



NATIONAL TRANSPORT RESEARCH CENTRE

GOVERNMENT OF PAKISTAN

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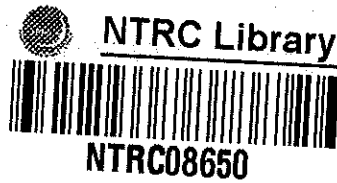


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NATIONAL TRANSPORT POLICY

NTP DRAFT - VIII



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ABBREVIATIONS

ATC.....	Air Traffic Control
CAA.....	Civil Aviation Authority
ECO.....	Economic Cooperation Organization
EIA.....	Environmental Impact Assessment
D-D.....	Door to Door
GDP.....	Gross Domestic Product
ICAO.....	International Civil Aviation Organization
ITS	Intelligent Transport System
MTDF.....	Medium Term Development Framework (2005-2010)
MOC.....	Ministry of Communications
MOC&T.....	Ministry of Communications & Transport
MOD.....	Ministry of Defense
MVO.....	Motor Vehicle Ordinance
NHSO.....	National Highway Safety Ordinance
NTC.....	National Trade Corridor
NTC Task Force.....	National Trade Corridor Task Force
NTP.....	National Transport Policy
NTRC.....	National Transport Research Center
PIA.....	Pakistan International Airlines
PNSC.....	Pakistan National Shipping Company
PPP.....	Public Private Partnership
PR.....	Pakistan Railways
ROI.....	Return on Investment
SMEDA.....	Small and Medium Enterprise Development Authority
T-T.....	Terminal to Terminal
TIR.....	Transports Internationaux Routiers

EXECUTIVE SUMMARY

A National Transport Policy (NTP) is a set of policies and the framework within which it is placed that is intended to promote national goals and objectives such as economic development, poverty alleviation, safety, security through coordinated planning and decision making to ensure that an efficient and equitable transport system is developed and maintained. Thus, it is both a set of specific policies and a set of principles that are to guide planning, implementation, operations and monitoring of the transport system.

Need for a National Transport Policy (NTP)

Stakeholders, government officials and observers of the transport system began to voice a need for a NTP in the early 1990s due to recognition of a number of growing problems in the transport system. These problems and issues included inefficient operations, inequalities in mobility and access, lack of proper maintenance within and across the transport modes, inability to expand exports due to highly constrained infrastructure and institutional capacity to support it and finally an emerging recognition that urban and rural economic development and related mobility and accessibility issues were in major part due to poor transport infrastructure and its condition and lack of coordinated management. Following this emerging recognition various attempts to study and adopt elements of a NTP were made through the 1990s and following years in the Third Millennium. This NTP is a capstone result of the earlier efforts. As such it is built on the work of many transport officials, stakeholders, political leaders and researchers rather than being a document that has emerged out of a rapid response type of process.

There are some immediate imperatives that have motivated finalizing the NTP at this time. First was the conclusion of the *Vision 2030* report of the Planning Commission in 2007. This document lays out a concept of how we could seriously move up the economic development ladder and reach the status of an advanced emergent economy over the next generation. This vision is of the development of a significant middle class with improved material and life quality for all and a closing of the wealth gap between haves and have nots. It also envisions that Pakistan has become a recognized player in the global economy serving as a transport hub for South and South East Asia while managing environmental externalities and promoting energy efficiency. To achieve this vision the transport system must be aligned and the infrastructure and related services need to acquire large efficiency and productivity gains while service quality improves to meet international standards. Finally, all of this will need to

occur in a coordinated and integrated way. With a system thus developed and maintained, rural and urban development will be enhanced, new opportunities for economic development in the more remote areas of our country will occur and Pakistan will become a major transport hub for South, South East and Central Asia with full regard to the criteria of equity, reciprocity, sustainability, security, mutual benefit-sharing and above all safeguarding our own national interest in the context of international / transit transport.

More specifically for the 2030 Vision to become a reality various changes are needed in how infrastructure decisions are made, planning is conducted and operations or implementation occur. The first of these is to adopt measures including cross-mode and levels of government planning to ensure that the transport budget is used in a way that ensures the best value for the funds invested. However, and secondly, even when such an approach has been adopted to ensure this outcome, the demand for infrastructure investment and finances cannot be met by the country alone. Some estimates of our ability to self finance the transport system through public sector resources will at best provide one-third of the needed resources. Thus, there is a huge need to obtain significant additional financing from the private sector. Our experience with privatization and the use of public private partnerships (PPPs) to date has been limited and undertaken in a highly reserved or wait and see approach. To help ensure successful partnering with the private sector, there is a need for a well developed and proper legal and regulatory framework to ensure a stable policy environment for the private sector on the one hand and to laws and rules that ensure that abnormal profits do not occur to the private sector and the public interest is protected. Third, there is a need for improved and effective enforcement so that the transport infrastructure is protected from abusive use, e.g., overloaded trucks and that personal safety and security are protected. Finally, to achieve all that is needed regarding improved transport infrastructure and services, a strategically placed organization is needed to ensure that appropriate, coordinated and integrated transparent policy is developed and implemented in a sustained and cumulative manner.

Objectives of the NTP

There are many specific objectives of the NTP and these are detailed on a mode-by-mode basis in the full NTP Document. These are however only specific extensions of the broad objectives that have guided the NTP. The broad objectives are:

Provide safe, reliable, effective, efficient, affordable, accessible, sustainable and fully integrated transport system that will best meet the needs of freight & passenger access and mobility requirements and will be aimed at improving levels of service and cost effectiveness in a fashion that supports governments goal of increasing public welfare through economic growth, and social improvement, poverty reduction and infrastructure and development while being environmentally and economically sustainable and energy efficient.

The primary dimensions that guide approaches that are adopted to achieve the objectives are:

- Seeking efficiency
- Seeking equity and poverty alleviation
- Seeking safety and security
- Seeking enhanced management of urban concentration
- Seeking opportunities
- Strengthening institutional infrastructure
- Seeking improved enforcement

Major Issues

The most general and important issue from the perspective of creating a sustainable, efficient, effective, fair and safe transport system is the lack of a cross-modal coordination mechanism at various levels of the government. The NTP addresses this in a definitive way. A second broad issue that exists across all modes and levels of government is a shortage of finance for building the infrastructure and sustaining maintenance of operations and services. This issue is addressed in various places throughout the NTP document. Third, there are issues regarding the six modes and five issue sets that cut across the different modes and levels of government in whole or part. The six modal areas are: roads, railways, ports and shipping, aviation, pipelines and waterways. Additionally, there are five issue sets that include urban transport, rural transport, transport services, logistics and customs, and inter-modal services. The specific transport policies of the NTP are organized around these topics along with the focus on providing needed coordination and integrated leadership. It is also important to note that only the primary policies are presented in the Executive Summary. Details may be seen in the full text.

Integrated Coordination in the Transport Sector: Policies

Many developed countries have a transport ministry that houses the various modal agencies and supporting agencies such as safety and R&D and which coordinates policy, planning and monitoring across the

national and sub-national transport system and its linkage to other systems, e.g., economic and social development. Thus the formation of a broad transport ministry seems to be one of the viable options for effective coordination. But to achieve this in the short-term would likely encounter considerable transaction costs and thus seriously delay action planning and implementation which is needed immediately to begin aligning the transport system to the Vision 2030.

Given the existing situation, the NTP calls for the National Trade Corridor (NTC) Task Force of the Planning Commission to take responsibility for coordinating transport policy, planning and monitoring. The Ministry of Communications (MOC) Transport Advisory Council (TAC) is to provide a forum for implementation and operations coordination in conformity with the policies and plans of the NTC Task Force. The MOC is to be renamed as the Ministry of Communications and Transport (MOC & T) to recognize its expanded coordination responsibility. The already established NTP Task Force Committees provide an effective coordinating mechanism. It is however proposed that the provinces and the National Transport Research Centre (NTRC) of the MOC may be included as members to the Task Force.

Mode and Related Issue Areas: Policies

The specific modal details are as under:

Road: Infrastructure and Services Policies

1. Ensuring appropriate maintenance of roads is a first priority. A sustainable cost model is to be developed that relies primarily on user charges.
2. All major construction decisions must be subject to rigorous *ex ante* assessment and cost-benefit and alternatives analysis and justified in terms of the evaluated alternatives.
3. The role of the private sector and PPPs in infrastructure finance and service provision to be utilized at greatly expanded levels.
4. A comprehensive integrated planning system is to be developed and implemented.
5. Axle and gross loads, certification, training and licensing regulations of the trucking industry and other modes are to be strictly enforced.
6. Government regulated passenger fares should be adjusted rapidly in the face of demand changing conditions or deregulated.

7. Standards for design and operation of intermodal facilities and related services shall be created and implemented including the provision of services to meet the need of special persons and women.

Railways Sector Policies

1. Operate along commercial lines, i.e., use commercial management practices including cost recovery and financial viability in monitoring and assessing costs.
2. Emphasis of future development of railways should be on freight.
3. Focus on providing core railway services and divest non-core activities.
4. Eliminate cross functional subsidies and provide loss producing lines or services only when Government has decided to continue these lines or services and to provide funds to subsidize the costs necessary to operate on a cost recovery basis.
5. Adapt a continuous rolling stock management system.
6. Expand the role of the private sector through PPPs, private sector involvement and increased financial participation.

Ports and Shipping Policies

1. Adapt and continue use of the landlord port management and operations model for the ports of Pakistan. Continue corporatization of and outsourcing of services to the private sector.
2. Update an integrated port master plan.
3. Monitor port charges and reduce where excessive levels are found compared to revenues and profit levels of other regional ports in South Asia. This is important because if the charges are too high then costs of exporting are higher and trade is accordingly constrained.
4. Adopt and-or maintain use of rigorous *ex ante* evaluation in public sector infrastructure investment decisions. Techniques such as opportunity cost, alternatives analysis and cost-benefit are to be used in evaluation and investment decision making.

5. Pakistan National Shipping Corporation (PNSC) is to compete on an even basis with all competitors for providing transport and freight services to government cargo.

Aviation and Airports Policies

1. Continue to create a competitive Civil Aviation Administration that is independent from provision of airport and other services and that ensures customer choice, safety and promotes environmental integrity and energy efficiency.
2. Commercialize airport management and services via PPPs and privatization where appropriate.
3. Pakistan International Airways (PIA) to add private participation to its ownership.
4. Deregulate or continue to deregulate passenger and cargo services.
5. Continue to adjust policies and procedures to meet guidelines of the International Civil Aviation Organization (ICAO).
6. New airport and runway investments are to be based on *ex ante* evaluation using methods such as opportunity cost, alternatives and cost-benefit analysis.

Pipeline Sector Policies

1. Further promote use and development of pipeline infrastructure.
2. Increase use of PPPs and further involvement of the private sector for both domestic and international fluid and gas pipelines.
3. Review and strengthen operating and safety standards.

Water Transport Sector Policies

1. Study and review existing assessment documents to determine medium term potential of this mode to provide passenger (including tourist) and freight services.
2. Review and augment or establish safety and operating procedures and standards.
3. Review and augment existing hazard and disaster management capability as needed.

Urban Transport Policies

1. Increase productivity of urban transport system by increasing the use of large buses on priority lanes first and then consider investment in other mass transit systems, new or improved technology (e.g. ITS), behaviour modification and land use change approaches.
2. Master planning and operations planning is needed in all other major urban areas.
3. Realize that no single approach will satisfy the need to increase transport productivity in urban areas. A packaged approach across all potential interventions and tailored to local circumstances should be followed.
4. Major infrastructure and system investments are to be based on *ex ante* analysis using techniques such as opportunity cost, alternatives and cost-benefit analysis.
5. Urban transport fares should be indexed with fuel prices and variation of fares should be automatic in accordance with the agreed formula.

Rural Transport Policies

1. Actions to impose or construct new roads will be based on established indications such as minutes to walk to improved roadways on part of potential user groups.
2. Adopt creative financing practices through PPPs to enhance mobility and access efficiencies in the farm to market context of the rural economy.
3. Rural and interurban bus fares to be deregulated.

Logistics and Customs Policies

1. Create logistics service centers and promote use of PPPs.
2. Create automated one-stop system to enable single document door-to-door and terminal-to-terminal shipments.
3. Review and formally adopt international customs agreements to enhance cross-border freight transport.
4. Monitor and make improvements in supply chain efficiency.

Intermodal Transfer Policies

1. Create standards to guide provision of intended facilities and services needed to connect up the transport system across all modes in a fully integrated, coordinated and flexible way.

2. Create intermodal facilities and services at airports, railway stations, intercity bus terminals and ports.
3. Provide assistance and services for special persons and women as needed.

Legal Considerations and Related Policies

1. Remove legal constraints to international trade as appropriate in areas such as trade and transit agreements with full regard to meeting the criteria of equity, reciprocity, sustainability, security, mutual benefit-sharing and above all safeguarding our own national interest in the context of international/transit transport.
2. Review and improve requirements for 3rd party accident insurance on a no-fault basis and to improve legal procedures for assessing blame and restitution of damages in traffic accidents.
3. Liberalize regulations on freight and transport forwarding.

Next Steps and Way Forward

1. Preparation of a Draft Summary for the Cabinet and obtaining comments of all the concerned Ministries / Departments etc.
2. Approval by Cabinet
3. Implementation
 - a. Immediate implementation requiring administrative action only.
 - b. Phased implementation where major behaviour and procedural changes are needed.
 - c. Measures requiring Parliament action will require more lead time.
 - d. NTC Task Force has lead role
 - e. Vision 2030 is to serve as guide for intermediate term and beyond action or policy change.
4. NTP is an evolving document which will require continuous updating based on results of application of performance indicators and therefore requires a proper institutional arrangement.

PREFACE

The modern transport infrastructure of our country has evolved gradually by and large around the transport system inherited by it at the time of independence. Increased travel and freight demand have imposed new pressures on the existing transport system which need to be extended systematically in a prioritized manner with due emphasis on proper and timely completion of projects and maintenance of its assets. Creating institutional mechanisms to ensure proper coordination at all levels and implementing the highly capital intensive transport infrastructure projects in a cost-effective manner by tapping the potential of the private sector and other innovative modes of financing have become imperative. There is an amplified need to move from or adjust the individualistic oriented business culture in the country which slows down the formation of large conglomerates that could help underpin the export base of the country¹.

For accelerating development, considerable investment in the transport infrastructure and operations will be needed. To achieve this, framework is needed within which sound and durable strategies and plans will be formed so that investment is guided efficiently, effectively, equitably and urgently. That is the role of the National Transport Policy presented in this document.

It is important to recognize that our annual rate of GDP growth had been to the tune of 7 percent per year and that its global rank among the world's economies was 29th, up from 69th only a decade ago, indicating the take-off potential of our economy. It has a strong geo-political location in reference to India, Iran/Turkey, Afghanistan/Central Asia and China all of which are large potential markets for our exports. All of newly emergent economies of Asia and Latin America exhibit strong growth in exports, making this one of the best if not the single best indicator of development. The location of Pakistan on the Arabian Sea also offers a ready opportunity for it to serve as a link to the global economy for the countries of Central Asia. At the same time there are large marginally developed areas in our country that hold large and rich mineral deposits and with infrastructure provided to tie them to the national economy, new sources of economic growth can be created. With these growth trends and opportunities for development, there is a high demand for transport that will become even greater as development continues to unfold in our country. In the face of this future vision of opportunities and the existing insufficient transport infrastructure and operations, considerable increased investment in transport is needed. Addressing the gap between the current infrastructure system and its operational inadequacy is critical to ensure that efficient cross mode connectivity and integration is created to fulfill the needs of improved freight and passenger mobility, and accessibility within the country and to link it with external markets. In short, improved transport has a powerful catalytic role to play in the economic development of Pakistan. Recently Planning Commission completed a broad and deep participative futures exercise described in its *Vision 2030*. This Vision is erected on an assessment of our strengths and weaknesses and a frank examination of the opportunities and barriers to grasping them.

¹ This culture of individualism at the same time ensures a strong entrepreneurial base. As development unfolds agents throughout the country will need to become more entrepreneurial and creative if the country is to achieve its bold vision of the next 20 years (See *Vision 2030*, Planning Commission)

While it is not possible or appropriate to describe the Vision in detail here, some review is helpful to understand the commitment and views of the country's leadership to where the development path of our country needs to go and what will be needed to get there. Such a review is also helpful as a way to convey the growing energy and commitment to implementing its elements. More specifically, the vision provides critical input for the National Transport Policy (NTP) as it must be designed so that investments and procedures are put in place now to ensure that necessary levels of safe and secure freight, passenger and other road users, mobility and access are created to support the needs of the economy and society of the next generation. The population of our country is growing with an increasingly large youth component which when educated will create a powerful store of human capital. Processes and principles need to be put in place as immediately as possible to guide investment decisions across the various transport modes ensuring that necessary mobility and accessibility improvements are made. These are needed not only in major urban areas but along the core transport infrastructure located in the Indus river valley from the coast to the northern border but also to tie in the lesser developed parts of the country located on either side of the river corridor. In short, the current infrastructure needs to be augmented to ensure improved passenger mobility and freight flows up and down the corridor not only to serve internal needs but also to serve ports and to link up with infrastructure across neighboring borders in support of trade with due regard to equity issues and to utilize the revenue generation potential for ensuring sustainable transport operations, and finally to improve accessibility to the corridor from more underdeveloped areas.

The Introduction to follow denotes the importance of new developments in transport infrastructure and operations needed to achieve the goals of the *Vision 2030*. This is important because the Vision 2030 creates the rationale and motivation for the NTP. Following the linking together of the NTP and the goals of the Vision 2030 the elements of the NTP are presented.

1 INTRODUCTION

The need for a National Transport Policy (NTP) arises from a growing population and a need to develop the economy so that sufficient jobs, earnings and wealth are created to support it. The population of Pakistan will grow from its current level of about 160 million, making it the 7th largest country in the world to 230 - 250 million by 2030. To accommodate this much larger population with a higher standard of economic existence and life quality, and to enable it to participate competitively in the global economy of the 21st century will require large increases in export trade, productivity, quality of human capital and economic growth. These goals are in reach but only if significant changes needed to close gaps between demand and supply for energy, consumption goods, education, industrial capacity, health and welfare services, agricultural production (plants and livestock), coal, minerals, oil, natural gas extraction, urbanization, social and political development, and transportation including freight and passenger mobility, interconnectivity or accessibility (rural, urban, trade, markets, processing zones) are achieved. This, coupled with the belief that the transport sector must play a critical and catalytic role in development, underpins a vision that has necessitated the formulation of the NTP. The NTP provides the principles and frameworks needed to help ensure that gap closing developments in the transport sector occur and do so in an efficient, urgent, fair, non-duplicative and coordinated way.

1.1 SEVEN DIMENSIONS UNDERLYING DEVELOPMENT AND TRANSPORT POLICY

Significant investment and institutional change are required in the provision of transport infrastructure and operational improvements that begin immediately and persist for the foreseeable future in order to close most of the above mentioned gaps and to facilitate the achievement of our economic and social development goals. There are seven broad themes that are important for policies that are formulated to facilitate achievement of our development goals over the coming generation: efficiency; equity and poverty alleviation, safety and security, urban development, opportunity achievement, institutional infrastructure and enforcement. The relevance and importance of each of these as they relate to the goals of the NTP are discussed below to first illustrate the critical importance of needed changes in the transport sector and second to illustrate how filling infrastructure and operational quality gaps, and addressing problems in the transport sector are aligned with the *Vision 2030*.

1.1.1 Efficiency

Considerable improvement in efficiency throughout the transport sector is needed to facilitate rapid increases in trade, productivity and economic growth, and to help enhance the supply of energy, consumption goods, education, industrial capacity, health and welfare services, agricultural production (crops and livestock), coal, minerals, oil, natural gas extraction, urbanization, social and political development, and to reduce transaction costs and transform outmoded systems. The persistence of efficiency barriers and their effects have delayed modernization and appropriate development of the transport system and have created bottlenecks to the modernization of air, rail, water, ports and logistics systems.

1.1.2 Equity and Poverty Alleviation

Equity and poverty alleviation are high profile goals for development because there are significant and persistent poverty concentrations in both the rural and urban areas. Reducing poverty is an imperative for dampening social pressures, improving the quality of life and increasing life expectancy of those living on the margin; improving transport infrastructure and

operations are two of the best ways to improve distributional equity. In rural areas improved roads increase accessibility enabling farmers to move agricultural products in a more timely way from farm to market and at the same time improve incomes and life quality. Further, improved farm to market roads have the secondary effect of providing access to knowledge, education and information.

In urban areas lower income and poorer residents spend large amounts of time and resources getting from home to employment, shopping or other sites and back each day. Improvements in traffic flow and mobility in urban areas will help provide better access to opportunities and employment centers. However, for these improvements to occur, incentives to involve the private sector through public private partnerships, for example, are needed to help make additional capital available. Further, a flow of resources from the federal to provincial and local levels as one way to provide stronger incentives, would also contribute to improved infrastructure and maintenance of existing infrastructure at the levels where the transport system and its related services are managed.

1.1.3 Safety and Security

Multiple threats impact the safety of our citizens leading to reduced life expectancy and life quality. Negative environmental and health impacts are caused by growing consumption of energy resources, especially in the transport sector (a major polluter through vehicle emissions), impact long term health, increased engine efficiency, use of cleaner fuels and substitutes to the personal automobile. Attention to these safety and related topics are needed to improve mobility while at the same time reducing environmental pollution externalities and spillovers. Road accidents especially those maiming or killing pedestrians on roads or road rights-of-way are also a serious threat. Such impacts are at high levels². Improvement in road design, vehicle operation, training, education and enforcement of traffic rules are needed at much higher levels³.

1.1.4 Urban Development

Transport sector improvements will play a catalytic role in the improvement of urban conditions and development. Our urban population is expected to increase from 30% to become the home of about 60% of the population over the next generation. Whereas some 40-50 million people live in the cities today, about 140 million will be urban dwellers in 2030. For efficiency improvement, poverty alleviation and safety goals to be achieved, transport infrastructure and related mobility improvements will be needed to reduce a strong tendency toward population overloading⁴. This means that improvements in, for example, the form of restructured or new by-passes, urban mass transport systems, outer ring transportation loops on road and rail networks will be needed. At the same time designing and building smaller cities and creating new ones including specialized urban places such as science and technology or university centric agglomerations will be necessary. Transport infrastructure, finance and operations will be integral to being able to meet the demands of looming urban growth and development.

1.1.5 Opportunity Achievement

A fifth dimension involves the recognition of and a plan for grasping several major opportunities outlined in the Vision 2030. One of these is our strategic geo-political and

² See *Trucking Policy (2007)*, Ministry of Industries, Production & Special Initiatives, Government of Pakistan, p. 10.

³ See *Trucking Policy (2007)*, Ministry of Industries, Production & Special Incentives, Government of Pakistan, pp.8-11

⁴ The Karachi metropolitan region, one of the world's mega cities, has more than 15 million residents.

economic location with respect to large parts of Central Asia as Pakistan offers the most direct route for these regions to the sea⁵. However, Pakistan handles only about 5% of the trade going to and from Central Asia. Various development and transport related actions are needed to increase our share. Ports, rail, airport and airlines, water and pipeline infrastructure needs to be expanded and/or created anew to better support these trade links. At the same time a wide variety of institutional adjustments to enhance efficiency of cross border logistics, customs processing, tariff restructuring and cross country agreements (bi-lateral, tri-lateral and multi-lateral such as extending ECO agreements and completing other similar agreements) are needed and at levels with greater efficiency than neighboring competitors thereby ensuring that our country offers greater value added. Thus, once again, exploiting this opportunity will depend heavily on transport infrastructure development and related institutional changes needed to enhance efficiency of cross border flows and trade to a level that is competitive with those offered by nearby regions including our largest neighbors - China, India and Iran. Infrastructure, management and institutional changes are needed to accelerate the grasp of these opportunities as well as strengthened and creative diplomatic effort. All of this, of course, to be achieved with due regard to equity and fairness, the utilization of the revenue generation potential for ensuring sustainable transport operations in Pakistan, and to improve accessibility to the Indus Valley corridor from the more underdeveloped areas.

International opportunities are not limited to trade with other countries as undeveloped or underdeveloped opportunities lie also within our own borders. The historical development of Pakistan has created a population and economic backbone along the Indus River called the National Trade Corridor (NTC). This is an important resource because population is concentrated in the cities along the Corridor holding potential for an increased concentration of transport infrastructure and economic activity with significant economies of scale and scope, diverse labor pools, high levels of knowledge spillovers, and increasing returns to economic activity (see, Krugman, 2007 and Fujita, 2007 on the new economic geography)⁶.

The concentration of our economic engine in the Indus valley is a major economic asset, this fact masks opportunities for development in other parts of the country. Regions located off the corridor backbone are underdeveloped and offer waiting economic opportunities. Such areas have poor to non-existent road systems and little else in the way of transport infrastructure to make them accessible for development and therefore focal points of investment. Developing these areas is an extreme challenge due to their sparse populations spread over very large area. With improved infrastructure, the mineral deposits of these areas will become competitive sources of raw materials in an era where globalization is driving their value and prices, progressively higher. To exploit these opportunities will require new and improved bulk and non-bulk transport infrastructure

⁵ Central Asia is land locked and depends on port and transport links in Pakistan, and Turkey and Iran - the immediate Competitors to Pakistan for linking of this large region to the global economy.

⁶ Krugman and Fujita are early proponents of the new economic geography which argues that urban places once they surpass threshold levels of agglomeration (or concentration) of people and economic activity tend to achieve positive reinforcing continuous circular causality on several dimensions including agglomeration of consumer goods and producers and workers; of final goods producers (exporting firms) and producer services and ultimately of innovative activity and knowledge workers. This then is envisioned as a set of self reinforcing processes that produce increasing returns to labor, capital and knowledge inputs to economic activity.

and services (rail and possibly water) linking deposit sites to the backbone of the NTC, supporting new urban development and linking our ports to various processing centers.

1.1.6 Institutional Infrastructure

The sixth dimension of the Vision 2030 relates to the rules or institutions that have governed the development process in the past. Today obtaining a significant level of positive synergistic effects from cooperative interaction across the different transport modes is not possible. A major part of the problem is that the government transport sector is organized around quasi if not totally silo modal agencies at the federal level i.e. Ministry of Railways, Ministry of Ports and Shipping, Ministry of Communications (National Highways and International Road Transport); and the Ministry of Defense (airport and aviation management and oversight). With this fragmented and isolated organizational structure it is difficult to obtain benefits from intermodal learning, cooperation, co-production of facilities and collaboration. Under the existing organizational arrangement there is no effective forum for interaction, cooperation and collaboration. Consequently, to the extent there is collaboration and production of synergistic benefits they occur on an *ad hoc* basis that limits the scope and scale of what could be achieved. Further, coordination between the different levels of government (federal, provincial and district/local) is limited. A policy framework is needed to steer inter-governmental (federal, provincial and district/local) cross agency learning, cooperation and coordination.

For the full benefits to be reaped of such an interaction promoting framework, it will be important to streamline the financing of the transport infrastructure and operations complex in order to ensure that funding is proportional to needs at all levels of responsibility. Consequently, a mechanism is needed to ensure that there is sharing of information, joint planning and implementation occurring across the various transport modes and up and down the federal-provincial-district-local hierarchy.

The NTP calls for the use of the National Trade Corridor Task Force (NTC Task Force) of the Planning Commission to serve as the policy development, planning and monitoring lead. Coordination of implementation and operations is to be supplemented at that level through the Ministry of Communications (MOC) Transport Advisory Council.

The infrastructure financial gap that must be closed to reach the next level of economic growth and development over the coming generation is another institutional situation that needs consideration. With the current infrastructure intensive model, it will not be possible to close the gap in funding as the Government will only be able to finance a third of the infrastructure investment needed. There is an urgent need to find ways to use the funding it has, to lever large amounts of capital from other sources using such techniques as privatization, public private partnerships (PPPs), Build Own Transfer (BOT), Build Own Operate (BOO), etc and increased loans. However, these techniques have been experimented in a very marginal way. Restructuring formal and informal rules and regulations concerning the finance of infrastructure and related services and to make more room for the private sector deserves top priority. This of course means that the Government must develop the skill and personnel comprising technical, financial and

legal experts capable of providing oversight that ensures accountability when a private agent is responsible⁷.

1.1.7 Enforcement

The seventh and final dimension is enforcement of the rules, regulations, laws and standards regime that defines the legal framework within which the transport system operates across all modes and related agencies. Enforcement is a major factor to ensure that transport assets and operations are used in an efficient and safe manner and thus in a way that optimizes the life of the infrastructure and its users. Along with strict enforcement, which is called for in the NTP, arrangements to update the regulatory or legal framework on a continuing basis are specified.

1.2 STRUCTURE OF THE NATIONAL TRANSPORT POLICY DOCUMENT

This Introduction has highlighted some of the elements of the Vision and the problems that need to be addressed in order for the transport sector to achieve a level of modernization required to propel our country to higher economic performance and life quality outcomes. For sure, moving meaningfully toward the visioned outcomes will require stepping away from an approach that sees the Government assuming total or near total responsibility for transport infrastructure development, maintenance and operations by making more room for the private sector to help. But the path is not one that will require trailblazing across a virgin and uncertain landscape. Rather, many techniques have been created and mostly perfected through application in other developing and emerging economic systems as well as in developed ones.

The policies and principles that will enable us to evolve transport sector in a way that enables achievement of the Vision 2030 goals are both the reason for and the focus of this statement of its National Transport Policy (NTP). The following presentation provides the background, statement of objectives, problems and principles upon which the NTP is erected.

It is important to observe that this NTP document lays out sets of policies that are needed after extensive and exhaustive consultation with the involved agencies and after reviewing considerable documentation about the transport situation in Pakistan (as described above). While the process of drafting the NTP has been underway various

⁷ The following discussion further articulates the argument that the Government needs to find ways for the private sector to be more involved in the delivery of transport infrastructure and operations. Generating the capital to make the investments needed to improve the transport infrastructure and operation and to open up stronger trade linkages with neighboring countries and to accelerate the development of our underdeveloped regions may be the most critical problem that is faced in revamping and extending the transport system in Pakistan. To illustrate, at the best it is estimated that the Government and with the help of donor agencies can only generate about one-third of the capital needed for the infrastructure required to achieve improvements needed to support the achievement of the 2030 Vision. Where will the other two-thirds come from? It can only come from what some call creative financing at the interface of the private sector (privatization, public private partnerships, and loans) although in some cases charging practices could be improved to provide some of the yield resulting from increased revenues. But to better use these sources, there is a need to proactively pursue their use and in so doing learn how to exploit them to the maximum. To date our experience with these sources has been modest at best. Nevertheless, it must not only increase significantly its use of such tools but at the same time quickly become a model user of them. The reason utilization of approaches such as public private partnerships (PPP) is so important is that it will enable the Government to lever its available resources into a much larger investment and possibly all of that which is needed instead of just one-third. This can only occur by finding willing partners to help produce the finance needed for road, rail, port, water, and airport and logistics infrastructure with of course the provision that better charging practices could contribute also. The role of the Government in this will be to finance risk reducing infrastructure elements that make transport infrastructure investment or sharing in it attractive to private investors. The principle is to maximize the use and productivity of Government resources for the welfare of the people.

agencies have already taken steps that are consonant with the NTP. Thus it should not be a surprise that some areas of policy that were problematic a few years ago and that motivated various policy statements in the NTP have in part already been dealt with by changes at the modal agency level. Further, the effort to produce the NTP has wrestled with the question of where to place the boundary between policy and strategy planning. This is not easy because the demarcation between policy and strategy plan elements is always a bit fuzzy. It should thus be understood that there will be some questions and concern voiced by stakeholders and modal agency representatives in the transport system that see some strategy issues not addressed in the NTP as being policy issues (or even in some cases implementation issues). These planning and implementation issues are issues that will be addressed as follow on work at the level of planning and implementation and thus have not been dealt with in a definitive way in the NTP.

The NTP is organized in several parts. First, the background, methodologies, principles and approaches that guided NTP development are summarized. Transport policy objectives, key issues and the principles guiding policy development are then presented. Institutional support issues are then examined and specific recommendations made. The remainder details the transport policies, first by modal topic (road infrastructure, road services, railway sector, ports and shipping, airport and civil aviation sector, pipeline transportation, water transport on rivers and canals). The remaining primary part of the policy statement is focused on special or supporting functions and includes such topics as transport logistics and customs, urban transport, intermodal transfer and legal issues. The final part presents a short description of the next steps or the way ahead.

2 PART 1: BACKGROUND

2.1 Approach, Assumptions and Conclusions

The approach adopted in the formulation of the National Transport Policy is problems and issues-oriented, and “bottom up”. Specific transport issues have been studied mode-by-mode in Pakistan, and an overall, integrated set of policies has been prepared on the basis of the results of these investigations. The policies have been developed according to underlying principles, mainly economics and development based, and presented within the context of financial and management, poverty alleviation, safety, environmental and energy conservation objectives.

The full exercise has been guided by the following assumptions and conclusions. First the broad goal of transport is to smooth and ensure efficient interaction in terms of mobility and accessibility for personal travel and freight that allows society and the economy to assume their preferred form. Second, to play this role, policies in the transport sector must be outward looking, shaped by the needs of society in general, users or customers of transport, and the economy that transport must support. Transport can also play a leadership role, for example in acting as a catalyst for development or in correcting spatial distortions. It follows from these assumptions that the priorities in providing and using the transport system should be consistent with those that have been set for the country as a whole. These priorities are summed up in the elements of the Medium Term Development Framework 2005-2010 (MDTF), namely meeting the basic needs, growing the economy, developing human resources, and democratizing the state and society.

2.2 Methodologies

The methodologies used include (i) review of an extensive range and diversity of documentation relating to the transport sector in Pakistan, including sub-sector policies developed through the National Trade Corridor (NTC) initiative, the Transport Plan Study by Japan International Cooperation Agency (JICA) (March 2006); (ii) carrying out new and additional research and analysis; (iii) coordinating with lead transport sector decision makers in consultative meetings (Ministry of Communications, Ministry of Railways, Ministry of Ports and Shipping and Aviation Division in the Ministry of Defense), together with decision makers in other industrial sectors (e.g., Ministry of Finance, Ministry of Local Government and Rural Development, Ministry of Industries, Ministry of Defence, Planning Commission), representatives of Provincial Governments and consultants and development agency staff members involved in relevant studies and projects; (iv) preparing of discussion papers for distribution to interested stakeholders; and (v) organization of workshops used to present findings, stimulate debate and feedback from participants.

2.3 Vision 2030

The policy is also aligned with the principles of the Vision 2030 and the MTDF, as exemplified in the National Trade Corridor (NTC) initiative through which the Government seeks to meet its objectives of sustainable economic growth and increasing our competitiveness to secure a growing share of regional and global markets. In this context the NTC stretching from Karachi and other coastal locations in the Indus delta region up the Indus River valley to Lahore, Rawalpindi, Islamabad and Peshawar to the northern border is the transportation backbone upon which our present and future economic development has been erected. Development initiatives within the country are, on the one hand, envisioned to hang on the core transport infrastructure of the Corridor and on its ribs or wings to the more underdeveloped parts of the country, and, on the other, to extend across our borders in order to expand new and broadened trade opportunities and markets in other neighboring nations and beyond.

2.4 NTP: An Evolving Document

Like all policies, the NTP is an evolving document that will be continuously reviewed and updated based on learning from policy implementation and practice in response to emerging challenges. Therefore, by definition, it will never be a final and complete document. At the same time a start must be made and policy formalized to ensure that through the process of learning, feed-back and accountability the NTP document is updated on a regular basis.

3 PART 2: TRANSPORT POLICY OBJECTIVES

3.1 Broad vision of the national transport policy:

Provide a safe, reliable, effective, efficient, affordable, accessible, equitable, sustainable and fully integrated transport system that will best meet the needs of freight and passenger access and mobility requirements and will be aimed at improving levels of service and cost effectiveness in a fashion that supports the

Government's goal of increasing public welfare through economic growth, social improvement, poverty alleviation and infrastructure development while being environmentally and economically sustainable and energy efficient.

3.2 Role of Policy Framework

Formulation of a policy framework comes first in a sector approach to project cycle management, i.e. before the development of strategies or plans (to implement the policies) are formed, coordinated infrastructure improvement and development programs are undertaken, and projects that conform to the overall policies are executed. This approach helps avoid acting on misplaced or conflicting priorities, duplication of scarce Government resources, and inconsistent projects. The intention is to provide a policy framework and design, and guidelines so that future developments in the Pakistan transport sector will be consistent, complementary, systematic, and economically viable. While the formulation of a long-term vision and policy for transport development is a useful exercise, the vision held for the NTP will be realistic and flexible, taking on broad known constraints, mainly financial, and with each step towards the end-state vision rigorously justified. Comprehensive data collection and analysis, indigenous and invigorated R&D efforts to inform decision making at each major stage or junction is also essential and thus is a part of the vision.

3.3 Goals of the NTP

In order to better understand and progress toward the vision presented above, the broad goals of the NTP are:

- **To support the goals of reconstruction, modernization and development program of MTFD 2005-10 and beyond for meeting basic needs, growing the economy, improving efficiencies, developing human resources, and facilitation of decision making.**
- **To enable customers requiring transport for people or goods to access the transport system in ways that best satisfy their chosen criteria and meets their needs.**
- **To improve our competitiveness and that of transport infrastructure and operations through greater effectiveness and efficiency, and to better meet the needs of different customer groups, both locally and globally.**
- **To invest in infrastructure and transport systems in cost effective ways that satisfy social, economic or strategic investment criteria and satisfy the Government's broad development objectives.**
- **To achieve the above objectives in a manner that is economical, environmentally sustainable, energy efficient and minimizes negative externalities i.e. side effects.**

3.4 Policy Development a Continuous Process

Policy development is a continuous process and this NTP statement represents only the first step. Government transport agencies and effective coordination will ensure that these

policies evolve and are modified over time, addressing issues and problems as they arise with feedback effects on the NTP as learning occurs.

4 PART 3: KEY ISSUES

The most important issues and problems facing the transport sector today are presented and briefly discussed below.

4.1 Unified Transport Policy Framework

There is a lack of Intermodal co-ordination, co-operation and sharing of information for encouraging development and improvement in both infrastructure provision and operations to optimize customer service, reduce duplication, reduce destructive competition, minimize total costs, and maximize social and economic return on investment. While in the past there were preferred roles for the various transport modes, often in a hierarchical framework, the benefits to be gained by the use of the most appropriate mode, or of multiple modes with effective interchanges and coordination between them had not been established. Attempts to promote intermodalism and level playing fields and to eliminate the constraints or disincentives resulted in inefficiencies, including the use of inappropriate and ineffective modes. Consequently, no single focused key driver or policy leading to reduced costs of transport and enhanced capacity utilization has been introduced.

4.2 Institutional Arrangement

There has been little coordination across the modes and among transport agencies, or up and down the intergovernmental system. The result has been inconsistent and misplaced policies, priorities, investments and prevention of the development of a cohesive policy framework and statement.

4.3 Broad Focus and Diversified Implementation through several agencies

A strong, focused, professional Ministry charged with playing a leading role in coordinating the implementation of transport policy, its review and subsequent development for all modes and their integral participation, and also for developing and implementing strategic plans including coordination and cooperation among the transport modes and land-use planning can lead to considerable transport system productivity gain. Appropriate service delivery mechanisms for the provision of infrastructure and operations was carried out in the past in a highly decentralized and independent way through the various transport agencies with varying levels of government participation. Assurance of modal, spatial, institutional and planning integration and coordination is critical for implementing the transport policy successfully.

4.4 Financing and Sustainable Maintenance

Inadequate and inappropriate institutional capacity and maintenance have led to infrastructure assets especially roads and highways, and rail that are in poor condition. Further, there is an imbalance in resource allocation between regular infrastructure maintenance and new investments. The funding policy for provincial and district roads, and national highways requires a sound rationale. Also balance in the financing of

various modes needs attention to bring it into alignment with the policy objectives set forth in this document.

4.5 Road Transport

There has been overwhelming reliance on roads and highways in meeting transport demand with roads handling nearly 95 percent of all passenger and freight demand. While road freight rates in Pakistan are among the lowest in the world, the trucking industry in general is unorganized and is the source of high cost externalities (i.e. overloading, pollution, road accidents, reliability and logistics uncertainty) which weigh negatively on the economy. The existing capacity constrained, inefficient and cost ineffective (on a total cost basis that includes real indirect costs to the economy, i.e., cost of externalities created) vehicle fleet will not likely be able to meet future challenges and demands. Enhanced operational speed, safety, security, environment protection and human resource development are important related issues that need attention.

4.6 Rail Transport

Pakistan Railways is in a poor shape. It has for a long time been suffering from rail track- age that is continuously in need of repair and maintenance, operational deficits, declining traffic (especially freight), low level and quality of services, very old infrastructure, inefficient rolling stock and outdated supporting infrastructure and human resources. Despite new developments and improvements, little progress to address this problem has been made. It is important to recognize that rail freight services have not operated on a commercial basis. Many non-viable branch lines, non-operational activities and services are being provided on the basis of social requirements and not guided by economic or commercial objectives. This has led to large scale Government subsidies to railways in the past. Finally, international negotiations and coordination for cross border service needs to be accelerated⁸.

4.7 Urban Transport

There is considerable growth taking place in all cities and urban regions and extraordinary growth of population throughout the country. The urban transportation demand exceeds by manifolds the available infrastructure facilities. Organized urban transportation systems do not exist and all urban regions are grossly lacking public transport facilities. For example, there are very few large buses or other mass transit systems or services. The insufficient facilities, infrastructure, rolling stock and inadequate traffic management systems have been well recognized. Generally there are weakened, non-enforced or in fact no master-plans stating the priorities and to the extent these do exist, they are mostly outdated or have not been properly adopted for implementation.

⁸ Railways in developing countries are inflexible, badly managed, expensive, and often prone to mass corruption. In most of these regards Pakistan is no exception. The other big problem is a lack of external rail links: Pakistan has active rail links only with the Indian railway network that operates the same gauges as Pakistan. The rail link with Iran has been suspended since March 2006 because of a missing link between Bam and Zahedan. There is no railway link to Afghanistan because that country has no railway network. There is no link with China, but in February, 2007 contracts were awarded for feasibility studies on a proposed line from Havelian via the Khunjerab pass at 4730m above sea level, to the Chinese railhead at Kashgar, a distance of about 750 km. Another proposed line would link Gwadar with Dalbadin, Taftan and the Central Asian states. International coordination needs to be accelerated.

4.8 Ports

There is evidence of high charges relative to revenue, abnormal levels of profit and inconsistent investment decisions resulting from high traffic growth estimates, absence of real competition and a lack of development coordination among the ports. No comprehensive and integrated port master plan exists thus port specialization and capacity constraints continue to be problems. Efficient port operations are particularly hampered due to incomplete or inefficient road and highway infrastructure linking them to the rest of the country. Further, intermodal truck or train services for interfacing ports with the land transport system are not generally available to support port operations.

4.9 Shipping

Deep sea shipping in Pakistan has exhibited some monopolistic tendencies. The operations have been managed on a non-commercial basis in the past. There is a requirement for enhancing shipping operations and organizing the shipping industry as a competitive and cost effective transport mode. A Master plan for the entire shipping industry is required. The port and shipping institutions have some problems but they are minor compared to that of getting cargo through the ports and onto land logistics infrastructure.

4.10 Aviation

Regulatory and operational functions have been executed by the same public management organization in the past and despite significant planned and to some extent implemented changes, this remains a potential problem. Traffic growth has been sluggish in recent years, coupled with a decreasing level of operations on the part of international carriers (resulting in reduced competition). Further, revenue losses on services maintained to numerous small domestic airports has led to substantial Government subsidies. The emphasis has been on passenger traffic with limited attention to the development of freight and other related transport services.

4.11 Waterways

Water transport in the few limited feasible areas where it is possible is being managed by small scale private enterprise mostly for crossing the major rivers and short hauls. There are no recent comprehensive studies or policies for exploring the possibility of water transportation in the feasible stretches of the large rivers although various studies were conducted in the late 1980s and early 1990s. These studies in general concluded that development of additional water transport with the exception of a few stretches were not justifiable due to lack of water in the dry months of the year, barriers such as low bridges, barrages and dams and high infrastructure development and maintenance costs needed to make them navigable.

4.12 Pipeline Transportation

There are no standard policies for the transportation of fluids such as oil and gas which are generally being managed on an *ad hoc* basis. The future role of this form of transport is important and significant. Minimum operational standards, safety procedures, security

and emergency treatment rules and regulations along with other technical standards are required and thus need to be developed.

4.13 Financial Constraints

There is a large infrastructure financing gap between what can be provided to create the infrastructure needed to achieve the *Vision 2030 and what is required*. If this void is not filled realization of the Vision 2030 may not materialize in the stipulated time frame⁹.

5 PART 4: PRIMARY POLICY PRINCIPLES

The basic principles underpinning the national transport policy are presented and described below.

5.1 Evolve, Establish and Nurture a Unified Coordinating Organization and Structures under it

A coordinating organization with appropriate structures is needed to plan, establish and implement a process to co-ordinate formulation of policy, goals and objectives, develop strategies, undertake comprehensive planning, harmonize the approach, integrate across all modes of transport to meet identified needs and potential transportation requirements. Such an organization is required to ensure that needed transport infrastructure is or will be established and properly functioning in order to respond to the current and the projected demand for transportation within and outside the country. Further, the organization would review and formulate policies, principles, the legal framework, rules, regulations, and develop a plan that would establish priorities and formulate guidelines all in support of leading the Government in establishing the necessary infrastructure and associated services to perform the coordination function and to strengthen implementation capabilities.

The coordinating organization will conduct systematic consultations with stakeholders for planning, design and operation of new infrastructure, and maintenance of existing assets; and, it will recommend and establish institutional arrangements with the approval of the government, so that there is efficient coordination across transport modes and agencies.

5.2 Develop and maintain the transport infrastructure system, and prioritize development of various transport modes in terms of needs and standards

A more sustainable systematic approach for the provision of transport infrastructure and associated facilities is required to ensure that shifting from accommodative, supply-focused transport approaches to a more balanced approach based on pro-active land use and transport demand management as part of the transport policy package is affected. A strategy for immediate, short and long term integrated planning consistent with the transport needs of the country should also be developed.

⁹ Of course infrastructure charges would ration what is available to those who generate most of the economic growth and provide funds for maintenance but while this could also be a source of financing via the taxes, fees and tolls charged it would likely not offset the need for significant private sector participation.

5.3 Establish and maintain minimum operating and service standards for the transport modes

Standards need to be developed that ensure that the existing transport infrastructure is managed and maintained to a minimum desired level of service (i.e. for roads measured through road condition, international roughness index [IRI] or other indicators) to meet public service obligations of the Government for our citizens and meeting the understandings and agreements reached with other countries. Imposition of non-viable services and their financing through heavy subsidies from the Government or through inefficient cross-subsidies from other profitable services need to be discontinued and mechanisms for transparent financing of non-viable services required to

Satisfy public service obligations must be developed. Public sector transport providers need to concentrate on their core business activities and to improve efficiency through the adoption of more pragmatic processes. A comprehensive planning mechanism for ensuring balanced allocation of funds for maintenance and investment across modes and among agencies is needed to achieve the desired level-of-service and to attain economic objectives within the Government's agreed macro-economic framework.

5.4 Foster a realistic, practicable, cost effective and sound financing base for transportation infrastructure

New infrastructure investments by means of economic, financial, engineering, environmental, social and land acquisition/resettlement evaluations need to be justified using appropriate tools and methods, such as reliable traffic forecasts, accepted monitoring and evaluation practices and sound base data, and data bases.

Subject to market discipline and applicability, the necessary funding for the establishment, development and maintenance of transport infrastructure could be arranged through appropriate financing modes with of course consideration of public private partnerships as possible ways to amplify the funds available for a project(s).

Depending upon the various types of transport modes, their infrastructure, their suitability and economic viability for cost recovery through user charges and/or direct recovery of investments by the private sector, clear and well-defined guidelines will be made in the cases of:

- Infrastructure for social access, requiring government funding or "subsidies"
- Infrastructure suitable for indirect user charging, e.g. fuel levies, license fees, tax on fares
- Infrastructure suitable for private sector investment, e.g. toll roads

Any proposal for funding social service obligations or subsidies required for the provision of any loss-generating services in the transport sector shall come from the concerned agencies, which the respective Government ministry shall consider only after evaluating the economic opportunity costs of making such a political decision.

5.5 Promote a well coordinated, empowered, diverse, efficient and competitive transport industry

Government policy for promoting equal competitive opportunities among the transportation modes and encouraging co-operation among modes to enable each mode to realize its inherent advantages should be encouraged.

Promote a positive view toward competition and coordination, within different modes and among private sector providers depending on market characteristics, conditions and perceived advantages.

Diversity and keen intermodal competition are essential for an effective transportation system. The policy framework will ensure the strategic value of state ownership of the various types of infrastructure and will re-assess the Government's roles of service provider and regulator.

5.6 Improve the quality of life of all citizens through provision of highly efficient and cost effective transport facilities

To improve quality of life, the mobility needs of the various population segments (including remote and inaccessible settlements) will be integrated into infrastructure planning and development. Arrangements for women and special people (e.g., the disabled) in urban areas and in public transport interchange facilities will be ensured.

Safety standards for operations for all transport modes are to be enforced, promoted and supported with mass public awareness and education programs.

Provision of safe and adequate lay-by and overnight facilities for long-distance drivers and commuters on primary roads will be promoted.

Measurable performance indicators will be developed and adapted as necessary for different types of infrastructure and levels of service to determine the extent to which "quality of life" issues are being met through the provision of transport infrastructure. Inventories of requirements and related indicators will be compiled to enable progress to be monitored on a regular basis.

Clear guidelines of acceptable, equitable and efficient public involvement processes will be established to help ensure that a balanced and true representation of the various stakeholders has been made at all stages of policy implementation. When such guidelines are followed, the total cost of transport for each transport mode becomes more visible to the end-user thus helping to enable economically, financially, environmentally, managerially and socially informed decisions¹⁰.

5.7 Promote best practices, environmental protection, legal framework, resource generation and conservation

One purpose of this requirement is to ensure the development of an enabling and encouraging environment, and legal structure for private sector participation in the transport sector so that provision of reliable quality, cost effective, and efficient

¹⁰ Discontinue non-viable services or its financing through inefficient cross-subsidies from other profitable services

operations can be achieved as the end-objective, preceded by withdrawal of privileges and subsidies to state produced services to create dynamic markets for private sector competitors.

Planning for the provision of infrastructure will take place within a modally integrated context, and will include attention to, *inter alia*, the performance of environmental impact assessments (EIAs) and conservation, population resettlement, energy conservation, transport of hazardous materials, and the conservation of scarce infrastructure construction materials. Planning will include provision of institutional capacity to help ensure these actions are implemented. Safety provisions in all modes and processes of transport will be given priority status. Pricing and investment decisions of public sector monopolies, duopolies and oligopolies will be justified (economically, financially, and consistent with the transport sector's policy objectives) and carefully monitored to ensure efficient and fair investment and operations decisions occur. Institutional capacity for implementing this will need to be developed. Under the NTP proposed concept for policy development the NTC Task Force would be responsible for initiating necessary proposals and policies needed to enable the required monitoring and oversight. Good governance in the transport sector is expected to evolve by making it more accountable and responsible with respect to financial, procurement, social, environmental and energy conservation efforts.

5.8 Develop a high skilled human resource base for ensuring the provision of efficient transport services and management of transportation infrastructure

Comprehensive human resource development and promotion of technical skills will be a priority of transportation infrastructure planning, programming and operations. Training/education and skill development needs for infrastructure provision, maintenance and operations in transport sector will be identified, quantified and matched where applicable with skills provision (e.g. technical, managerial and business) through vehicles such as centers of development, universities, science and technology industry development parks and technikons such as the science cities of Tsukuba (Japan) and Taejeon (Korea), technology transfer centers, and formal construction contracts. The establishment of small, medium, and micro enterprises through, for example, Small and Medium Enterprise Development Authority (SMEDA) addressing infrastructure provision and maintenance will be encouraged to help stimulate the rapid development of human resources and for the production of qualified, experienced and able technical, managerial and business personnel. Human resource capacity required for the implementation of transport sector policy (including needed and appropriate regulations and guidelines) and for proper transport sector management and development will be created. Establish a feedback, analysis and mentoring framework for further development and improvement of goals, policies, strategies and objectives based on the time period and prevailing circumstances or emerging needs of the transport sector.

6 PART 5: INSTITUTIONAL SUPPORT

Objectives: Enhancing efficiency through better coordination and cooperation among and within modes; and, among federal, provincial and district/local levels of Government, and private entrepreneurs.

As in all countries moving up the development ladder, there is a need to coordinate and integrate transport policy development, planning, implementation, operations, and monitoring across various transport modes including rail, air, roads, water, pipelines, ports and shipping, and transport safety on the one hand and to manage conflict of interest problems, e.g., separating regulatory and operational functions, on the other. Further, there is a need to monitor policy implementation to ensure that it is integral to policy intent and design. To achieve this, countries have created various institutional structures. For example, in many developed countries institutional evolution has led to the creation of a transport ministry that among other things provides a broad framework incorporating the various modes as sub-directories along with other more specific functions such as research and development, safety standards, and regulation. Best practice suggests that Pakistan needs to form a Transport Ministry or a similar institutional capability for steering transport policy, planning, implementation, operations and monitoring in an integrated and coordinated way. This capability is also needed to provide the institutional framework for steering the implementation of the NTP and related coordination and integration of policy across the operational units¹¹.

However, responsibility for transport is highly decentralized in Pakistan and consolidating and merging these into a single entity would encounter considerable transaction costs that would likely delay both the final development of a NTP and its implementation indefinitely. As a consequence, an alternative is recommended at this time. The Prime Minister's National Trade Corridor (NTC) Task Force is to be tasked with coordinated and integrated transport policy development, planning and monitoring, and the implementation and maintenance of the NTP in these respects. The following institutional recommendation is aimed at ensuring that transport policy, planning and implementation functions are accomplished in a coordinated and integrated way in Pakistan.

The NTC Task Force is managed by the Planning Commission. The National Transport Research Center (NTRC) of the Ministry of Communications has been providing technical assistance, research and staff support. This combination provides two important capabilities. First, under the NTC Task Force, transport and development related committees, each headed by a Secretary of the concerned Ministry and the Chairman of the Federal Board of Revenue are represented meaning that inter-ministerial (including the various transport modes) coordination can be discussed and accomplished as the relevant actors are represented. The NTC Task Force includes Ministries of all concerned agencies (Finance, Defense (Aviation), Commerce, Communications (roads), Ports and Shipping, Local Government and Rural Development, Railways) and the Deputy Chairman of the Planning Commission. Second, utilization of the NTRC as the staff support and research arm of the NTC ensures that research supported transport knowledge is provided to inform the Task Force members in their policy and strategy deliberations. In this role it is important that the NTRC be added to the NTC Task Force. Finally, within the NTC Task Force, the concerned departments are charged with setting up Councils in all the provinces along the same lines as the NTC Task Force at the federal level to enhance two-way vertical coordination and communication in the same

¹¹ Most countries such as for example Japan, Great Britain, France, Germany, Sweden, Spain, Portugal, Italy and the U.S., to name a few of the developed countries, have well developed institutional frameworks for coordinating policy, strategy and investment across the different transport modes. Most of these do this through a Transport Secretariat or Ministry and joint cross Ministry committees.

way that horizontal integration of the transport policy making across ministerial agencies is envisioned.

The NTC Task Force is the only structure in the Government that provides a forum for most if not all of the agencies that have some responsibility for the transport modes, infrastructure and services in our country. So it is appropriate to task it with the responsibilities of transport policy and monitoring. However, one weakness of the Task Force membership is that it has no formal representation from the provinces which in many cases (e.g., road infrastructure and services) along with their district offices are responsible for operations and implementation. Thus, representatives from the provincial government transport agencies shall be added to the NTC Task Force.

In addition to coordination and integrated policy development, planning and monitoring there is also a need to coordinate policy implementation and operations across federal transport related modal agencies and to the other levels of government, e.g., provinces, districts and localities. Coordinating implementation needs to be linked to the mission and implementing agencies directly to ensure that coordinated strategy, implementation and operational execution is conducted in a coordinated and integrated way. Currently the Ministry of Communications (MOC) has a responsibility to provide a forum for the implementation of road policy with the other mission agencies such as railways, ports and shipping and aviation (MOD) through the Transport Advisory Council. Thus it seems clear that this MOC mission should be expanded to include provision of a forum for implementation and operational issues across all transport modal agencies and other organizational elements that are related to transport such as those charged with enforcement, safety and R&D. This can be done by expanding the membership of the MOC Transport Advisory Council to include a broader set of agency and stakeholder members. Along with this expanded responsibility the title of the MOC would be modified to include Transport, i.e., the Ministry of Communications & Transport (MOC&T) to add legitimacy to the proposed expansion of its role.

6.1 Specific institutional policies and recommendations

- i. National Trade Corridor Task Force (NTC) to be tasked with responsibility for leading and coordinating policy, planning and monitoring of transport policy across all transport modes and related functions that will include vertical coordination of such policy, planning and monitoring between national and provincial agencies including the districts and other local level government bodies responsible for delivering and maintaining transport infrastructure and services. As part of this vertical coordination function the NTC Task Force will undertake research to formulate a proposal for subsequent implementation on how best to build a stronger vertical intergovernmental coordination and integration of transport policy, planning and operations in our country:
- ii. NTC Task Force to review and evaluate feasibility of creating a Transport Ministry that would include responsibility for all transport modes. Such a ministry should be viewed as a possible long term method for managing the cross mode and intergovernmental coordination of transport policy, planning, implementation, operations and monitoring in Pakistan.
- iii. Representatives of the provinces will be added to the membership of the NTC Task Force.

- iv. The National Transport Research Center will be added to the membership of the NTC Task Force.
- v. Ministry of Communications (MOC) to be tasked with providing a forum for discussion and communication and operational coordination and implementation of transport policy across the various transport modes.

7 **PART 6: TRANSPORT POLICIES – MISSION AND OBJECTIVES**

In Part 6, the policy statements are presented in accordance with the objectives and principles as set out on the preceding parts of the document. These have been grouped into eleven areas following a brief overview of transport infrastructure vision, mission and strategic objectives.

- 1. Road Infrastructure**
- 2. Road Services**
- 3. Railway Sector**
- 4. Ports and Shipping Sector**
- 5. Airport and Civil Aviation Sector**
- 6. Pipeline Transportation**
- 7. Water Transport on Rivers and Canals**
- 8. Transport Logistics and Custom**
- 9. Urban Transport**
- 10. Inter Modal Transfer**
- 11. Legal**

In each of these areas, the mission and strategic objectives for the function are set out and the key policies for addressing the issues are stated. First, a more general discussion of transport infrastructure is provided as an introduction to this part of the NTP.

7.1 **Transport Infrastructure**

Transport infrastructure comprises all physical elements upon which transport operations take place. It includes roads, railways, airports, harbors, rivers, pipelines, interchange facilities, and the associated dedicated power and communications systems. A significant proportion of Government's total financial investment is in fixed assets of the transport sector, and as such these need to be well managed for improving productivity and efficiency because the adequacy or inadequacy of transport infrastructure management has significant enhancing or restraining effects on social and economic development.

7.1.1 Vision: As part of the overall long-term vision for the transport system, adequate transport infrastructure will:

- promote sustainable economic development by removing constraints on the release of demand in development corridors at local, provincial, national and regional levels and provide a catalyst for private investment
- be in place to expand its role as a transport hub within South East Asia and the region surrounding its frontiers

- be structured to encourage public passenger transport in urban areas, allow for seamless inter-modalism;
- be financed through a combination of user charges and private/public sector instruments;
- provide adequate accessibility together with safety, security and efficiency within the constraints of social affordability;
- incorporate technological advances that promote and enhance the role of transport in the economy and its productivity;
- be structured to ensure environmental sustainability and meet internationally accepted standards; and,
- promote development of an efficient and highly skilled workforce, and the expertise to create and manage transport infrastructure and services.

7.1.2 Mission: The mission for transport infrastructure based on the key policy principle is: *To provide an integrated, well-managed, viable and sustainable transport infrastructure meeting national and regional goals into the 21st century, in order to establish a coherent base to promote accessibility and the safe, reliable, effective and efficient movement of people, goods and service.*

The transport infrastructure strategy aims to positively impact the country's economic, social, and development needs and will do so by:

- **supporting the goals of sustainable economic growth, economic transformation, meeting basic transportation needs, human resource development, and creating new jobs and opportunities;**
- **aiming to broaden economic participation in transport service provision, improve healthy competition within the sector and provide a sound base for creating competitive advantage in other sectors;**
- **helping build competitiveness of Pakistan by ensuring the region's competitive advantages can be accessed and marketed;**
- **participating with other sectors in broader policy - making the decisions which affect the demand for transport, and**
- **ensuring the safety, efficiency and cost effectiveness of all transport participants.**

More specifically, transport planning will support development and formulation of appropriate strategies, such as development corridors, land-use densification and efficiency, monitoring, a feedback system, and an integration of regional economy through, *inter alia*, establishing transport infrastructure and services linking industrial centers and current and future centers of socio-economic activity and growth within and outside the country.

7.1.3 Strategic Objectives

The strategic objectives for transport infrastructure to guide and help to achieve this vision are to:

- **Develop and establish sound intermodal coordinating structures and harmony augmenting the national developmental objectives;**
- **Plan, develop and maintain the transportation infrastructure system, and its development priorities in terms of sustainable economic and development needs of the country ensuring high yields and prosperity;**
- **Foster a sound financial base for transportation infrastructure planning and development;**
- **Facilitate promotion and sustainability of a strong, diverse, efficient and competitive, and cost effective transportation industry within the limits of sustainable transport infrastructure;**
- **Promote and ensure strong environmental protection and resource conservation;**
- **Enhance the competitiveness of The transport industry and improve the quality of life of its citizens by providing protection of consumers, safety and security, and meeting accessibility, reliability and mobility needs through transport infrastructure; and,**
- **Develop, advance and expand human resources for the provision of transportation infrastructure in order to support effective, efficient and cost effective transport services.**

7.2 Mode Specific Transport Policies

Based on the principles presented above, and identification of the basic issues and problems relating to the transport sector in our country, policies have been developed. These are highlighted on a mode-by-mode basis below. The transport policy objectives at which the policy is aimed are articulated first in each case and then followed by the statement of the policies.

7.2.1 Road Infrastructure

Objectives: To reduce operating costs, optimize extraction and use of resources and asset management and to improve accessibility and road safety while ensuring management in an accountable manner to ensure that people and organizations experience improved levels of mobility, accessibility, management of negative environmental effects, energy efficiency and social impacts.

- i. **Ensure the provision of appropriate institutional structures,** which facilitate effective and efficient planning, funding, implementation, regulation and law enforcement of the road infrastructure system, devolved to the lowest functional level;
- ii. **Establishing a comprehensive and integrated planning system:** It is essential for land passenger transport planning to be carried out in an integrated fashion covering all modes. This planning is to be done at as low a level as possible and by the relevant transport authorities and agencies. Planning by modal operators is to be coordinated;
- iii. A detailed long term national “master plan” will underpin overall road network development by keeping up with the projected growth and demand parameters and also for promoting connectivity through new and existing road assets.

- iv. National, provincial and local roads rehabilitation, e.g., widening and bypass schemes, will be justified in terms of traffic growth, costs and capacity with major projects subjected to engineering, economic, environmental and social impact feasibility studies. The planning will be comprehensive and will incorporate the requirement of a horizon year.
- v. Invest in infrastructure or transport systems: Investments will be made after analysis of the return on investment (ROI). Long-term investment decisions will be based on sound and explicit criteria aimed at optimizing the use of scarce resources (these resources are not only financial, but also human and material).
- vi. Investment decisions will be taken against a set of criteria that includes lifetime cost, economic, social, and other returns on the investment to the country; returns to the transport system itself; and, returns to the customer that is to benefit from investment decisions.
- vii. Investment arrangements should meet financial, legislative, organizational and other investment criteria. Specific indicators should be associated with each type of arrangement. Information on who will make the investment, what the expected time horizon is, and sources of finance to be clearly identified and reflected in the plan.
- viii. Government will strive to apply consistent principles and not to deviate from them; it will strive to make the financing transparent. In particular, all subsidies will be made transparent in terms of specific criteria.
- ix. Maintenance and Sustainability: Maintenance of the national, regional and local road networks are targeted and are expected to achieve defined and sustainable levels of service. Further, road investments will be accompanied by appropriate levels of resources to maintain the network to stated service levels.
- x. Ensure sustainable and dedicated funding: Innovative funding mechanisms will be developed to ensure that adequate resources are made available for maintenance especially to the districts for maintenance of all rural roads under their jurisdiction, including devolved provincial roads.
- xi. Funding Priorities: Priority of utilization of limited public funding resources for roads expenditures will be on maintenance first, followed by rehabilitation and improvement of existing roads and by-passes where they are justified on capacity or congestion grounds. Issues requiring special attention during fund allocation are:
 - Ensure adequate funding levels for the implementation of long-term plans;
 - Level of availability of dedicated sustainable funding sources for the activity; operation and management of existing and new transport infrastructure; and
 - Achieving an acceptable balance between spending on infrastructure, operations, and maintenance while ensuring an adequate return on investment.
- xii. Funding of national and provincial roads maintenance shall be provided by the Government (through direct budget or user charges) including for the improvement of the institutional framework for the management and efficiency of road maintenance resources through better transparency and accountability.

- xiii. The option of instituting road maintenance funds and independent road fund boards should be explored in detail and in consultation with all concerned agencies (especially the Ministry of Finance and its relevant Departments) and the provinces¹².
- xiv. Improvement and new development of rural roads should be based on established accessibility indicators (e.g. minutes to walk to all weather roads), equity criteria, local priorities, and realistic traffic forecast data.
- xv. Innovative financing approaches should be explored and where possible used to enhance farm to market network improvement and development¹³.
- xvi. Monitoring of performance: Government will specify primary performance indicators with respect to strategic objectives. The indicators will facilitate monitoring of the progress of provinces and local authorities in implementing the mission and for ensuring compliance with legislation and for the promoting of equitable competition in road transport
- xvii. Enforcement of Road traffic and transport law on the road network: Government will ensure compliance with vehicle and driver requirements; reduction in road damage with specific emphasis on controls to eliminate vehicle overloading; compliance with permit requirements; un-authorized motor transport; failure to comply with vehicle manufacturing and marking requirements; false permits; and a uniform approach to enforcement for effective traffic management.
- xviii. Energy efficiency and environmental conservation: The use of more energy efficient and less polluting modes of transport will be promoted. Greater energy awareness will be fostered in both transport planners and users of transport through public awareness programs, differential fuel prices, etc. In this regard, close co-operation between the transport modal agencies and energy and finance agencies will be essentially ensured.

7.2.2 Road Services

Objectives: To strengthen safety and security, enhance service provision, reduce transport service costs, and reduce environmental impacts.

The safety, security, and quality of service of road transport are currently unacceptable. The Government is committed to a concentrated and integrated effort to bring them into line with international best practices. Particular attention will be paid to road safety,

¹² For private sector participation in the provision of road infrastructure and services, the treatment of risk should be appropriately balanced between the private sector and the Government for the level, objective and profitability of the investment. In many cases this will involve government investments to reduce the risk of an investment to a level where the private sector is incentivized to bid on a project and provide investment resources.

¹³ Creative solutions are needed to accelerate the improvement of rural accessibility. One vision of how to do this would be to create agricultural processing centers in rural market centers that also are used to attract private sector investment for improving trunk line roads from the hinterland. The idea here would be to create a package deal development that is in part incentivized by public funds used to attract private capital to the development of not only a processing center(s) but also to help support infrastructure development needed to strengthen the link from small farms to the market and thus raise value added at the processing center to a level that would enable or motivate the private investment needed for the project to occur

security and competitiveness in meeting national and international trade needs by ensuring that the region's competitive advantages can be accessed and marketed effectively.

- i. Trucking shall be recognized as an industry in a way that ensures that incentives offered to the trucking industry are positively contributing to the development of the targeted groups and areas, and have a healthy impact on the trucking industry.
- ii. Strict enforcement to ensure vehicle adherence to established legal axle load and gross weights as categorized by vehicle type shall be adopted. Pavements are to be designed on the basis of legal axle loads¹⁴.
- iii. Safety, security, energy utilization and environmental regulations will be strictly enforced by means of proper, regular vehicle and driver testing and inspection, and training requirements (applied to all vehicle categories), specifically for truckers.
- iv. Import restrictions on used trucks will be relaxed, so as to encourage use of more multi-axle trucks on long distance hauls.
- v. Road check-posts will be minimized and most existing check points abolished.
- vi. Truck taxation fees (registration and license fees) shall reflect in so far as is possible, the road maintenance costs to which they give rise¹⁵.
- vii. To encourage private sector participation, all operators shall work within the same regulatory environment without privileges granted to public operators. In short, a level playing field is to be the definition of the competitive context within which the public and private sectors sort out who will provide road services.
- viii. No administrative constraints related to carriage of freight under bond, operation of bonded warehouses, and ownership of dry ports shall be exercised.
- ix. Rural and interurban bus services fares shall be deregulated.
- x. Inter-urban bus services and accompanying infrastructure shall be provided with due regard to safety, comfort and basic care.
- xi. Transport agencies shall consider women's and special person's needs in the provision of transport services.

¹⁴ An updated study is needed to determine changes to the legal axle loads in Pakistan to minimize costs both of road agencies and users. Detailed pavement and axle load studies in other countries have shown that in most cases the optimal axle weights are significantly higher than the existing legal axle weight maxima. However, the legal axle weights allowed in Pakistan are already near the highest in the world so if anything such a study should consider if the current rates are too high and also whether with improved enforcement but at lower fees, revenue might counter intuitively be increased.

¹⁵ In some cases such as with rural farm to farm and farm to market roads revenue from truck utilization fees may not be sufficient to pay for all road maintenance costs. In such cases, procedures will need to be developed to find additional sources of revenue, such as, revenue sharing from other parts of the road system where fees collected are higher than the need or via sharing in general revenue at the federal or provincial levels.

- xii. Road traffic law enforcement: This is a critical issue and should be comprehensively dealt with during Road Traffic Policy development. However, existing road traffic laws and rules/regulations need proper enforcement which will create a visible difference in operation and traffic flow with reduction of road accidents and losses, given the experience in other countries. Because enforcement is separate for national roads and provincial roads, policy coordination will be required to implement it in a seamless way.
- xiii. Impose strict Government regulations to control the transportation of hazardous materials and substances on roads so that the chances of disasters will be reduced. Measures will be in place to deal with such materials effectively if and when they are encountered.
- xiv. Ensure effective road transport law enforcement and management of cross-border routes and traffic to further ensure compliance with legislation and the promotion of equitable competition in road transport.
- xv. The income generated during the management, regulation, or control of elements of the transport system (for example charges for inspections, or fines) and/or non-monetary benefits (for example the reduction of casualties, or preventing the abuse of monopoly power) should have a direct linkage between the tangible and intangible benefits of these activities and defraying the costs of such management, regulation, and control. The net balance of related income should be reinvested in the transport system.
- xvi. An effective **road traffic management system** is to be established to promote safety, security, and a higher level of service. A closer relationship between expenditure on roads and the revenue generated (e.g., the revenues from traffic law enforcement, or insurance) should also be established.
- xvii. **Regulation:** Regulation is basically a form of intervention by Government, and the intention is to regulate only where it is essential to channel behavior toward societal goals or needed to address market imperfections. Government will apply different forms of regulation to ensure that its vision and objectives are realized.
- xviii. **Regulation of specific services:** Government will establish a specific authority regarding detailing the specifics of the service to be provided and imposition of a variety of sanctions if these are not met. Specific services include commuter and traveler roadside services, rail services, and tendered public transport services and others as appropriate.
- xix. **Human resource development:** All levels of government will be responsible for identifying needs in establishing priorities and continuing programs to build expertise on an ongoing basis. The human resource base should be targeted to meet the demands of national and international markets with particular emphasis on developing technical, financial and legal experts.
- xx. **Education and training facilities** must be established to promote human resource development in the transport sector. Training, education and information centers for the drivers and common users are to be established. On-line modules

for facilitating the immediate access to the source on the web in general and at selected transport counters/centers should also be established.

Initially, existing education and training facilities must be deployed to meeting training needs. All role players should be given the opportunity to gain access to such facilities.

7.2.3 Railway Sector

Objectives: To revitalize rail services on commercial principles, such as cost recovery and financial viability, improve reliability and performance, and enhance the rail services offered for both passengers and freight haulage in support of in-country and international trade. The promotion of an efficient and effective, coordinated, integrated, affordable, safe, reliable and environmentally friendly land passenger transport system in urban and rural areas, accountably managed to ensure that people and freight experience improved levels of mobility and accessibility.

Scope of Rail Transport

"Rail Transport" as a focus area of transport policy embraces both domestic and international conveyance of goods and passengers and is concerned with: establishing a quality of service level that meets the satisfaction of customers and users (including efficiency, cost, reliability and timing, and delivery schedule); seamless, intermodal operations; optimized use of capacity and management of operations; protection of its infrastructure; and minimized impact on the environment and natural resources. There is another dimension of the rail transport sector requiring attention and that is the need for the railways to increase the share of transport provided across all modes with primary emphasis first provided with respect to freight transport.

- i. Pakistan Railways (PR) shall be a **cost effective and efficient ensurer** of quality and reliable service to its customers¹⁶.
- ii. **PR shall operate along commercial lines of business**¹⁷
- iii. **PR shall, separate core and non-core activities** with a plan to divest business activities not directly related to operating train services.
- iv. Government shall compensate operators' provision of **required loss-making services** meeting any social obligations on the basis of the service provided and economic opportunity costs criteria.

¹⁶ Quality means predictable, on time and service that ensures a defined level of comfort in the case of passenger customers and for ensuring a good quality of products and goods upon arrival at the destination in the case of freight

¹⁷ Pakistan Railways was asked by the Government to prepare to privatize Pakistan Railways some several years ago. Consequently, while preparations were underway little effort was made to upgrade the rail beds and the equipment and the ability to deliver quality service decreased. Recently this decision was modified and Pakistan Railways has been asked to create and implement a plan to operate PR as if it is a commercial enterprise and to upgrade the equipment and condition of the rails. Reports from officials at PR indicate that the company is moving toward a commercial model. This effort needs to continue and to further consider the formation of a separate freight company which promises to be the most immediate way for PR to become a more commercial operation.

- v. **Private sector participation** in freight services shall be encouraged including through opening of truck access to private operators for which a commensurate legal and regulatory framework shall be in place. Again private sector participation is to occur in terms of a level playing field standard.
- vi. Investment in **new rail lines** shall follow appropriate evaluation mechanisms and be approved on the basis of economic, financial, social and environmental standards.
- vii. **Replacement and renewal of rolling stock** and other assets shall be a continuous process, rather than the introduction of large replacement stocks at one time. Rolling stock requirements will be reviewed carefully in light of the closure of unremunerative lines and services¹⁸.
- viii. **Implement proper regulations to minimize the chances of accidents with better control over the transportation of hazardous materials and substances.** If they occur, measures will be in place to deal with such incidents effectively.
- ix. The establishment, operation and maintenance of a **land freight transport information system will be developed** which should contain, among other things, freight conveyance patterns and routes, domestically and internationally; types of goods on different routes; main origins and destinations; value; and tonnages carried, etc. Such a system should also provide for needs and growth forecasts.
- x. The establishment of **official consultative forums** between government, public and private sectors, operators, stakeholders and users in order to promote interactive participation towards the establishment of an acceptable, effective land freight transportation system.
- xi. **The Pakistan Railway will own the rail infrastructure, rolling stock and land** associated with rail reserves. Steps will be taken to utilize rail reserves in accordance with and to help provide resources to achieve transport plans and special development frameworks.
- xii. **Operating and maintenance concessions** will be awarded by the transport authorities at the provincial or local level in a transparent and equitable manner.
- xiii. The current **deficit financing system**, absorbing costs of a line or operation using revenues from the larger organization, is to be abolished and replaced with a concession system, setting up franchise like agreements with agents other than Pakistan Railways. This is expected to ensure more efficient and effective use of the infrastructure, funds and other resources.
- xiv. **Rail tariffs:** The principle of equity (in terms of distance, mass, space consumed etc.) is to be applied to ensure that no rail route or region benefits above another in terms of unfair competitive advantages. This equity principle should be nationally regulated until such time that various routes and operators are not owned by the same institution.

¹⁸ A plan to adopt a continuous replacement model for rolling stock is needed

- xv. The transport authorities will determine fares based on a **common cost structure** and taking account of the fares of other modes and the prevailing fare-structure in the region.
- xvi. One of the major, if not the major issue given the importance of exports in modern development and the vision of Pakistan as a transport hub in South, Southeast and Central Asia is enhancement of the connections to rail systems in adjacent countries. See footnote # 8 above for elaboration.

7.2.4 Ports and Shipping Sector

Objectives: Improving efficiency, reducing shipping and port costs, and facilitating trade through improving affordability and reliability for shippers and therefore, end-users.

Maritime transport encompasses all forms of transport by sea, intermodal links and inland ports but has certain fundamental differences from other modes of transport as it caters almost entirely to the freight market, and offers no significant passenger carrying ability or services in the national context and it also operates in an international environment and thus is subject to considerable competition and economic pressure from foreign competitors. The maritime policy addresses maritime transport issues relating to economic principles, trade and cargo handling and management, intermodality linkage, ship financing and registration, the operation of ships, ports, safety at sea, employment & training, and administration. Economic efficiency in the maritime industry is the *sine qua non* of its success and therefore needs to be heavily incentivized and encouraged. The basic cost structure of sea transport should provide the most powerful rationale for the present and future organization of the liner industry around conference or consortia agreements¹⁹. Full cost recovery is the only viable long term solution.

- i. **Port ownership** shall be on a landlord basis with strong encouragement of the private sector to operate commercial operations²⁰. Port services will be corporatized under the landlord frame of operation and port organization.
- ii. **An updated ports master plan** shall be prepared for Karachi, Qasim, and Gwadar Ports as an integrated ports system, identifying the role for each based on comparative and competitive advantages, capacity, and the ways in which different transport modes (e.g., water, truck, rail and air) can participate and shall include a plan element of how the private sector is and will be expected to participate. It is of course understood that there will be some overlap in the roles of the ports. However, a central focus of such a master plan will be to plan for rapidly enhancing the development of efficient and rapid throughput from the ports and onto land logistics infrastructure. This is a central element in The quest to become a South and Southeast Asia transport hub.

¹⁹ Such conferences or consortia refer to a group of two or more vessel-operating carriers providing international cargo service on a particular route(s) under uniform or common tariff rules. Such agreements are organized with one or more countries

²⁰ The Ministry of Ports and Shipping has created a development policy and strategy that is being implanted. Implementation is converting and creating commercial operations at the ports along with several other elements of this part of the NTP as outlined in subsequent elements

- iii. Government will **regulate port charges** and monitor their relationship to underlying operating costs and regional tariff benchmarks²¹.
- iv. **Public sector investment** shall be subjected to rigorous technical and economic feasibility study and alternatives analysis.
- v. **Discriminatory labor practices**, such as those practiced by the Karachi Dock Labor Board, will be removed and terms of employment of port labor will ensure access to health and pension services.
- vi. **Control over maritime services** will be maintained within a well defined regulatory framework that is flexible enough to cater to changing needs and circumstances and at the same time able to ensure orderly, safe and reliable maritime transport services
- vii. **International relations and trade facilitating agreements** with other countries and international organizations involved in maritime activities shall be promoted.
- viii. The ports will carefully **weigh trade-offs between potential cost advantages of larger ships calling and investments needed to accommodate them**, i.e., using total costs optimization analysis²². Such study is needed to decide what Pakistan should do regarding deepening the access to the ports in order to support larger vessels of call.
- ix. **Pakistan National Shipping Company (PNSC)** will compete with foreign and domestic shipping lines on a level playing field²³, i.e. without Government subsidies and/or reservation of cargoes with the overall aim to become fully privatized over time. PNSC enjoys monopoly like advantages regarding shipping reservation for all government sales/cargos shipped which is about 12-15 percent of the total. While this practice may be viewed as necessary to ensure services are available to the Government of Pakistan in extreme cases where national security may be at stake, the role of the private sector in providing services for government trade is required.

²¹ A bi-annual report is to be prepared by an independent agency that compares Pakistan port charges and costs to regional tariff benchmarks, e.g., Thailand, Iran, Turkey, Indonesia, and India.

²² Scale economies of large ships calling, even if translated into lower freight rates, may not necessarily offset higher port costs such as capital dredging and servicing requirements using heavier handling equipment.

²³ Level playing field means that outsourcing will occur only when the cost of private provision of a good or service is less than the real cost of public sector provision. For example, the City of Indianapolis, Indiana in the U.S. decided to subject the provision of street maintenance functions to increased competition and thus to find the most efficient provider. Initial efforts to have only the private sector bid were criticized by the existing City agency providing this service because the agency cost structure included both actual costs of providing the service as well as carrying one or more political appointees whose role was not the actual provision of the service. The agency was allowed to use its real cost structure in a subsequent competition for providing the service in different parts of the City and in several cases the public agency won the contract. This example is provided to illustrate that research is often required to determine what a "level playing field" is as it may not be immediately evident

- x. Maritime transport policy should attempt to foster and **maintain a competitive climate** wherever appropriate and the Government should generally avoid protectionist maritime practices and maintain an "open ports" policy.
- xi. Interdepartmental and private initiatives should be promoted to ensure that administrative, fiscal and legal constraints to the development of the country register and its ancillary services are removed.

7.2.5 Airport and Civil Aviation Sector

Objectives: To maintain a competitive civil aviation environment, increasing our global connectivity, enhancing safety, security and regularity, promoting viability and reducing financial burden of air transport on government, establishing and enforcing standards and enabling the provision of services in a reliable and efficient manner, and establishing regulations to maintain safety, provide customer choice and reduce environmental impacts while contributing to the social and economic development of the country and the region.

The following strategic objectives focus the aviation policies:

- Promote the national interests in general, and facilitate the enhancement and expansion of trade and tourism operations, in particular;
- Aviation policies are to enhance the provision of safe, reliable and efficient services and compliance with international agreements and the standards;
- Promote national and international trade and tourism through provision of facilities and best practices;
- Subject economic decisions, as far as possible, to general competitive principles applicable to all industries, with a view to maximizing consumer choice and satisfying consumer needs;
- User interests are of prime concern, and aviation policies are therefore to serve the needs of passengers and other consumers;
- Ensure that the policies are in line with the promotion and development of an efficient and productive aviation industry that is capable of competing both domestically and internationally;
- The civil aviation industry is expected to contribute to the development of human resources, the meeting of basic needs, broadening participation in the economy and the goals and objectives of the national development plan, in general;
- Policies should encourage participation in the aviation industry by creating an environment where investors can realize adequate returns;
- Control over the civil aviation industry should be maintained within a well-defined regulatory framework that can cater to changing needs and circumstances and ensure the provision of orderly, safe and reliable services by all operators;

- Sovereignty of airspace should be retained and should continue to be vested in the State under all circumstances;
- International relations with other countries, groups of countries and international organizations involved in aviation, should be promoted;
- A suitable environment that attracts and encourages private investments and private partnership in the aviation industry should be fostered; and
- Civil aviation should positively contribute to the improvement of the environment and to energy efficiency and conservation.

The Aviation policy framework covers the following topics:

- i. **The Civil Aviation Authority (CAA) shall focus on its core activities** (i.e. safety regulation and air traffic control - ATC). ATC should in time become an autonomous entity and separated from its current location in the Ministry of Defence²⁴

With a provision that a joint committee be established to coordinate issues where defence and civilian air space and airport uses overlap or may overlap.

- ii. **Airport management shall be separated from CAA** with the eventual objective of privatization. In this context, separation of airport ownership and management from the Ministry of Defence (MOD) will be required. Otherwise it will be difficult if not impossible for this policy to be implemented.
- iii. **Scheduled international air transport services** to and from Pakistan should at all times comply with the minimum international norms and standards pertaining to aviation safety and security, in order to ensure the provision of safe and reliable services.
- iv. **Purposes of scheduled international air transport services:** In order to serve the national interests and to meet the fundamental objectives, any regulatory measure pertaining to the economic aspects of scheduled international air transport services should have as its purpose:
 - a. encouraging competition in the market place
 - b. safeguarding national interests, where necessary; and
 - c. encouraging our participation in the market.
- v. **Regulatory controls on capacity and frequency** should enable airlines to unilaterally adjust their services to satisfy the demand, within a framework of lower and upper limits.
- vi. **Tariffs should be generally deregulated** to allow airlines the freedom to set tariffs in response to demand.

²⁴ For sure there is need for coordination between civilian and military aviation but there remains only one or two commercial airports where military aircraft operate. Further, this function in most countries is separated from the Defence Ministry. Study will be needed to inform a decision on how coordination should be achieved if and when the CAA is separated, however there are many examples of this in other countries that should provide sufficient guidance in how to achieve the necessary coordination. It is important to note that the airport and Aviation Division has created a policy/strategy document aimed at preparing the CAA for its establishment as an independent or quasi independent agency

- vii. The network of scheduled international air transport services should be complemented by **non-scheduled international air transport services**, i.e. *ad hoc* and charter flights. These services should be allowed within the framework of specific objectives, namely:
- a. to stimulate tourism to Pakistan;
 - b. to develop new air links and joint ventures; and
 - c. to stimulate trade in general and exports in particular.
- viii. **Pakistan International Airlines (PIA)** needs to be restructured along commercial lines, with a view to privatization in the near future.
- ix. **Any proposal to fulfill social obligations through subsidies** to compensate for the provision of any loss-making services should come from relevant agencies, which the respective Government agencies may consider after evaluating economic opportunity costs.
- x. There shall be a concerted movement towards **economic deregulation** of domestic and international passenger and cargo services²⁵.
- xi. **Strengthening of entry criteria:** Any form of entry control or economic regulation of airlines in the air transport industry is not to be supported. Refinement of the existing in-place policy is necessary. One specific area of refinement is the assessment of new entrants, with regard to their ability to provide a safe and reliable service, from a financial point of view. Requirements for new entrants should be strengthened.
- xii. The participation of State-owned airlines in a deregulated domestic market has been debated at various forums over the past few years, and needs further consideration, review and resolution.
- xiii. There shall be **free market entry** for private operators to domestic routes subject to compliance with technical and financial capacity requirements and strict safety regulation and enforcement.
- xiv. Pakistan shall continue to **follow open skies policy** for cargo operations based on 3rd/4th & 5th freedom air traffic rights²⁶ as documented by the International Civil Aviation Organization (ICAO) of the United Nations.

²⁵ Liberalization of international bilateral agreements on a reciprocal basis shall be the first step.

²⁶ These freedoms refer to a variety of practices that are illustrated by the situation where country B foregoes tariffs on cargo that originates on a flight from country A that stops in country B with the final destination of the cargo in country C and the myriad of possible combinations that occur when more than three countries are involved. **First Freedom of the Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State or States to fly across its territory without landing. **Second Freedom of the Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State or States to land in its territory for non-traffic purposes. **Third Freedom of the Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State to put down, in the territory of the first State, traffic coming from the home State of the carrier. **Fourth Freedom of the Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State to take on, in the territory of the first State, traffic destined for the home State of the carrier. **Fifth Freedom of the Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State to put down and to take on, in the territory of the first State, traffic coming from or destined to a third State

- xv. **Airport charges shall be in line with regional benchmarks**, as defined by the Government utilizing transparent costs and charges analysis and other methods based on economic principles²⁷.
- xvi. Operation of **non-viable airports** shall be reviewed by considering private sector management, management by local governments or possible closure.
- xvii. **New airports**, especially, new runway investment, shall be subjected to cost-benefit analysis of the effects on all interested parties.
- xviii. A **Working Group of stakeholders** for the purpose of assisting the Government with the formulation of policies on airline co-operation, code-sharing and the provision of international non-scheduled air transport services shall be constituted²⁸.

7.2.6 Pipeline Transportation

Objectives: Provide an enabling environment for transportation of fluids and gas through pipelines, improve the services of the mode as an economic alternative to other transport modes, ensure that pipeline transportation is well-managed, viable, efficient, safe, secure and sustainable with a focus on increasing its share of distribution through removal of bottlenecks, reduction in transport costs, and facilitation of supply chain development and management.

- i. Review **best global practices**, develop and improve standards for operations, security, safety and sustainability of supply and ensure efficient, economic and viable methods of fluids and gas transport.
- ii. Improve the **service standards** and promote pipelines as an economic alternative mode for fuel transportation.
- iii. **Develop infrastructure** for enhancing the use of pipelines in difficult to access areas and ensure connectivity with other main stream infrastructure.
- iv. Encourage greater **private sector participation** in sustainable international pipeline services²⁹.
- v. **Prevent leakages**, minimize losses during transmission and ensure safe and timely efficient delivery.

²⁷ A bi-annual report is to be prepared by an independent agency that compares airport charges of Pakistan and costs compared to regional benchmarks, e.g., Thailand, Iran, Turkey, Indonesia, and India

²⁸ Stakeholders also mean those not actually in the market at present. These types of committees inevitably are made up of existing players who use the committee to their own agency ends despite the fact that some tries to see beyond their current context. It is important that representatives with expertise in tourism, international freight forwarding, passengers, etc be included in this working group.

²⁹ Most ownership of international pipelines in South Asia are by consortia of state or country owned energy enterprises with in some cases private sector participation on the part of global private petroleum and natural gas companies

- vi. **Develop rules, regulations and standard operating procedures** for promoting the operations in the private sector with the responsibilities and liabilities clearly specified and documented.

7.2.7 Water Transport on Rivers and Canals

Objectives: To provide an economic bulk and possibly passenger (tourism) transport alternative to trucking and rail in the interior of the country, in cases and circumstances where it is a viable alternative, efficiency will be promoted, costs and environmental impacts will be reduced.

- i. **Water transport options will be explored** to determine their viability through an investigation of such attributes as water depth, seasonality of depth and flow, water speed, connectivity and so on, and cost effectiveness and economy for commodity and tourism related passenger transport with current studies to update conclusions of those made in the late 1980s and early 1990s. The older studies generally found that there was limited potential for the development of water transport on rivers and canals in Pakistan.
- ii. **A code of principles**, operating procedures and safety standards shall be created.
- iii. **Requirements for construction of needed infrastructure** including a communications infrastructure and related services will be created to support development where feasible.
- iv. **A hazard, emergency and disaster management**, and response system (protocol) shall be developed.
- v. A framework consistent with the above cases of roads, rail, air and pipeline transport to **promote and encourage private sector participation** and investment shall be developed.
- vi. **Leisure and tourism related development** both in terms of water transport and the infrastructure to support it shall be encouraged.
- vii. Close **government oversight and monitoring** of water transport development shall be undertaken to compare services and fare structure with neighboring countries such as India, Iran and Turkey.

7.2.8 Transport Logistics and Customs

Objectives: Providing an enabling environment for enhancement of trade with a focus on a greater market share of exports through removal of bottlenecks, reduction in transport costs, and facilitation of supply chain operations.

- i. Facilitate and enhance the **expansion of international trade and tourism** in general, and exports in particular.

- ii. Ensure that **economic decisions are, as far as is possible, left to market forces**, subject to general competitive principles applicable to all industries, with a view to maximizing consumer choice, need satisfaction and job creation.
- iii. **Promote** the development of an efficient and productive our transport industry capable of competing in **international markets**³⁰.
- iv. Standards of **supply chain efficiency** shall be set as objectives for the logistics industry based on a reliable performance-monitoring system.
- v. Government shall facilitate development of logistics centers when economically justified through public-private partnerships³¹. The freight-forwarding industry shall operate under Government approved regulations and otherwise be self regulated.
- vi. An **automated commercial community single-window (one-stop) system** shall be developed through a public-private partnership.
- vii. Legislation shall be introduced that permits a bill of lading **facilitating door-to-door (D-to-D) or terminal-to-terminal (T-to-T) shipments** under a single document. Freight transport insurance and financial regulations and practices related to freight-forwarding shall facilitate D-to-D/T-to-T operations.
- viii. Implementation of the **Transports Internationaux Routiers (TIR) agreement**³² shall be completed after a full assessment of implications for Pakistan.
- ix. Renewed efforts shall be made to **implement the Transit Transport Framework Agreement** that was agreed to for the Economic Cooperation Organization (ECO) Development Decade (1998-2007).
- x. **Monitoring of performance:** Government will develop and specify key performance indicators with respect to its strategic objectives. The indicators will facilitate monitoring of the progress of various authorities in implementing the mission to ensuring compliance with legislation and promoting sustainability and competitiveness.

³⁰ A central aspect of logistics is the integration of transportation into non-transportation considerations, e.g., transport needs to be integrated into larger tourism development, export expansion, and other industrial development strategies.

³¹ Such centers, although expensive to develop, provide value-added services and can enable ports to build a sustainable competitive advantage. Further, Export Trade Zone (ETZs) Centers have also been found to be effective mechanisms to attract large amounts of Foreign Direct Investment (FDI) and to be sources of technology transfer especially when accommodated with high end knowledge or research centers and business incubation facilities for innovating production line improvements in collaboration with foreign investors in such Zones. These have had greatest success where regulations and incentive policies are predictable and consistent and where logistical interfaces are likewise well developed and predictable. Thus ETZ success and thus development success in part depends on logistic efficiency and consistency.

³² The TIR procedure enables goods to move under Customs control across international borders without the payment of the duties/taxes that would normally be due at importation/exportation. A condition of the TIR is that the movement of the goods must include transport by road.

See: http://ec.europa.eu/taxation_customs/customs/procedural_aspects/transit/tir/index_en.htm

7.2.9 Urban Transport

Objectives: Improving accessibility, affordability, reliability, and safety for the public while optimizing management and use of the road network in urban areas.

The urban transport system in Pakistan will be based on regulated competition. The regulation will be in the form of permission, contract or concessions awarded in terms of a passenger transport plan and supported by strict law enforcement.

- i. **Urban transport has been fundamentally shifting away from monopolistic situations such as represented by fixed rail systems and related regionally centralized bus systems.** There should also be a shift away from narrowly defined systems like those that target commuters only towards systems that are designed and managed to benefit all passengers. Competition is to be promoted where ever possible.
- ii. **Urban road space usage** shall be optimised based on reliable traffic data and globally recognized traffic management techniques given existing land use patterns. City and town administrations are to prepare transport master-plans.
- iii. **Contracts will only be awarded to privately-owned or corporatized municipal bus companies** and registered minibus operators to ensure that there is fair competition among competing providers. All road-based public transport operators should:
 - operate as separate legal entities from any level of government;
 - have no direct access to public finances other than on a commercial basis;
 - operate on business principles; and
 - be liable to taxation.
- iv. **Transport authorities**, in consultation with communities, must define passenger transport needs at affordable fare levels in order to identify and target recipients needing mobility support.
- v. **Acceptable levels of congestion, road safety, traffic circulation patterns**, available parking space, and air quality shall be established prior to implementing any transport management initiatives to facilitate achievement of the above mentioned objectives.
- vi. **Large bus services running on priority lanes** shall be the first priority for affordable mass transit. However, this does not preclude other options that may in some cases be more immediately possible, efficient and cost effective alternatives or additional options³³. A relevant and to some extent comparable example for

³³ While large buses put on priority lanes offer the most immediate text book method for increasing traffic efficiency and mobility in highly urbanized places there are other options and often combinations of changes in other options added to the large bus option that may offer more optimal solutions. For example, Karachi has a 50 kilometer circular urban rail system that operated until a few years ago. The rights-of-way and trackage are in place and would therefore seem to be an obvious option for immediate consideration as a way to relieve urban congestion and improve mobility there. Also, smaller public and private buses and

urban areas in Pakistan is the great success that bus ways have had in Istanbul and other places³⁴.

- vii. **Investment in new urban roads and fixed rail mass transit systems** shall be justified on the basis of established evaluation criteria taking into account cost, social, and environmental impacts. It is important in such evaluations to include options that involve the private sector such as full privatization and partial private roles through the use of Public Private Partnerships (PPPs)³⁵.
- viii. **Alternative transport management mechanisms** shall be considered in any transport investment proposal with a view to implementation of longer term measures, such as effective coordination of transport and land use planning, resident behaviour changes in order to reduce trips and stagger office and school hours to spread peak congestion periods.
- ix. **Rail operations** should be based on operating and maintenance concessions awarded by transport authorities and based on a transport plan with ownership of infrastructure and rolling stock being retained by transport authorities.
- x. **Funding of passenger transport infrastructure and operations** should be undertaken as follows:
 - Infrastructure funding for road-based public passenger transport should mainly be the responsibility of metropolitan transport authorities or local authorities with assistance from provincial transport authorities, based on passenger transport plans often using federal/provincial and district/local cost sharing for capital and operations. The national government could provide incentive or seed funding to such metropolitan transport authorities and/or local authorities to develop infrastructure in support of public transport over private transport.
 - Rail infrastructure may be funded primarily by the national government, but may also be funded by a provincial government, having due regard for the financial implications of the operation of rail services.
 - Funding of operations should be the responsibility of metropolitan transport authorities or local authorities, with own funds as well as funds allocated to them by provincial transport authorities in terms of passenger transport plans.
 - Terminal facilities and related services should be provided at convenient locations including interchange facilities. While funding for such facilities has

jitney type vehicles exist in many urban areas of Pakistan and it may be possible to considerably enhance the efficiency and mobility productivity of these modes

³⁴ It is of interest to note that even in large developed cities like London, England which has a well developed mass transit subway system with many stops on an oval/crisscrossed network, buses still carry considerably more passengers.

³⁵ Please see above references to using public sector funding to lever private sector investment. This is why greater use of the private sector in addressing these infrastructure problems is important. Namely because the public sector uses its scarce resources to multiply overall resources and in this way helps fill the large infrastructure investment gap that Pakistan is facing in the quest to create the Vision 2030

been by the government in the past they offer opportunities for public private partnerships either in full joint ventures or with concessions for services.

- There are opportunities for development of public private partnerships in collaboration with transportation authorities regarding all of the infrastructure and operations referenced above. Exploration of such possibilities is encouraged.
- xi The base mechanism for **deciding when to subsidize road-based public transport** should be the competitive tender.
- xii Urban Transport fares should be indexed with fuel prices and variation in fares should be automatic in accordance with the agreed formula.

7.2.10 Inter-modal Transfers

Objectives: Strengthening connectivity comfort and effectiveness for passengers and freight to maximize use of terminals and minimize modal transfer penalties. Ensuring that all the parts and facets of the transportation process, including information exchange, are efficiently linked and coordinated, offering flexibility.

Inter modal transferability ensures connectivity to logistic facilities and ensures effective linkage between two or more modes of transportation for the benefit of customers and users. It will include:

“Management of integrated operations; maximizing modal ability and capacity; equitable infrastructure, cost recovery; administration and institutional efficiency; harmonization of technical standards; and a strengthened interface among all modes and the various relevant stakeholders, private and non-profit organizations, governments and groups of governments.

Airports

- i. **Provision of standard facilities for transfer** to the same or other modes should be ensured by the government at airports. The information or guide desk and facilitating units would be fully operational for all passengers.
- ii. Airport authorities shall coordinate with local transport authorities or private bus/coach operators for **operation of regular services between airports and selected city terminals** at agreed published rates. This will reduce congestion and the need for car and taxi parking areas. Coordination with other modes of transportation shall take place in the planning of new and/or the expansion of existing infrastructure.
- iii. Airport authorities shall **coordinate with public and private parties** for setting up special arrangements for the transfer of “tourists” and availability of consulting and meeting facilities.
- iv. **Airlines would extend their operations for attracting more tourist traffic** through partnership agreements and joint ventures for land transport and tours for medium to large groups. The Government will provide incentives for such ventures or arrangements.
- v. The Government will **support chartered flights** to airports and provide special facilitation or arrangements for the passenger, cargo and intermodal transfers at the airport.

Railway Stations. Railway stations shall provide proper facilities for transfer of passengers and their baggage to other modes of transport. Standards of public information for interchanges shall be established with due local considerations.

- i. The **railway authority** will provide clean and comfortable facilities such as waiting areas, comfort places, dining places with adequate facilities, parking and transfer space at railway stations.
- ii. The **standard facilities for transfer to the same or other modes** would be ensured by the Government at the Railway Stations. The information or guide desks or other facilitating units would be fully operational for all passengers and would include free electronic kiosks for passengers both during information desk operations hours and at other times.

Inter-city Bus Terminals. Municipal bus terminals shall be modernized and made more attractive and better organized with local gender considerations. Connecting local bus or coach services and reasonable facilities for passengers (i.e. shelters, waiting rooms, and toilets) shall be provided³⁶.

Ports. Inter-modal transfer facilities shall be given increased priority in order for the ports to remain efficient and competitive. The port/rail interface shall be improved where demand warrants it³⁷.

7.2.11 Legal Aspects

Objectives: Supporting regulation, developing and harmonizing the implementation structures to reduce the cost of transportation and increased traffic and trade and maximizing the benefits to society in general.

- i. Review the existing legal structure of rules, regulation and implementation arrangements and minimize the legal constraints at the first stage and eliminate all unreciprocated legalities that constrain international trade and transit with full regard to the criteria of equity, reciprocity, sustainability, security, mutual benefit-sharing and above all safeguarding our own national interest in the context of international / transit transport.
- ii. Charging and setting of **optimum transit fees for international traffic** is to be examined and fees set at levels comparable to regional competitors in South and Central Asia. Premium pricing would be used to facilitate distribution time savings as compared to the available alternatives.
- iii. **Trade, transit and transport agreements** with neighboring countries, particularly Iran, India and Afghanistan need to be updated and implemented.

³⁶ Some countries are experimenting with urban transportation centers where buses, taxis, rail in some cases come together and also passengers can check in for air flights and check their luggage at such centers before proceeding to airports for departure and vice versa. For example, a large recently developed large facility like this has been in operation for nearly five years in Riyadh, Saudi Arabia.

³⁷ Ports handle large volumes of import/export commodities, and generate and attract large volumes of truck traffic. Every consignment also generates several passenger trips for customs clearance. Thus, highly efficient organization is required for entry/exit of vehicles, loading and unloading of goods

- iv. The 1958 **New York Convention on Recognition and Enforcement of Arbitral Awards** - relating to contractors' claims, disputes and arbitration procedures needs to be fully implemented.
- v. The system for **adequate insurance coverage**, third party insurance on a no-fault basis³⁸ and compensation in vehicle accidents need to be better defined or introduced into existing legislation, including improvement in the Motor Vehicle Ordinance (1965) and rules as specified in the National Highway Safety Ordinance (NHSO), 2000.
- vi. Appropriate **national legal and regulatory frameworks** to enable, encourage and promote all public-private partnerships in transport infrastructure projects and services shall be put in place³⁹.
- vii. **Regulations for freight transport insurance** and financial practices related to freight-forwarding need to be revised with a view to liberalizing requirements or practices that might hinder D-to-D/T-to-T operations.

8 PART 7: THE WAY AHEAD

- i. After **approval of this policy document**, the resulting approved policies will provide a framework for advising future actions of the various levels of government responsible for Transportation within the country.
- ii. **New policies that require only administrative action will be implemented immediately** and feedback shall be made available and used for planning further review and improvement.
- iii. Those **elements of the new policy** that require major changes from existing practice may not be implemented immediately. In such cases, in discussion with the stakeholders affected, the implementation will be phased over a transitional period in a planned manner, *inter alia* to provide time for the development of a stable institutional capacity to manage implementation.
- iv. In the case of policy elements requiring new or amended legislation **appropriate bills and regulations to implement the policy decisions will be prepared** for submission to Parliament.

³⁸ The existing in-effective 3rd Party Insurance system needs to be totally revamped. The most appropriate method, especially in a non-compliant environment, for a 'universal coverage' (with no exceptions) in a 'non-intrusive', 'imperceptible', 'readily affordable' manner could be through a small levy of about 15-20 paisas per litre/Kg of fuel (petrol, diesel, CNG) to **timely and adequately compensate the accident victims on a no-fault basis**.

It may also be possible to reduce the amount of premium required for 'comprehensive insurance' once the 3rd party insurance as proposed above becomes fully functional.

³⁹ As has been emphasized throughout this document, it is imperative that enabling legislation is introduced where necessary for Public Private Partnerships to be formed and implemented in creative ways with of course solid guidelines to ensure accountability on the one hand and proper government oversight on the other. Such an initiative is needed to enable the use of scarce Government investment resources to be used to lever large amounts of capital in the private sector to meet the infrastructure demands needed in order to elevate the economic and life circumstances of the average Pakistani and those of even lesser means.

- v. After the approval of the policy document, the **Government will develop a framework** within which other transport institutions - government, statutory and private - should tailor their individual policies, strategies, plans, rules regulations and implementation mechanisms and performance indicators that would be used to monitor outcomes. Monitoring would be under the auspices of the NTC Task Force.
- vi. **In the longer term**, specific goals, strategies, and action plans to proactively lead the Pakistan transport system into the desired vision of the future will be developed through the "**Vision 2030**".
- vii. Based on the policy statements, the **Government will develop detailed sub-sectoral strategies and implementation plans** for induction of suggested measures in the transport sector.
- viii. **The Government will establish a system of periodic reviews** (suggested for a period of every five years) of the achievement of policy against the envisioned benchmarks (developed before implementing the policy document but after approval).

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