



COUNTRY REPORT PAKISTAN

36TH FAPAA MEETING, BANGKOK 2009



PAKISTAN

Population : 170 million Area : 796,095 Sq. km.
Capital : Islamabad Comm. Center : Karachi

Sea Ports:

Karachi Port, Port Qasim, Gwadar Port.

Airports:

Karachi, Islamabad, Lahore, Sialkot, Faisalabad, Peshawar, Quetta

Dry Ports:

Hyderabad, Quetta, Multan, Lahore, Faisalabad, Sialkot, Rawalpindi, Peshawar

International Border Crossings:

Afghanistan	:	Chamman, Torkham
China	:	Sust Karakoram
Iran	:	Taftan
India	:	Wagah, Kokrapar



Pakistan International Freight Forwarders Association

503, Kashif Centre, Shahrah-e-Faisal, Karachi-75350.

Tel :92-21-5221881-3 Fax : 92-21-5221884

email : piffa@cyber.net.pk

The association is registered as a Trade Organization with the Federal Ministry of Commerce.

The association is run by an executive committee consisting of 18 members.

Chairman	:	Asad Ahmed
Secretary General	:	Anwar Ahmed

Subcommittees :

Seafreight Export	Airfreight
Seafreight Import	Trade Reconciliation & Legal
Training & Education	Transit Trade
Information & Communication	Dry Ports

AN OVERVIEW OF PAKISTANS INT'L FREIGHT FORWARDING & LOGISTICS INDUSTRY

by
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(Founder Chairman, PIFFA)
April 2009

Historical Position & Realization :

A prerequisite to the development of any economy is a efficient logistics & transportation system and the driver of a efficient logistics & transport system is a efficient Freight Forwarding sector. Pakistans Freight Forwarding, logistics & transport sector had been virtually nonexistent, so about five years ago we approached the Government and mutually explored the merits of addressing this sector, several presentations were made resulting in a series of coordinated efforts. It was evident that to support the growth of Pakistans economy this sector would need a focused development effort. Additionally it was also realized that a properly articulated & efficient logistic and transport sector could provide services to not only Pakistans economy (with a population of 170 million) but also to the Central Asian countries (with a combined population of 60 million) as well as the larger population of Western China.

The countrys International Freight Forwarding sector was totally fragmented with no direction, no official recognition and no access to formal financing, warehousing was non existent and trucking was totally in the informal sector having no corporate structure, no access to formal financing and no cross border transport opportunities due to the absence of necessary legislation and transit mechanisms.

If Pakistan's International Freight Forwarding, Logistics & Transport sectors were to move forward then we would need to institutionalize our existence on a much larger canvass supported with the appropriate international linkages. Therefore the need to create the necessary institutions was the big initial challenge.

Industry's Initiative :

In mid 2004 we setup the "International Road Transport & TIR Commission" at the ICC-pnc and it became the member of IRU – the International Road Union hence also the guaranteeing national organization for the implementation of the TIR Convention. Soon after in December 2004 we set up PIFFA – Pakistan International Freight Forwarders Association. A set of "Standard Trading Conditions" were adopted and PIFFA then got membership of FIATA after being unanimously elected at the 2005 World Congress held at Moscow. Both these were independent actions but were interlinked and formed the necessary basis to move forward with the development of the country's logistics & transportation sector.

Government's Initiative :

We then worked closely with the Ministry of Commerce as well as the Ministry of Industries and got support from them for our proposals & ideas which translated into the trade policy initiatives as well as the Industrial policy strategy programmes. We perused coordination with the World Bank to take these initiatives further. The World Bank meanwhile started working with the Government on infrastructure development and the Federal Governments Planning Commission proposed to formalize the initiatives. In August 2005 The Government announced the formation of the National Trade Corridor. It articulated the entire expanse of the project and it was quite evident that this was going to be the backbone for further development of Pakistans industry

and its economy as well as its position as a transit hub for the regional hinterland. The project was to deal with the improvement and upgradation of the entire logistics & transport infrastructure & services starting from deepening the port channels, setting up of deep draft berths, planning cargo villages at the seaports & airports, expansion & upgradation of the road & highway networks as well as creation of new linkages, revamping of Pakistan Railways freight section, setting up of container freight stations & setting up of customs stations on our northern border crossings. On the services sector the Government was revamping the entire customs procedures including the introduction of fully automated processing. The Government encouraged the freight forwarding sector i.e. PIFFA to streamline its rules, code & procedures and now a self regulation mechanism based on a accreditation process is in place. Similarly the trucking sector will also need to draft its operating rules, procedures & standards.

International Assimilation :

From a totally disconnected position only a few years ago today Pakistan is becoming visible at various International Forums. PIFFA is a national association member of FIATA which is the most important International Logistics Forum, infact recently Pakistan also got elected for a seat on its board. The TIR Commission of ICC-pnc is a national association member of IRU, the Geneva based International Road Union. Similarly FBR viz a viz Pakistan Customs should continue its engagement with WCO. Paris based ICC is an important organization which reviews policies governing Global Trade & Transport i.e. INCO terms and the UCP600, it has a Transport & Logistics Committee and this now receives representation from ICC Pakistan. Similarly UNICTRAL is another important trade law making body and it will also receive participation from Pakistan.

Market Expansion :

The private sector service providers offering the logistics & transport services whether members of PIFFA (Int'l Freight Forwarders) or the TIR Commission (Int'l Road Transporters) or the local transporters, had limitations in the size of their economy. A survey conducted in January 2005 determined the annual turnover of the countries Freight Forwarding industry at approx Rs.45 billion, this did not cover trucking services and consisted mainly of afreightment agreements contracted in Pakistan for exports of sea & air shipments, some basic warehousing and a small quantity of import cargoes. PIFFA engaged and took a series of actions which resulted in the expansion of the market in the sea & air sectors, the trucking sector & the warehousing sector.

(a) Sea & Air services :

The Pakistani merchant buys on C&F basis allowing the freight to be contracted by his overseas suppliers, a legacy of the countries previous exchange control environment when importers could only pay for freight charges by opening C&F L/Cs, which meant that local importers were actually taking into account an estimated freight amount and opening the L/Cs on that estimated freight therefore paying an excess amount of freight to cover the risk of the suppliers. We engaged with the State Bank of Pakistan to address this problem, they saw merit in our suggestions and finally allowed local importers to open FOB L/Cs, contract competitive freight terms with the forwarding companies and pay the freight charges locally in Pak Rupees, the Freight Forwarder in turn is now allowed to remit the foreign exchange to his counterpart at the overseas port of loading. This will result in sizeable foreign exchange savings to the economy. It has also allowed us to enhance the opportunities and the market size for the freight forwarding industry.

(b) Trucking :

Similarly Pakistan has been deficient in the road transport sector, i.e. Afghanistan with a population of under 20 million people has a national trucking fleet of around 80,000 vehicles

but Pakistan with a population of nearly 170 million people has a trucking fleet of only 250,000 vehicles. This shortfall will need to be addressed and a enabling environment will need to be built where this sector can play its role in the national as well as in the regional economy. The impediments in the growth of this sector have already been identified and we have made specific proposals to the Government to revamp this sector infact we have worked with the Government to draft a new policy for the modernization of the trucking sector. It will allow new opportunities for the freight forwarding & logistics companies willing to operate these services in the formal sector.

(c) Warehousing :

Similarly the warehousing sector has not developed because the ports were giving huge free times to the trade i.e. in the past the cargo was carried on break bulks vessels and the discharging of such vessels would take several days, the free time allowed by the ports to the cargo was thus also of 10 days. Today the containerized vessels take no more than 18 or 20 hours to discharge and reload hence the free time allowed should be 2 or 3 days. The Government reduced it from a 10 day period to 5 days and will eventually bring it down to 3 days. This will automatically enhance the capacity of the ports. It has allowed the introduction of better quality services to the merchant and new opportunities for our trade.

Industry accreditation process :

To introduce better standards in the industry we have introduced a accreditation process for our members which includes mandatory training of minimum number of employees, mandatory insurance for transport documents etc. The process will be conducted under a self regulation mechanism by PIFFA which will be overseen by a broad based committee including PIFFA, the Government's Ministry of Trade, ICC etc.

Vocational Training Programme :

PIFFA set itself a goal for training of forwarders towards achieving an International standard of professional efficiency and performance. For this PIFFA sought technical support from the FIATA Foundation. FIATA delivered a TOT (Training of Trainers) Course for about five weeks in November-December 2006 at Karachi. FIATA team trained a large class of 30 forwarders. Out of these forwarders we short listed a core team of course developers to take forward the module development. PIFFA quickly set up the key resources, a core team of trainers and developers on one hand and financial support on the other. The team was able to start almost immediately in January 2007 to develop a course of 10 modules stretching to actual teach-time of a minimum 240 hours. It took the team six months, with a lot of support and guidance from FIATA to develop the 10 Modules.

1. Sea Freight	45 hrs.
2. Air Freight	45 hrs.
3. Multimodal Transport	20 hrs.
4. Rail Transport	15 hrs.
5. Road Transport	15 hrs.
6. Insurance	20 hrs.
7. Customs Procedure	30 hrs.
8. Transport Logistics	15 hrs.
9. Information & Communication Technology (ICT)	15 hrs.
10. Carriage of Dangerous Goods (Sea & Air)	20 hrs.
TOTAL TEACHING DURATION	240 hrs.

All these plans along with the developed course had to be presented for validation to FIATA's Advisory body on Vocational Training ABVT at the FIATA Congress in Dubai in October 2007, ABVT verdict was finally given after the meeting in favour of validating the PIFFA Course. The first batch successfully completed the course at the end of march 2008 when 30 students completed the instructions and were awarded the Diploma at a ceremony in May 2008. In April-May 2008 PIFFA prepared to launch the next course. The announcement of the second batch was very encouraging as a large number of nominations were received, the 3rd batch was also announced. The 4th batch is due this summer which will be conducted in PIFFA's dedicated premises launched as the "PIFFA Logistics Training Institute", situated at 309, 3rd Floor, Kashif Centre, Shahrah-e-Faisal, Karachi-75350. A regional train the trainers programme is now underway for our upcountry members to create the geographical expanse of the programme. PIFFA has plans for further strengthening the institutional base for continued education in the logistics sector.

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