GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
Planning & Development Division

INVITATION FOR EXPRESSIONS OF INTEREST (EOI)

(Developing the Implementation Strategy for the Trucking Policy and Help Initiating the Implementation Process)

The Framework for Economic Growth of Pakistan (2011) focuses on vibrant and competitive markets, and connectivity. In this context, the National Trade Corridor Improvement Programme (NTCIP) of the Government of Pakistan emphasizes on making Pakistan the hub of regional economic activities and modernizing and strengthening of Trade & Transport Logistics of the Country by improving the overall connectivity within and beyond the country. The overall aim is to enhance internal and regional connectivity and boost trade with neighboring countries and the Central Asian Republics. In order for Pakistan to compete regionally and internationally, modernization of the entire Road Freight Sector with particular emphasis on Trucking Sector modernization is required as our dependence on road freight is almost 96% of the total ton/km which is growing at a fast pace. Improving the trucking industry will also contribute significantly to improving the state of the Pakistan's railways sector. The modernization of Trucking Sector is an important constituent of the whole NTCI Programme. The first ever Trucking Policy document prepared in consultation with all the stakeholders has been approved by Government of Pakistan (GOP) in October 2007 (websites http://www.ntcip.gov.pk or http://www.engineeringpakistan.com/TruckingPolicy.pdf).

National Trade Corridor Management Unit (NTCMU), Planning Commission, which is steering the reforms initiated by the GOP in the Transport & Trade Logistics sector, is a World Bank funded project. The NTCMU intends to utilize part of the funds to procure consultancy services for developing Implementation Strategy for the approved Trucking Policy document and also help initiating the Policy Implementation Process.

The NTCMU on behalf of the Planning Commission invites National & International Consultancy firms / JVs to indicate their interest in providing the above-mentioned services. Interested Consultants / Consultancy Firms / JVs must provide following information, indicating that they are qualified to perform the services;

- **Company's Profile:** Organizational details and Financial health / strength including financial statements (turnover in 3 years), net worth of the company
- **Experience:** Summary of overall experience including relevant / similar assignment and experience with similar clients & similar authorities,
- **Technical Competence:** Availability of appropriate skills among staff with summary of relevant professionals, employees and resource persons and any other relevant information highlighting technical expertise and competence of the consulting firm,
- **Management Competence:** Information on projects implemented, project budget, number of full time staff working on the project, number and expertise of consultants/resource persons and duration of the project.

Services of Consultancy Firms / JVs will be procured in accordance with the Quality Based Selection (QBS) procedures set out in the Guidelines for Selection and Employment of Consultants by World Bank Borrowers dated May 2004 updated October 2006.

Interested Firms / JVs may obtain Scope of Work from the address below during office hours i.e. **0800 to 1600 hours** The EOI & Scope of Work can also be downloaded from the websites of NTCMU http://www.ntcip.gov.pk, the Planning Commission www.planningcommission.gov.pk, and the Public Procurement Regulatory Authority www.ppra.org. Expressions of Interest can be submitted in triplicate on the following postal as well as e-mail addresses by 6th January, 2012.

Project Director, National Trade Corridor Management Unit, Planning Commission, Government of Pakistan, First Floor, IFC Building (Old Awami Markaz), F-5/1, Islamabad, Tel: +92-51-9207571; Fax: +92-51-2821151	**ntcmu.pc@gmail.com**

GOVERNMENT OF PAKISTAN
Planning Commission
Planning & Development Division

Scope of Work
for
"Developing the Implementation Strategy for the Trucking Policy and Helping Initiate the Implementation Process"
As part of the overall National Trade Corridor Improvement Program (NTCIP)

Background

Preparation and approval of the first ever Trucking Policy for Pakistan

1 The Trucking Policy for improvement of the overall Road Freight Industry (RFI) in Pakistan was approved on Oct 31, 2007, by the Economic Coordination Committee. (The Policy Document is available at (http://www.ntcip.gov.pk or http://www.engineeringpakistan.com/TruckingPolicy.pdf)

Why must this policy be implemented as soon as possible (ASAP)?

2. In 2005 it was estimated that sector inefficiencies were costing the economy about Rs 150 billion per year[1], while low service quality is impeding Pakistan's trade competitiveness (both internal and external). These costs to the economy will continue increasing unless the new Trucking Policy is implemented. Key issues facing the trucking sector as assessed by the GOP in 2005[2] include the following.

What were the basic sector issues in 2005, most of which persist till now, when the policy formulation was started?

3. Low Vehicle Distance Productivity – Trucks are operated long hours and are modified to take excessive loads. Productivity is, however, constrained by low speeds, which have changed little over 20 years. Running speeds are between 40 and 50 km/h, and loaded trip speeds are around 25 km/h. Compared to India or Africa, annual vehicle mileage is reasonable, 100,000 to 130,000 km. This is, however, less than half the utilization in industrialized countries, such as the USA. Low speeds are partly offset by the low empty load ratio, <20 percent. Transit times between Karachi and Punjab are around 48 hours, and between Karachi and Peshawar 72 hours. In comparison, transit times between Algesiras, in Spain, and Perpignon, in France, (1,320 km) are 15 hours, and between Algesiras and Paris (1,855 km) 24 hours.

4. Low Service Quality for High-Value Exports – Although major shippers are broadly satisfied with service levels, the overall quality of road freight services is far from optimal, especially with regard to reliability and timely delivery. Manufacturers keep a "buffer" of one/two days to compensate for slow/unreliable delivery. For exporters of high-value goods, the cost of the "buffer" is increasingly an issue. Private dry ports have enabled large exporters, in Faisalabad and Sialkot, to control transit time, reliability of delivery, and supply of capacity. The contract transit time is 48 hours but shippers who need faster service, can hire the same transporters for a delivery time of 28 hours at a premium of 50 to 60 percent.

5. Old Truck Technology – The trucking fleet is mainly old, obsolete and under-powered. There are over 184,000 registered heavy commercial vehicles (exceeding seven tons payload), but such estimates should only be taken as suggestive as registration statistics are unreliable. It is even harder to disaggregate the fleet by vehicle type and axles. About two thirds of the fleet is outdated two/three axle rigid trucks with worn-out and underpowered engines. The fleet has not changed greatly in 20 years; though there are more tractor-trailers, they are still a small percentage of the total fleet. Traffic counts on N5, between Lahore and Karachi, show a gradual increase in the proportion of articulated and 3-axle units, and are suggestive of the transformation in the long haul fleet. They are not, however, representative of the overall fleet as small 2-axle units still dominate on local routes. Full efficiency gains on new trucks have not been realized. Nissan, Hino and Isuzu assemble trucks from imported kits, using about 30 percent local components. The vehicle design is old and use naturally aspirated engines which were replaced in industrialized countries by turbo-charged engines some 30 years ago. More advanced truck technologies have almost doubled truck km/liter but Pakistan is still importing old technology for local assembly. The import of secondhand trucks, other than dump trucks, is not permitted, though many used dump trucks are soon modified for general freight. Over 3,000 such units per year are imported, while local production is about 2,000 heavy vehicles per year. The illegal modification of both imported and locally assembled rigid trucks to under-powered tractors is not uncommon.

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[1] The estimates include (a) extra fuel costs and subsidies (Rs 60-90 billion/year), (b) additional road user costs (Rs 30-35 billion/year, and (c) contributions to the infrastructure deficit (Rs 25 billion/year).
[2] All costs reflect 2005 costs and should be indicative in 2008.

6. Under-Developed Cargo Insurance – There is a conspicuous absence of cargo insurance. Some shippers buy coverage from the broker or freight forwarder but most shippers, especially for local cargo, carry the risk themselves There is no regulated practice of holding the trucker primarily responsible for damage/loss; there is thus little incentive for the trucker to take care of cargo. There is also no meaningful third party liability insurance. Shippers can buy cargo insurance coverage from freight forwarders for 0.5-1.5 percent of the invoice value. (A Draft Carriage of Goods by Roads (Liabilities) Bill has been prepared by Ministry of Communications and submitted to Parliament for approval). In the USA cargo losses are 1-2 percent of carrier revenues and these revenues average about 3– 4 percent of the cargo value, so the actual value of goods lost is extremely small. This is tremendously lower than the rates being paid in Pakistan for cargo coverage. One shipper of sporting goods calculated that the freight cost was about 2 percent of cargo value and insurance could be 25-75 percent of the transport cost.

7. Serious Sector Externalities – In developed countries, there is growing concern about truck externalities: damage from over-loaded vehicles, congestion, accidents, noise, pollution, and greenhouse gases. The focus of policy has shifted toward internalizing these externalities through more economically efficient road pricing. Intense competition pushes truckers to cut costs by infringing regulations. This is not unique to developing countries. A study3 in France suggested that, if all carriers complied fully with their legal obligations, freight costs would increase by a third. Infringing the regulations can bring substantial operating benefits to noncompliant operators and, with competition, all operators then have to infringe the regulations. Overloading trucks brings no additional profits to truck owners when all trucks are overloaded, but lower freight rates and higher road damage costs.

8. In Pakistan, there has been little/no enactment or enforcement of regulations controlling overloading, safe operations, crew hours, truck modifications or trailer manufacture. Hazardous cargo is treated no differently than other cargo and no efforts are made to control vehicle pollution. The major externality is road damage from overloading; trucks are loaded to their maximum cubic capacity, irrespective of axle loads or resulting vehicle speeds. Overloading causes excessive road damage and, along with excessive driving hours, presents a serious safety problem. The sudden enforcement of axle load regulations may not be feasible as it would cause supply shortages and large and rapid increases in freight rates, but a strategy for the gradual reduction in overloading is required.

9. Various studies and reports suggest that about 25 percent of road accidents and fatalities in Pakistan involve a truck. The record for trucks may be better than buses but is still extremely poor. In more developed countries, the share of trucks in road fatalities does not exceed 5 percent but the proportion of trucks in total traffic is also very much lower. However, the fatalities/100 million vehicle kilometers are 10 – 20 times higher in Pakistan than in Europe, North America or Australia. Overall, the safety record of trucks is poor and could be substantially improved by changes to vehicle standards, road improvements, reduced loading and appropriate operating regulations.

10. Low Industry Profitability – The general cargo trucking sector has low profitability and a high rate of bankruptcy. Market rates in May 2005 indicate an average freight rate of Rs. 17.14 per km for a 40ft container (10 and 25 tons), and Rs. 10.76 per km for a 20ft container. Back-haul rates from Lahore, are 40 to 50 percent lower than the outward freight rates. Back-haul rates are not sufficient to cover all operating expenses. On the Lahore - Karachi route, for example, the fuel cost for a tractor trailer would be around Rs. 13,500 leaving only Rs. 1,500 for other expenses, just enough to cover the crew cost. Even with the higher front haul rate, overall profitability is very low.

11. Low freight rates may be explained by the combined impact of very low cost trucks, the massive overloading, low wages, and a truck technology which allows easy maintenance and locally fabricated parts. Overloading transfers part of the trucking costs to the government in the form of additional road costs and the low vehicle maintenance costs are a reflection of low wages and labor productivity. But the small, old trucks are only cost effective because import restrictions unnecessarily inflate the cost of big, modern trucks. As elsewhere, with less restrictive import policies and reasonable highway management, truckers would move to a tractor-trailer fleet, for long haul operations. While rates are low, the potential savings from more efficient equipment and better highway management are still available.

The approved Trucking Policy responds to these issues

Nature of this Current Assignment

Implementing the Policy is not a straight forward job

12. Soon after the approval of the policy the Government of Pakistan (GOP) started work on implementing the policy. A stakeholder meeting was called on 28-01-2008, 2008 during which it was highlighted that while a lot of research, analytical work, and consultations have been done to prepare the policy, a lot more of the same will be required to implement this policy—this will require more than just issuing instructions or preparing SOPs.

13. The policy in its scope covers a lot of ground that is concurrently legislated, regulated, administered, and managed at both the federal and provincial level. In fact some recommendations reach the municipal level—such as

[3] "Privatization and Regulation of Road Freight Transport" ECMT Seminar. Paris, 5 September 1996.

considering restricting movement of certain size in residential areas to encourage development of intermediate and appropriate weight classes in trucking in Pakistan in the urban areas. Similarly the policy involves a wide number of institutional players which will need to be coordinated, e.g., from PSQCA (Pakistan Standards and Quality Control Authority) to NHA (National Highway Authority) to Provincial Excise and Taxation Departments to NHMP (National Highway and Motorway Police) and Police for work on the axle load management.

Need to formulate a project and subprojects

14. It was agreed that because of this wide coordination canvas it would be next to impossible to implement this policy in an *ad hoc* fashion. This current Scope of Work are a result of this decision. It is foreseen that an overall project coordinated by the Planning Commission of Pakistan in partnership with the concerned institutions will be formulated and its implementation piloted as an end-result (deliverable) of this Scope of Work. The various areas to be tackled in the implementation of this policy will have to be structured as sub-projects that will have to run in parallel as implementation activities in these areas are inter-connected.

Trucking Policy Focus Areas

15. The overall trucking policy revolves around the following areas which are interconnected and thus require a great deal of coordination and parallel implementation to ensure results on-the-ground.

a. *Formal Industry Status* – Granting of the formal status of an *industry* to the overall trucking and road freight sector and assuring that the required incentives are put in place
b. *Motor Vehicle Registration System (MVRS) and Motor Vehicle Examination (MVE)* – Modernizing the overall motor vehicle registration and examination system in the context of the road freight sector specific requirements and establishment of "*Central Data Repository".*
c. Improving *Axle Load Management* and Control
d. Drivers Licensing and Training
e. *Trans Freight Stations* – improving the physical logistics of road freight haulage at transfer points in the physical chain
f. Developing the *'Trailer' Industry*—improving and modernizing the manufacturing and registration of trailers
g. Improving and implementing the *National Standards and Specifications for Trucks, Trailers,* and other vehicles used in the road freight industry.
h. Developing *Industrial Estates or 'clusters' for Truck and Bus Body Makers*.

Roles of lead institutions in the various implementation areas assigned

16. To some extent the GOP along with the various stakeholder institutions have already identified the lead institutions for each of the above policy focus areas—as part of the process which lead to the Policy Formulation. However it is up to the Consultant to reassess / convince the stakeholders of an arrangement that is most efficient and feasible.

Core Objective of this Assignment

17. To undertake and deliver all that is required *to prepare and pilot the implementation of the "Trucking Policy Implementation Strategy"*.