

TRANSPORT AND LOGISTICS

The transport and Logistics sector comprises physical and soft infrastructure. The physical portion constitutes rails, roads, road transport, sea trade and related freight and air transport, whereas the soft infrastructure covers packaging, delivery, storage, and trade logistics and facilitation. The T&L sector's cost is an important component since it determines efficiency of connectivity, while high freight, insurance and longer delivery times in Pakistan restrain growth in connectivity of the people and places.

Pakistan is gifted with a strategic location, which is well-suited to serve as a hub of commercial activity. Transport contributes about 10 per cent to the GDP, accounts for over six per cent of employment, and consumes 35 per cent of the total energy annually.

The Vision 2025 set the target of raising the road-density to a level of 0.45 kilometre per square km by 2018, which will increase the existing road national network from about 2,60,000 kms to 3,58,000 kms. Major upgrade in the railway system includes: increasing speed from 95 km per hour to 120-140 km per hour, doubling tracks of the main line sections, increasing line capacity with a modern signalling system, establishing North-South and East-West corridors and developing linkages through road and rail to the Central Asian states, China, and other neighbouring countries and development of a separate freight corridor on the railway tracks. The Vision emphasises participation of the private sector as a growth-driver. This will further enhance productivity, competitiveness, efficiency, innovation and entrepreneurship in the country.

Pakistan has a total of 46 airports for conducting commercial operations. Out of these airports, 42, including 10 international, are owned and operated by the Pakistan Civil Aviation Authority (CAA). At present, out of these 42 airports, 13 are being used for both international and domestic operations, whereas 11 are only for domestic operations, and the remaining 22 are either scaled down or closed for operations due to various reasons. Out of the four private airports, Sialkot is serving both international and domestic operations, while remaining three are for only chartered aircraft operations.

Road transportation is the backbone of Pakistan's transport system, which accounts for 96 per cent of all passengers and freight traffic. This highlights the current minimal participation of the Pakistan Railways in Pakistan's passenger and freight transport.

Pakistan has a coastline of over 1,000 km and an offshore exclusive economic zone, covering an area of 2,40,000 square kilometre, remains unexplored. Two major ports, Karachi and Qasim, handle 95 per cent of all international trade, and 14 dry ports cater to high-value external trade. The Gwadar Port will be built as a leading one in the region to serve as a gateway for the China-Pakistan Economic Corridor (CPEC).

Recognising importance of transport in economy and besides making large investments to improve road, rail, air and ports infrastructure, the government has planned to focus on supporting trade and logistics services. Through initiative of the CPEC, the Economic Trade Corridor will be developed to connect Gwadar with Khunjrab up to Kashgar, and creating further east and west linkages besides developing economic trade centres and zones at potential locations.

The federal government has initiated steps to provide mass transit transport facilities to the citizens of major urban cities, that is, Islamabad-Rawalpindi, Karachi, Lahore and Peshawar.

Performance review 2014-15

The PSDP for 2014-15 provided an outlay of Rs1,72,712 million for the federal programme. Against this, expenditure of Rs1,58,806 million is expected to be incurred by the end of the current financial year, giving an overall expenditure of 92 per cent. Annexure-I gives details of the outlay. The salient features of implementation are given below.

Pakistan Railways

During 2014-15, the main thrust was at the improvement of existing infrastructure, signalling system, and procurement and manufacture of rolling stock like locomotives, coaches, and bogie wagons. Three projects were completed during the year, which include: procurement and manufacturing of 202 passenger coaches, pilot project for the manufacturing of five (3000 HP) locos and feasibility study (PC-II) for construction of new rail link from Islamabad to Muzaffarabad via Murree.

The projects, which reached at an advanced stage of completion, include: doubling of track on Khanewal-Raiwind Section (246 km), rehabilitation of over aged 27 HGMU-30 DE Locos, procurement of high-capacity bogie wagons and 40 power vans, rehabilitation, upgradation and conversion of 400 passenger coaches, strengthening and rehabilitation of 159 weak bridges, and rehabilitation of 300 traction motors.

Against an allocation of Rs39,566 million, an expenditure of Rs38,000 million is expected to be incurred during 2014-15.

Ports and shipping

Against an allocation of Rs2,576 million, an expenditure of Rs800 million is expected to be incurred by the end of the Fiscal Year, showing a utilisation of about 31 per cent. During the year, work was initiated on the Gwadar Eastbay Expressway and Mehran Highway (Phase-III), Karachi.

National Highway Authority

During the year, funds were utilised to gear up the slow moving ongoing projects, especially for Gwadar links and regional connectivity, and provided funds for those projects, which were near completion or on the verge. Also, work on the establishment of the Highway Research and Training Centre (HRTC) near Burhan on M-1, in collaboration with the Japanese government, continued during the year.

Against an allocation of Rs1,11,563 million (FEC: Rs35,133 million), an expenditure of Rs1,03,000 million is expected to be incurred during the period, showing 92 per cent utilisation.

Among the ongoing projects, works continued on the acquisition of land and property compensation for construction of 184-km Faisalabad-Khanewal Phase-II, rehabilitation of Larkana-Rasheed Wagan-Nasirabad Road (34 km), bridge over the River Indus linking N-5 with N-55 at Nishtar Ghat, construction of the bridge across the River Chenab linking Shorkot and Garh Maharaja, construction of the Ratodero-Daddu-Sehwan ACW (E-6B) (200 km), Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero (Khori-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road N-85 (459 km), Burhan-Havelian-Manshera Expressway (land acquisition, property compensation and shifting of utilities), rehabilitation, improvement and widening of the KKH (Raikot-Khunjerab section, 335 km), N-5 Highway Rehabilitation Project (883 km)-revised, National Highway Development Sector Project (NHDS) – revised for improvement and construction of 687 km of roads under the ADB financing, Jalkhad-Chillas Road N-15 (66 km), Kalat-Quetta-Chaman N-25 (247 km), Kolpur Bypass N-65, Lowari Tunnel and access roads, Bewata-Khajuri-Waigum Rud N-70 (132 km), Alpuri-Besham Section N-90 (34 km), rehabilitation and upgradation of the Jalalpur Pirwala-Ucch section (45 km) of the Multan-TMP Road, widening and improvement of the Bosan Road Multan, construction of the Amri-Qazi Ahmed Bridge over the River Indus at Qazi Ahmed Amri including Sakrand Bypass, realignment of the KKH and Barrier Lake Attabad, Khushal Garh bridge over the River Indus (N-80), Multan Inner Ring Road, including six interchanges and approaches for the Larkana bridge over the River Indus.

National Highways and Motorways Police

The entire allocation of Rs40 million is expected to be incurred during 2014-15. The ongoing work includes: construction of the Central Police Office at Mauve Area, Sector G-11/1, Islamabad. The NH&MP is playing an important role in maintaining discipline and safety on the National Highways and Motorways and is a role model for any public sector entity. Its contribution has helped in reducing the road accidents and other mishaps on the National Highways and Motorways.

Construction Technology Training Institute

The entire allocation of Rs128 million is expected to be incurred during the period on the ongoing works under the project 'Enhancement of Training Capabilities of the CTTI (Phase-IV) Islamabad.

Maritime Security Agency

The entire allocation of Rs2,100 million is expected to be incurred on the continuation of construction of six Marine Patrol Vessels (MPV).

Civil Aviation Authority

The entire allocation of Rs1,195 million is expected to be incurred on the preparatory works for construction of New Gwadar International Airport (NGIA) at Gwadar besides land acquisition for the establishment of basic aerodrome facilities at Mansehra and development of sustainable rainwater resources for the New Islamabad International Airport.

Karachi Shipyard and Engineering Works

Against an allocation of Rs900 million an expenditure of Rs622 million (69 per cent) is expected to be incurred on completion of project 'Civil works for upgradation of KSEW' and continuation

of work on 'Installation of new Ship Lift and Transfer System with lifting capacity up to 7,781 tonnes'.

Finance Division

Against the total allocation of Rs4,533 million, an expenditure of Rs1,491million (33 per cent) is expected to be incurred for completion of ongoing works of various provincial road projects sponsored by the Finance Division.

Housing and Works Division

Against the total allocation of Rs1,497 million, an expenditure of Rs2,816 million is expected to be incurred for completion of the ongoing works of various provincial and federal road projects, which are sponsored by the Housing and Works Division. The excess utilisation was made through reappropriation on the project 'Dualisation and improvement of Mandra-Chakwal road.

Kashmir Affairs and Gilgit Baltistan Division

The entire allocation of Rs500 million is expected to be incurred for continuation of works of Rathua Haryam Bridge, Athmuqam Keran Bypass Road and Nuasehri Laswa Bypass road sponsored by this Division.

Outlook for 2015-16

During the financial year, emphasis will be on: i) Asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system, ii) Enhancing the role of private sector participation in sector development and institutional capacity building, iii) research and development by adopting modern technology, procedures and processes to increase sector efficiency, and iv) Improving the regional and domestic connectivity, regional connectivity will provide links to China, Central Asian States, Iran, Afghanistan and India.

It is planned to revitalise the Railway system by transforming it into a commercially-oriented entity, while retaining the railway network in the public ownership. In the aviation sector, the government has approved New National Aviation Policy, which will provide equal opportunities to all airlines and operators, enhance competition, benefit passengers and provide more employment opportunities.

Development of the port infrastructure and rationalisation of the port charges is envisaged to cater to trans-shipment through the Landlord Port concept with enhanced private sector participation. Likewise, the rationalisation of airport charges and development of airports through the private sector are also planned.

Urban Mass Transit System

The federal government has initiated steps to provide mass transit transport facilities to the citizens of major urban cities, that is, Islamabad-Rawalpindi, Karachi, Lahore and Peshawar. The proposed system is being taken up as a result of pre and feasibility studies in a phased manner. The Metro Bus Service for Islamabad-Rawalpindi (total length: 22.5 km, 8.6 km in Rawalpindi and 13.9 km in Islamabad) is expected to become operational in June 2015. Its cost is Rs44,850 million, which was funded by the federal and Punjab governments on 50:50 sharing basis. The project of the Green Line for Karachi (length 17.8 km) at the cost of Rs16,100 million, which is fully funded by the federal government. It has been approved and scheduled for completion

during the Plan period. A project of the Lahore Orange Line Metro Train has been approved, which was to be funded by the Chinese loan under the CPEC, is to cost Rs165,226 million, and is scheduled for completion in 2018. The Mass Rapid Transit System project in Peshawar is under preparation, and funding of \$180 million has been committed by the ADB.

China-Pakistan Economic Corridor

Under the CPEC, Pakistan and China have signed financial agreements worth \$46 billion. Out of \$46 billion, agreements worth \$28 billion will immediately kick-start early harvest projects, which are expected to be completed by the end of 2018. Projects worth \$17 billion, which are in the pipeline, will follow as soon as required studies, processes and formalities are completed. Out of the above investment, \$11.8 billion will be the concessional loans from China for infrastructure development like roads, ports and railways, etc. Through the CPEC, China will expand its trade and transport links and boost economic influence across the Central and South Asia.

Under the infrastructure development, financing agreements include: construction of the Karachi-Lahore Motorway (KLM) Multan-Sukkur section costing about \$2,600 million, Karakoram Highway (KKH) Phase-II Thakot-Havelian section costing \$920 million, Gwadar Eastbay Expressway at \$140 million, New Gwadar International Airport (NGIA) \$230 million, expansion and reconstruction of the existing main railway line (ML-1) from Peshawar to Karachi including construction of a dry port at Havelian and \$1.63 billion for the Orange Line Metro Train Lahore.

Another component of the CPEC is the development of the Gwadar port, which has already been given to the Chinese with an operational control lasting 40 years. The Chinese government will construct a container handling facility, a major highway and an international airport. Control over Gwadar will bring China closer to Europe and Africa. The cost of shipping from the Western Europe to China is almost double the cost of shipping from Pakistan.

The Chinese people and government will also benefit from it immensely. The project creates an easy outlet for the western region of China to the Gwadar seaport; thus bringing China close to the Middle East. A ship takes just one day from Dubai to reach Gwadar, whereas it might take about two weeks to reach Shanghai. It also cuts costs as per container cost from the UAE to Pakistan is about \$250, while the same could be up to \$1500 for China.

On completion, the distance of goods transported from Urumqi in Xinjiang to Dubai via the Gwadar Port will be 5,772 km, with reduction in distance by 11,061 km as compared to the old route via Shanghai. And the distance from Urumqi to London will be vastly cut by 10,884 km. This will make Gwadar a primary gateway for trade between China and Middle East and Europe as well as making Xinjiang a transit hub for China.

To provide overall policy guidance on the CPEC, a Project Management Unit (PMU) has been set up in the Planning Commission and a functional unit in the PM office and line ministries. The CECP PMU will take all relevant ministries and organisations on-board including Ports and Shipping, Railways, Communications, IT and Telecom, Board of investment, Information Broadcasting and National Heritage, Economic Affairs Division, Petroleum and Natural Resources, Federal Board of Revenue, National Highway Authority, Civil Aviation Authority, international development partners and the private sector to work together in achieving the desired objectives.

Programmes

An allocation of Rs2,22,764 million has been proposed for the development programme of the sector. The share of the sector is about 32 per cent of PSDP 2015-16 (Annexure-1). The salient features of the proposed programme are outlined as under:

Pakistan Railways

An allocation of Rs41,000 million has been made for 2015-2016. Works will continue on the projects for rehabilitation and doubling of track, procurement and manufacture of the DE locomotives, repair of DE locos, procurement and manufacture of passenger coaches, replacement of old and obsolete signalling system, rehabilitation of over aged DE Locos, replacement of metal sleepers and track renewal.

The new initiatives will include: procurement of new rolling stock, improvement of signalling system, feasibility study for provision of new rail links from Gwadar to the rest of the Railway network to facilitate functioning of the Gwadar Deep Sea Water Port. Work on the Karachi Circular Railway (KCR), under the JICA funding, will also be taken up. Additional schemes during the period include: i) feasibility study for up gradation of main line (ML-1) from Karachi to Peshawar and development of dry port at Havelian under the CPEC, ii) conversion of 260 passenger coaches from 110 volts to 220 volts electrical system, iii) feasibility study for dedicated freight corridor for transportation of coal from Karachi to Lahore, iv) renovation and upgradation of major railway stations, and v) development of infrastructure for uninterrupted coal supply chain from Karachi to various coal-fired power plants, including procurement of locomotives and rolling stock.

Ports and Shipping

An allocation of Rs12,000 million has been made for Ports and Shipping (P&S). Under the CPEC initiative, construction of Eastbay Expressway, construction of the Break Waters, Capital dredging of berthing areas and channels for Additional Terminal are also envisaged.

National Highway Authority

A Policy and Regulatory framework for private sector participation in National Highways would be adopted in consultation with different stakeholders to facilitate investment and increase efficiency. An allocation of Rs1,59,600 million has been proposed for the NHA. An amount of Rs14,666 million has been allocated for ongoing projects, while Rs86,834 million has been allocated for new projects and Rs58,100 million under new initiatives of the CPEC projects. Among the ongoing projects, works will continue on the projects for acquisition of land and property compensation for construction of 184-km Faisalabad-Khanewal Expressway and construction of Faisalabad-Khanewal Expressway 184 km, bridge over River Indus linking N-5 with N-55 at Nishtar Ghat, Construction of Bridge across River Chenab Linking Shorkot and Garh Maharaja, Construction of Ratodero-Daddu-Sehwan ACW 200 km, Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero Khori-Quba Saeed Khan 143 km (M-8), Hoshab-Nag-Basima-Surab Road N-85 (459 km), National Highway Development Sector Improvement Programme (NHDSIP) – revised under the ADB financing, Kalat-Quetta-Chaman (N-25) [247 km], Lowari Tunnel and access roads, Alpuri-Besham Section (N-90) [34 km], construction of Amri-Qazi Ahmed Bridge over the River Indus, including the Sakrand Bypass, realignment of the KKH

and Barrier Lake Attabad, dualisation of Sukkur bypass, Lyari Expressway, and bridge over the River Indus at Larkana.

New projects under the CPEC include: i) Land acquisition for Karachi-Lahore Motorway (KLM), ii) construction of Lahore-Abdul Hakim-Khanewal Section (276 km) of KLM, (iii) construction of the Multan-Sukkur Section (387 km) Credit Financing (90:10), iv) Construction of Raikot-Havelian-Islamabad Section (460 km) Credit Financing (90:10) including Land, and v) land acquisition, construction of the western alignment and other CPEC projects.

Other new initiatives are: i) construction of the Burhan-Havelian Expressway (59.1 km), ii) land acquisition and construction of the approach road to the New Islamabad International Airport, iii) improvement and widening of the Jaglot-Skardu Road S-1 (167 km), vi) dualisation of Multan-Muzzaffargarh-DG Khan section of N-70 (80 km) VGF, iv) land acquisition and construction of the Lahore Eastern Bypass on the GT Road, v) land acquisition and construction of the Lahore-Sialkot Motorway, vi) feasibility for construction of bridges over the River Indus connecting Layyah with Taunsa and Kaloor Kot with DI Khan, vii) Road Yakhmach Kharan, viii) construction of Muzaffarabad Mirpur Mangla Expressway, viii) Sangla Hill (Pendorian-Beranwala) Interchange on M-3, ix) dualisation of (Gandhi Chowk to Sarai Narang) and (Domail to Rangeenabad) Old Bannu Road N 55, and land acquisition and construction of the Sialkot-Lahore Motorway (110 km) 30 per cent VGF on the BOT.

Ministry of Communications

An allocation of Rs364.65 million has been proposed for green line bus transit project Karachi, enhancement of training facilities at the CTTI and construction of the Central Police Office for the NH&MP, Islamabad.

Ministry of Defence

An allocation of Rs1,000 million has been proposed for continuation of work on the construction of 6-Maritime Patrol Vessels for the Pakistan Maritime Security Agency.

Karachi Shipyard and Engineering Works

An allocation of Rs900 million has been proposed for continuation of ongoing works for the installation of ship lift and transfer system to provide docking and repair facilities for big ships of up to 7,781 tonnages at the KSEW.

Finance Division

A total allocation of Rs2,530.60 million has been proposed for continuation of ongoing works besides initiation of new provincial road projects in all the four provinces by this division.

Civil Aviation Authority

A budget of Rs3,471.42 million have been proposed for continuation of the ongoing works on the New Gwadar International Airport besides development of sustainable rainwater resources for the New Islamabad International Airport. Also, land acquisition for the establishment of the basic aerodrome facilities at Mansehra will be done.

Housing and Works Division

An allocation of Rs769.62 million has been proposed for continuation of the ongoing works besides initiation of new provincial and federal road projects in all the four provinces by this Division.

Kashmir Affairs and Gilgit Baltistan Division

A total allocation of Rs700 million has been proposed for continuation of the ongoing road projects by this Division.

Annexure-I

Transport and communications

(Rs million)

No.	Executing agency	PSDP Allocation For 2014-15	Estimated Expenditure during 2014-15	Expenditure in %age of PSDP Allocation	Proposed PSDP 2015-16
1	National Highway Authority (NHA)	1,11,563	1,03,000	92	1,59,600
2	Pakistan Railways	39,566	38,000	96	41,000
3	M/o Ports & Shipping	2,576	800	31	12,000
4	Ministry of Communications				
	– Green line Bus Transit Project, Karachi	7,961	7,961	100	100
	– Const. Technology Training Institute (CTTI)	128	128	100	53
	– National HW & Motorway Police (NH&MP)	40	40	100	201
	– National Transport and Research Centre (NT&RC)				10.65
5	Aviation Division				
	– Pakistan Meteorological Department (PMD)	35	35	100	28.58
	– Civil Aviation Authority (CAA)	1,195	1,195	100	3,471
	– ASF barracks accommodation at NIIA, Islamabad	118	118	100	400
6	Defence Division				
	– Construction of 6 Marine Patrol Vessels of Maritime Security Agency (MSA)	2,100	2,100	100	1,000
7	Defence Production Division				
	– Ship lift & Transfer System (KSEW)	900	622	69	900
8	Finance Division (provincial roads)	4,533	1,491	33	2,530.60
9	Housing & Works Division (provincial roads)	1,497	2,816	188	769.62
10	Kashmir Affairs & GB Division (const. Of Rathua Haryam Bridge, Athmaqam Keran Road, Nauseri-Laswa Road, AJ&K)	500	500	100	700
	Total T&C	172,712	158,806	92	222,764
				Total PSDP	7,00,000
				T&C share	32%