coordination for effective regulation, enforcement and intermodal synergism is lacking.

## **VII. TRANSPORTATION PRIORITIES**

6.1 The national transport policy is designed to enhance the transport sector's contribution to the growth of Pakistan's national economy while supporting national goals of safety, protection of the environment and effective use of the nation's resources. It is intended to guide the development of each of the transport sectors providing a level playing field for public and private sector in accordance with the following priorities:

6.1.1 Strengthen the regulatory framework of the transport industry to correct existing inadequacies. This will require a review of existing legislation, institutional strengthening, increased cooperation between

executing, regulatory and law enforcement agencies, and stricter law enforcement. Land transport of goods and services will continue to be dominated by the private sector. The decision of Government to deregulate this sector in 1967 resulted in the development of a competitive and vibrant market for goods and passenger transport. This decision has resulted in low fares and extensive supply of service. Action is now needed to improve quality, safety, route structure and reliability, as well as control overloading and pollution.

6.1.2 Support continued growth and upgradation of the National and Provincial highway networks. For local networks the emphasis will be on basic accessibility in both urban and rural areas. At the national level, the National Highway Network will be upgraded to enable Pakistan to compete effectively in the global market. The goal of this programme is to provide connectivity among all sections of the country, to major ports and railway links and to neighbouring countries. New investment in highway infrastructure will be made only after the need for routine and periodic maintenance has been met to ensure that travel costs are minimized and investments are sustainable.

6.1.3 Revitalise the railroads to allow them to compete in areas where they have a competitive advantage. At a time when the importance of energy conservation, protection of the environment and cost reduction are paramount the railroads can play an important role in providing safe and reliable transportation of passengers and freight. For this to happen organizational restructuring, development of more efficient labour and management practices, restructuring, rationalization of routes and more effective use of the private sector is required. Once concrete action has been taken to initiate these institutional reforms further action can be taken through selective investment in infrastructure and rolling stock to meet projected needs.



6.1.4 Promote reliable, safe and efficient aviation operations to take advantage of an expanding global market. This includes continued encouragement to the private sector to invest in airline services and terminal facilities, a selective open sky policy to attract foreign airlines and open international markets for PIA, actions to ensure that competition is fair for private and public sector investors and continued review and rationalisation of aeronautical charges. Investment in an air navigation system and selected improvements to runways, aprons and cargo handling facilities is planned.

6.1.5 Improve operational effectiveness in accordance with the Shipping Policy approved by Government in 2001. Port and shipping tariffs will be rationalized and incentives provided to encourage additional private sector investment in ports and shipping. Physical facilities in the two major ports of Pakistan are generally adequate and new investment in terminals, berths and other facilities is expected to be through BOT or BOO agreements. The Gawadar Port is expected to come on line in 2005 and investment in facilities for intermodal transfer may be required.

6.1.6 Leverage the potential to increase transport of petroleum products by pipeline. Only one pipeline moving about six million tons of crude oil annually between Karachi and Mahmoodkot and the Machike/Sheikhupura area is operational. The government will continue to encourage and support investment by the private sector in construction and operation of pipelines.

## **VII. Policy Principles**

7.1 In striving to comply with the priorities defined in the previous section each subsector will be guided by the following broad principles:

7.1.1 Role of Government - Government intends to gradually reverse its role as primary provider of infrastructure and transport services, delegating this role to the extent that it is feasible to the private sector. This will allow the Government to focus on policy and strategy formulation to support national goals of improving competitiveness by promoting productivity and efficiency. Government will retain the regulatory role, establishing and monitoring performance indicators and enforcing compliance in the following areas:

- safety and protection of the environment,
- appropriate use of transportation assets,
- transport operator oversight to promote fair competition, safety, reliability and quality,
- contracted services for construction, maintenance and operation of infrastructure,
- concession agreements,
- other transport services including service to the poor and disadvantaged.

7.1.2 Role of Implementing Agencies - National transport policy will provide the reference framework within which more detailed policy is made at the federal, provincial and local government levels. Implementing agencies will interpret and establish policy and regulatory structure in accordance the National Transport Policy with appropriate consideration of local priorities.

7.1.3 Sectoral Coordination and Cooperation - The responsibility for providing transport infrastructure and services and regulating their use fall within the purview of several different government agencies as described in Section V. Shared responsibility items need to be negotiated and agreed upon among the different agencies. This will be accomplished as follows:

- Establish a Transport Council consisting of Ministers of Communication, Defence, Railways, Local Government and Rural

Development and Finance as well as the Chairman of the Planning Commission.

- The Transport Council shall establish the Transport Coordination and Cooperation (TCC) committee, a standing committee comprised of Joint Secretary level members of concerned ministries with the NTRC as its focal point.
- The TCC will meet quarterly or as required to establish working groups with membership of affected agencies or ministries as required to:
  - develop policy statements to be incorporated into the National Policy Document, or
  - address issues requiring inter or intra ministerial coordination.
- Recommendations of working groups will be reviewed by the TCC and submitted to the Transport Council for approval.

The National Planning Commission shall coordinate the development programme in accordance with this policy, the National Development Plan and mid term revolving plans. Agencies will develop annual focus plans for internal coordination and implementation.

7.1.4 Stable and Adequate Funding – In recent years public sector revenue from the transport sector has been considerably greater than corresponding expenditure. In spite of this, the nation's transport infrastructure has been under funded and does not meet international standards of accessibility or maintenance. Immediate steps to increase maintenance funding are required to reverse deterioration of the existing infrastructure, already in poor condition, and to avoid future need for investment in replacement and rehabilitation. Transport agencies will develop financing plans for maintenance, rehabilitation and required expansion of transport infrastructure based, where possible, on the principle of user charging for

cost recovery. Financing plans will identify core investment requirements for which funding is critical, as well as other priorities should funding allocations meet all of the agency's critical needs. Government will favourably consider establishment of dedicated funds for maintenance of transport infrastructure.

7.1.5 Financial Management – Each Government transportation agency will develop a strong financial management team to introduce commercial accounting principles and practices. The financial impact of proposed revenue and investment strategies should be adequately rationalized, quantified and monitored.

7.1.6 Investment Criteria – Investment in infrastructure will be based on national security, network efficiency and poverty mitigation priorities. Projects are to be economically viable, give priority to asset preservation, promote social and economic well being and incorporate appropriate measures to mitigate environmental impact.

7.1.7 Enforcement of Existing Regulations – Safety, security and reliability of existing infrastructure and transport services need to be improved. Existing legislation requires strengthening and enforcement must be greatly improved. Each transportation agency shall develop an enforcement strategy in coordination with enforcement agencies such as the local police department, Railway Police or the National Highway Motorway Police under direction and overall guidance of SCCC.

7.1.8 Human Resources Development – Government does not possess all of the human resource skills required to meet the needs of the transport sector. Increased reliance on the private sector will satisfy only a portion of these needs and at the same time create the need for new skills. Government will work toward a culture where labour is appreciated as a resource that needs to be developed to meet its full potential. Fair labour

practices, workers rights, health and safety, fair working conditions, honesty and productive service will be encouraged and rewarded. Government will assume some responsibility for capability enhancement, training and skills development at local universities, technical assistance and through institutional strengthening.

7.1.9 Research and Development (R&D) – Government will support research and development to maintain abreast of appropriate and innovative technologies and practices in the transport sector. This will require adequate funding for R&D to allow for interaction with transportation agencies in developing and developed countries for exchange of expertise, identification of appropriate innovative practices and techniques and adaptation of technology to local requirements. NTRC will be strengthened and provided the resources necessary to meet this need.

7.1.10 Gender Issues – In the past there has been a neglect of the legitimate rights of women in all sectors of our economy including the transport sector. Transport agencies will seek to improve this situation by actively considering women's needs in provision of transport services, employment opportunities, planning and decision making.

7.1.11 Poverty Alleviation – A key ingredient of the vision statement for national transport is social and economic growth. Poverty alleviation can be achieved through economic growth if it is targeted at improved access to market, health and educational facilities and corresponding job opportunities in rural and urban areas. To ensure that the disadvantaged and poor are directly benefited, investment plans will specify measures that will be taken to provide access and affordable transport services to these sectors.

## **VIII. Policy Statements**

8.1 The sector policy statements contained in this document support national goals of security, growth, human development and poverty alleviation. The sector policy statements contain a mission statement, strategic objectives and policy action statements that support the following national priorities:

- achieving improved cooperation and coordination among federal agencies, between national, provincial and district agencies and users and providers of transport infrastructure and services,
- strengthening existing legislation and improving enforcement of existing legislation and regulations,
- strengthening planning, monitoring, control and financial management functions,
- giving priority to preservation of existing assets,
- financing and leveraging the potential for cost recovery from users,
- taking full advantage of private sector strengths for provision of services where feasible,
- promoting social, safety and environmental considerations,
- investing in human resources to reach the full potential of individuals and organizations,
- supporting research and implementation of industry best practices,
- considering the rights of women and the disadvantaged.

**SECTOR POLICY STATEMENTS WILL BE DEVELOPED FOR  
EACH SECTOR AND INSERTED INTO THIS DOCUMENT**

**APPENDIX II  
TOR FOR FOLLOW-ON STUDY**



**PAKISTAN National Transport Policy: Assessment of Critical Current Transport Sector Needs and Support for Policy Finalization and Approval**

**Draft Terms of Reference**

**A. BACKGROUND**

1. The Government of Pakistan, through the Ministry of Communications (MoC) intends to frame a "Transport Policy" for the country. The policy shall provide an enabling environment to address key transport issues and needs, including the multi-modal share distribution as well as foreseeable requirements based on strategy formulations. The main objective is to build upon the initial assistance to the MoC that reviewed the existing Draft Transport Policy Document, prepared national transport policy guidelines and recommended a mechanism for finalization and approval of a comprehensive integrated transport policy. A key recommendation of the study was the establishment of a Transport Coordination and Cooperation (TCC) Committee to drive the policy finalization effort and to facilitate coordination and cooperation among the sectors in accordance with the national transport policy mandate. The initial assistance to the MoC also reviewed and made preliminary recommendations regarding the current infrastructure shortfalls in the transport sector.

**B. OBJECTIVE**

2 This study will provide assistance to the TCC by reviewing infrastructure shortfalls, recommending institutional strengthening measures and resource allocations to meet shortfalls, identifying governance issues, recommending measures to make more effective use of the private sector and providing support for the finalization of the National Transport Policy. The consultant will organize consultation with government and citizen stakeholders including arrangement of workshops and consultation sessions.

**C. SCOPE OF WORKS**

**(a) Analysis of Transport Demand for Road, Rail, Air, Shipping and Sea Ports**

3. The activities required for this component include:

- (i) identification of data needs for transport sector policy formulation;
- (ii) collection and compilation of needed transport related data from existing Government and consultant sources, its presentation, its review and analysis; development of patterns of freight and passenger traffic in Pakistan. The forecast should be for periods of 5 and 10 years. In doing the forecasts, the consultants shall develop transport models that relate growth in transport demand to national development plans, economic growth and increased levels of motorization. The forecasts should consider at least three different scenarios for national economic growth i.e. low probable and high growth scenarios. The

forecasts should also be in keeping with context of national and regional requirements.

**(b) Analysis of Infrastructure Shortfalls for Road, Rail, Air, Shipping and Sea Ports**

4. The activities required for this component include:
- (i) capacity analysis of the inter-urban road system, rail network, air services and airports as well as sea ports and shipping and for each mode, identification of areas where capacity is insufficient, just sufficient, as well as more than sufficient to meet current needs for 5 and 10 year time frames based on the different scenarios considered in the demand analysis in 3(iii);
  - (ii) identification of areas where two or more different transport modes compete against each other and opportunities for synergies between the different transport modes;
  - (iii) analysis of requirements/ opportunities/ constraints for seamless intermodal and multimodal network connectivity for efficient transport of goods and passengers. This includes analysis of legal and regulatory constraints;
  - (iv) identification of infrastructure needs under the different scenarios estimated in (i) above as well as taking into account opportunities for synergies in (ii) and (iii) above.

**(c) Analysis of resource requirements and constraints**

5. The activities under this component include:
- (i) estimating cost of maintenance of current infrastructure assets in all transport modes;
  - (ii) calculating cost estimates for the provision of infrastructure requirements identified in para 3(iv);
  - (iii) prioritizing the required infrastructure projects based on Economic Internal Rate of Return (EIRR) and other criteria developed jointly with the TCC;
  - (iv) identifying infrastructure projects for which private sector participation is possible and estimating level of private sector finance that can be attracted to the transport sector projects including developing private sector investment models and possible public-private partnership models;
  - (v) estimating public sector resource requirements and availability over the time frames of 5 years and 10 years;
  - (vi) estimating possible ways to close the resource gap between requirements and availability of both private and public sector finance to implement both effective asset maintenance as well as infrastructure expansion.

**(d) Analysis of sector governance issues**

6. The activities under this component include:
- (i) comparison of efficiency and productivity of transport sector service providers as well as transport costs to users, with levels achieved, and costs charged, for best practices in other developing countries;
  - (ii) analysis of legal and regulatory framework governing the transport sector as a whole as well as the different transport modes with respect to their relevance and impact on transport system efficiency;

- (iii) analysis of legal and regulatory framework governing, freight transport, public transport and ancillary services such as freight forwarding and intermodalism with respect to their relevance and impact on the provision of efficient transport services;
- (iv) analysis of legal, regulatory, and institutional requirements needed to attract private sector involvement in the transport sector;

**(e) Analysis of institutional capacity in the Transport sector**

7. The activities under this component include analysis of strengths and weaknesses of transport infrastructure and service providers with respect to:

- (i) efficiency and effectiveness in generation and use of revenue derived from user charges and government allocations,
- (ii) consultation with users and other stakeholder groups,
- (iii) capacity for regulation and enforcement, including coordination between infrastructure and service providers and regulatory and enforcement agencies,
- (iv) capacity for planning and project implementation,
- (v) capacity for policy formulation and structuring private sector financing;
- (vi) institutional structure and policy initiatives for effective governance of the transport sector as a whole as well as for individual transport modes;
- (vii) required professional skills, personnel levels, support tools, and operating budget and control mechanisms.

**(f) Formulation of a comprehensive Transport Policy**

8. Based on all the analysis carried out in (a) to (e) above, the consultants are required to formulate a comprehensive transport policy document in consultation with the TCC and agency task forces. The content of the transport policy shall include, but not be limited to, the following:

- Aims and objectives,
- Policy Principles
- Integrated and strategic policy coordination mechanisms,
- Sector Policy statements for:
  - Transport and transportation,
  - Roads (and road commercialization),
  - Railways (and railway commercialization),
  - Air transport services and airports (and possible commercialization),
  - Shipping and ports (and possible commercialization)
- Regulatory framework and institutional building improvements for optimum results from identified reforms,
- Role of public and private sector in transport,
- Measures for improved coordination with enforcement agencies
- Other miscellaneous details.

**D. REPORTING REQUIREMENTS**

9. The consultant will prepare an inception report outlining an initial assessment of their tasks and proposed methodology within 1 month of commencement of services. The consultant will prepare (i) a revised draft transport policy (about 30-40 pages) for (i) and a separate

Transport Issues/Strategy Paper (about 20 pages main text and about 20 pages Appendixes). The two principal outputs/documents will be submitted to the Government and ADB for comments within 4 months of commencement of consulting services. The documents will be finalized and resubmitted to the Government and ADB after 14 days upon receipt of Government and ADB comments.

**E. STAFFING**

10. The TA will require about 6.5 person-months of international and 10 person months of domestic consulting services. The international consultants will have experience in transportation planning and institutional strengthening. The domestic consultants will have experience in institutional analysis, organizing workshops and consultation sessions, transport economics and the legal framework in Pakistan. The International Transportation Planner will be the Team Leader for the project and be responsible for the quality of the deliverables.

**APPENDIX III**  
**OFFICIALS WHO WERE CONSULTED**

## Appendix III...

**OFFICIALS WHO WERE CONSULTED****Asian Development Bank Resident Mission**

Mr Naved Hamid, Deputy Country Director  
 Mr Allan Lee, Programs Officer  
 Mr Safdar Parvez, Programs Officer

**Ministry of Communications (MOC)**

Mr Iftikhar Rashid, Secretary  
 Mr Mussadaq Mohammad Khan, Joint Secretary  
 Mr Junaid Mushtaq Qureshi, Deputy Secretary  
 Capt Anwar Shah, Director General Ports and Shipping Wing  
 Capt M. Saleem Baloch, Director Shipping, Ports and Shipping Wing  
 Mr Bashir Vistro, Director Ports, Ports and Shipping Wing  
 Mr Tahir Sharif, Director Roads

**National Transport Research Centre (NTRC)**

Mr Muhammad Kazim Idris, Chief  
 Mr Mumtaz Hussain Malick, Assistan Chief Highway Safety  
 Mr Khizer Javaid, Research Officer

**National Highway Authority (NHA)**

Maj Gen Farrukh Javed, Chairman  
 Mr Raja Nowsherwan, Member Planning  
 Mr Sabir Hasan, General Manager Planning  
 Mr Shahid Iqbal, Director Planning  
 Mr Amjad Ali Shah, Transport Economist

**Karachi Port Trust**

Brig. Syed Jamshed Zaidi, General Manager Planning & Development  
 Mrs Uzma Sadaf, Project Coordinator Planning & Development

**Port Qasim Authority**

Mr. Muhamad Sharif, Director General Planning and Development  
 Engr. A. N. Qabulio, Deputy General Manager Planning and Development

**Gwadar Port Authority**

Rear Admiral Sarfaraz Khan SI, Chairman  
 Commodore Anwar Mohiuddin, Director General Operations

---

**Pakistan National Shipping Authority**


---

Commodore S. Rashid Ullah, Executive Director Special Projects & Planning

---

**Planning Commission**


---

Mr Malik M. Saeed Khan, Member Infrastructure

Mr Khurram Azad Khan, Chief Transport and Communications Section

---

**Ministry of Railways**


---

Mr Sardar Mohmmad, Director Planning

Mr. Irfan Ahmed Akhtar, Financial Advisor

---

**Civil Aviation Authority**


---

Mr Akbar Rahmatullah, General Manager Air Transport

Mr Alqera Atiq, General Manager Planning

Mr Makbul Rezza, Corporate Manager Planning

Mr Muhamed Abdul Aleem, Corporate Manager Billing

---

**Pakistan Ship's Agents Association**


---

Mr Farouq H. Rahimtoola, Chairman

Amir Ali Jamal, Secretary

---

**World Bank**


---

Mr. Navaid Qureshi, Country Officer

---

**Community Representatives and Consultants**


---

Mr Irfan Naqvi, Chief Executive Officer TMI The Mariners Institute

Mr Noboru Kondo, Advisor Japan International Cooperation Agency (JICA)

Dr Sahibzada Ghiasul Haq, Chief Instructor Economics Civil Service Academy, Lahore

Mr Aized Hasan Mir, Managing Director. Associated Consultancy Centre (PVT) Ltd.

Mr M. Azad Khan, General Manager ACE Transportation Engineering Services (PVT) Ltd.

Mr. Asif J. Khawaja, Member Association of Road Users of Pakistan

**APPENDIX IV**  
**REFERENCE MATERIAL**



## Appendix IV...

**REFERENCE MATERIAL**

- ADB Country Strategy and Program for Pakistan 2002 – 2006, May 2002
- Aviation Policy 2001, Civil Aviation Authority, Ministry of Defence
- Appraisal of the Farm to Market Roads Project in Pakistan, ADB, November 1985
- A Statement of National Transportation Policy, US Department of Transportation, September 1975
- Benefits From Transport Infrastructure Improvement, NTRC, December 1992
- Country Report on Pakistan Transport Sector, World Bank, December 2001
- Draft National Transport Policy, Government of the People's Republic of Bangladesh, Ministry of Communications, January 2003
- Document for Ninth Five Year Plan – Railway (1998-2003), Pakistan Railway Board, September 1997
- Eighth Five Year Plan (1993-98), Pakistan Planning Commission, June 1994
- Era of Progress (October 1999 to 2002), Ministry of Communications, Government of Pakistan, 2002
- Evaluation and Ranking of Proposed Roads, ADB TA No. 1778 – PK, Third Farm to Market Road Project, Roughton International in association with AA Associates, June 1995
- Gwadar Deep Water Port Investment Portfolio, Gwadar Port authority, March 1998
- Gwadar – Ratodero Road Project PC – 1 NHA, Engineering Consultants, August 1998
- Highway Panorama, National Highway Authority, Pakistan
- Improving Transport Sector Performance, The Chartered Institute of Transport Annual conference, Wellington 1996
- Indus Highway Project Phase III, 2<sup>nd</sup> Revised PC-1, NHA, Pacific Consultants International in association with Engineering Associates, July 2001
- Indus River Survey – Comprehensive Report with Reference to Previous Work on Inland Water Transport In Pakistan, NTRC – 180, 1995
- Integration of Port and Inland Transportation Facilities, NTRC, February 1999
- International Comparison of Pakistan Railway, NTRC, July 1993
- Medium Term Budgetary Framework, Five Year Investment and Maintenance Plan, NHA, FY 2003-04 to FY 2007-08, October 2003
- Mid Plan Review of the Seventh Five Year Plan (1988-93), Pakistan Planning Commission, May 1991
- National Transport Plan February 1995, NTRC - JICA

**Appendix IV (Continued)...****REFERENCE MATERIAL**

- National Transport Policy (Draft) Government of Pakistan, NTRC, June, 2002
- National Transport Policy (Draft), Government of Pakistan, NTRC, January, 1992
- Pakistan Economic Survey, 2001 – 2002, June 2002
- Pakistan Economic Survey, 2002 – 2002, June 2002
- Pakistan Energy Yearbook, 1999
- Pakistan Investment Opportunities in the Maritime Sector, Gwadar Deep Water Port, March 1998
- Pakistan Merchant Marine Policy 2001, August 2001
- Pakistan Railways Corporate Plan 1996-97
- Pakistan Railways Success Story (October 1999 to August 2002)
- Pakistan Statistical Year Book 2002, March 2002
- Pakistan Transport Sector Assistance Strategy Note, World Bank June 2002
- Policy/Guidelines Principles of Aviation Policy, Civil Aviation Authority
- Policy Framework and Package of Incentives, Private Sector Participation in Highway and Bridge Projects in Pakistan, NHA, October 1999
- Port Qasim, Gateway to National Prosperity, Port Qasim Authority, November 2003
- Project Completion Report on the Rural Access Roads Project (Loan 1401-PAK(SF) in Pakistan, ADB, October 2003
- Public Sector Development Programme 2000-2001, Pakistan, June 2000
- Ten Year Perspective Development Plan 2001-11 and Three Year Development Programme 2001-04, Pakistan Planning Commission, September 2001
- Transport Policy for Pakistan Railways, Pakistan Railways, 2003
- Transport Sector Development Initiative Concept Note, World Bank April 2000
- Transport Study Final Report – Second Rural access Roads Projects (FMR IV) April 1999
- Widening and Strengthening of National Highway N-70, NHA PC-1, National Engineering Services Pakistan (Pvt) Limited, August 1996
- White Paper on European Transport Policy for 2010, European Commission, September 2001
- White Paper on National Transport Policy, Department of Transportation, Pretoria South Africa, August 1996
- Year Book 2000-2001, Pakistan Railways