

Research Proposal: For Development of Shipping Services Sector of Pakistan



Manzil Pakistan is a national non-profit think tank dedicated to developing and advocating public policy that contributes to the development of Pakistan. Our aim is to shape Pakistan to a country where policies on decisions of national interest are driven by non-partisan strategic thinking and implemented through consensus in the best interest of the people of Pakistan.

Research Team

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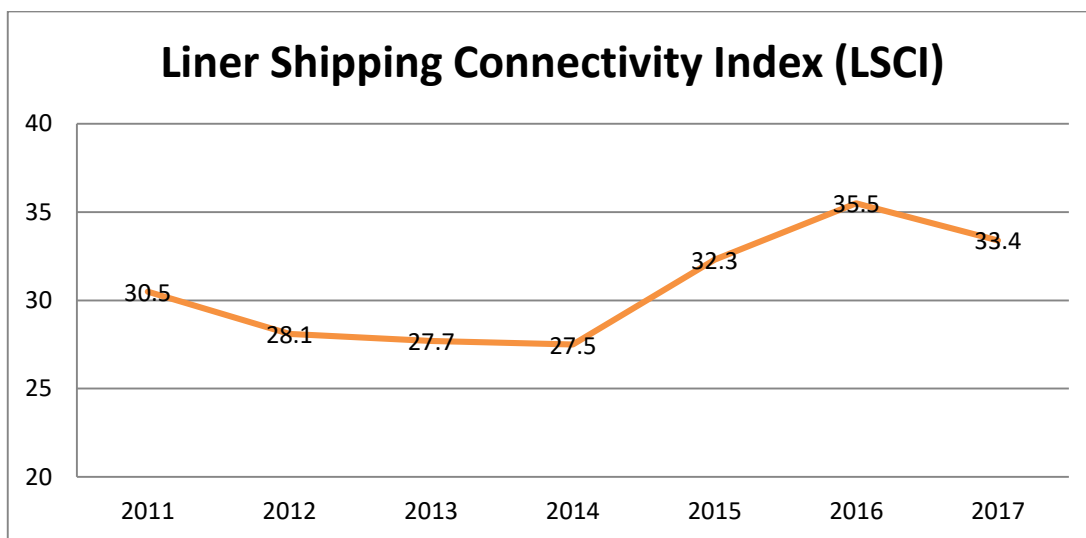
Mahin Aziz

It is very pleasant and encouraging that Ministry of Commerce and Textile (TIS Wing) is reaching out to stakeholders requesting suggestions for revitalizing Shipping Services industry of Pakistan. Creating advantageous environment for improvement of shipping services industry is capital intensive and its roots entrenches deep down the economy. A consistent multipronged strategy is required to help resurrect this industry.

Shipping Services industry has multi-folded dynamics / linkages and it can't be revived by just mere Stop gap arrangements. In order to revitalize it, many policy measures are required. Laws, Policy Directions and its implementation is the key for any industry to provide a platform from where it could takeoff. Considering the potential of this industry Manzil Pakistan is very keen towards its legal and policy reform.

Manzil Pakistan is a Public Policy think tank (non-profit) dedicated to developing and advocating public policy that contributes to the growth and development of Pakistan. Our Law department has developed a Legislative drafting manual which serves as a primary guide for National and Provincial legislative drafters. Collaborating with Pakistan Institute for Parliamentary Services (PIPS) we have also conducted training for National and Provincial legislative drafters. Our Trade and commerce department has published many research publications over the years.

Liner Shipping Connectivity Index (LSCI), LSCI captures how well countries are connected to global shipping networks. It is computed by the United Nations Conference on Trade and Development (UNCTAD) based on five components of the maritime transport sector: number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports. On score out of 100, Pakistan averages at 30.7 whereas India, Oman and Sri Lanka averages at 47.1, 50.9 and 52.3 respectively (from 2011-2017).



Over the last few years, opportunities arise to diversify and expand the volume of Pakistani products. The European Union's Generalized System of Preference Plus (GSP Plus) status given in 2014 provided the opportunity to explore and expand the trade to new European markets. Beside these, the new avenues and potential for trade growth has been approaching the country by means of China Pakistan Economic Corridor (CPEC). CPEC is considered to be a game changer with the huge ever investment by a single economy in Pakistan. The investment includes revitalizing and development of Gawadar Port, Energy related developments, and developing road infrastructure and networks etc. The development of Gawadar Port would turn Pakistan into a regional Hub of trade and commerce and play a significant role in regional connectivity.

To fully capture industry's inherent potential it is important to understand its make-up. Total sea borne trade of Pakistan for FY17 was 89.85 million Metric Ton (mMT) out of which only 15.92% (14.3 mMT) was moved by Pakistani flag carrier. It is important to note that Pakistan National Shipping Corporation (PNSC) is the **only** domestic merchant marine fleet that carries

Pakistan flag. Because of Pakistan's incapacity to carry majority of its freight, Pakistan pays out approximately USD 2.2 billion on average during the period FY06-FY18 in sea-freight bill.

Pakistan has 3 major ports which are all operated by international port holding companies:

1. Muhammad Bin Qasim Port is operated by DP World Asia Holding
2. Gawadar Port is being operated by China Overseas Port Holding Company
3. Two terminals at Karachi Port (KICT and SAPT) are being managed by Hong Kong based Hutchison Port Holding (HPH), the other terminal, PICT, is being operated by International Container Terminal Services.

Besides liner and port operation there are also many national and international freight forwarding companies working in Pakistan, they also have an association by name of PIFFA (Pakistan International Freight Forwarder's Association) to safeguard their rights.

Other sectors that make up shipping services are ship building and breaking yards, and maritime academies.

At Manzil Pakistan we aim to provide policy level structured solutions that lead to an effective public policy and improves socio-economic conditions of Pakistan. Considering the requirements of shipping services industry needs we have identified key areas that need to be addressed on priority.

1- Carriage of Goods by Sea Act-1925 (and Bills of Lading Act 1855)

One of the core segments from Policy and Legislative perspective is the shipping sector's existing legislation, for example Carriage of Goods by Sea Act was first drafted and implemented in 1925, after around 90 years this governing Act has lost its relevance to modern dynamics and is creating many operational issues in course. Same is the issue with Bills of Lading Act 1855. These laws are out of date with commercial realities and many specific problems are not addressed in these laws.

Manzil Pakistan suggests and proposes a thorough review of existing laws that hinders the performance of shipping service growth. Following is the proposed review methodology:

Law Review Methodology

Manzil Pakistan will be using the thorough analysis and consultative framework with stakeholders for review and revision of laws. The review methodology is based on comparative research methods supplemented with functional and contextual studies to incorporate developmental needs of shipping services.

Law review methodology will be based on following three levels; each level on its own is a sub-project and has its own significance for this whole research project.

1. The Need for Law – a historical preview
It entails purpose, scope and jurisdiction of application and enforcement on the Act. This level also includes identification of national relevant laws and international modal conventions.
2. Consultation with relevant stakeholders
By stakeholders it is meant that the people/entities directly affected by law. Also in this phase prestigious professional lawyers will be consulted for better understanding of law in practice and identification of relevant judicial precedents.
3. Review of Contemporary Laws – a comparative analysis
Shipping is the global service and also regulated by international governing bodies. For the sake of clearance and relevance of national laws with international laws it is

important to understand how other nations tackle subject matter and what international bodies suggest.

Following above mentioned methodology first a working paper will be drafted having recommendations supported by sound arguments. This working paper will be reviewed by relevant stakeholders for final input. After satisfying queries a draft bill will be prepared for legislative deliberation and final processing.

2- Pakistan Merchant Marine Policy-2001

On several instances Government of Pakistan has made policies to support and revive shipping in Pakistan and Pakistan Merchant Marine Policy-2001 was one such initiative. In this policy tax incentives were provided to attract investment in ship building and liner operation business. However there has been no follow-up on the policy and with time policy has lost its relevance to the current economic situations. GSP Plus status, Gawadar port and new trade dynamics were not pivotal in Pakistani policy making 17 years ago, since then trade dynamics have drastically changed and Pakistan needs to revamp its policy to cope up with these changes. This policy is set to expire by 2020 and it's a high time to develop a dynamic policy with consensus of all stake holders.

Manzil Pakistan proposes and offers its services for the policy review of 'Pakistan Merchant Marine Policy 2001' with following proposed methodology:

Policy Review Methodology

Manzil Pakistan will organize a team of economic experts to do a preliminary research on Pakistan Marine Shipping policy. The research will largely focus on the changing needs of the economy and the recent initiative taken under the ambit of Marine Shipping. As a part of the methodology the team at Manzil Pakistan will conduct a critical review and the impact of existing Marine Shipping policy on Pakistan's shipping industry.

The proposed methodology comprised of five steps:

1. **Critical Review:** The current policy i.e. Pakistan Merchant Marine Policy 2001 would be analyzed to understand its strengths and weakness. By leaving flaws and taking strengths of the current policy, the review moves forward for the consultation part.
2. **Consultation with Stakeholders:** Input for the stakeholders are utmost important for a policy to be effective. Stakeholders consulted will be:
 - Government institutions
 - Industries (Shipping, Ship Building & Breaking etc.)
 - Specialized (Marine) Training Institutions
 - Subject matter experts

3. **Agenda Building:** Objectives and specified benchmarks and milestones would be identified for a policy to be said effective. Agenda covers both short term and long term objectives.
4. **Policy Update:** By taking the structure of the current policy, incorporating the input from stakeholders and setting up the agenda the team will develop and improve the existing policy framework. Beside these the benchmarks and milestones specified in the existing policy will be rationalized and revised for better periodic review.
5. **Evaluation Mechanism:** Review timeline is a very critical component of policy making. It makes that policy dynamic and helps create little adjustments if policy outcome deviates from the agenda and objectives defines. There has to be an interim 2 years policy review followed up by 5 years policy. The review will be largely quantitative in nature and according to benchmarks and milestones set in the policy. An oversight mechanism comprising of different stakeholders will be recommended to monitor the workings and milestones of the policy.

Expectations:

In order to revive shipping services industry, Government has to revise the laws and policies that would provide a platform to restructure the industry. Without having a strong legal and policy direction, all efforts would be a window dressing and wouldn't give the desired results.

In light of above arguments Manzil Pakistan would like to extend its support in review and revising above mentioned Act and Policy on pro-bono basis. Also we fully understand that Law and Policy review is an extensive process which requires the input of all the stakeholders considering this our research exercise will include interview and workshops to make our recommendations relevant and applicable.

We expect this proposal serves as an engagement for initiating Law and Policy review between the Ministry and Manzil Pakistan.