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8.1 Present Condition

8.1.1 Administration

(1) Ports and Shipping Wing of Ministry of Communications

Administration of maritime transport is under the jurisdiction of Ports and Shipping Wing of Ministry of Communications in Karachi which is chaired by the Director General. The organizational chart is indicated in Figure 8.1.1.1.

Shipping in Pakistan is still governed by the Merchant Shipping Act of 1923 which regulates registration, shipbuilding, surveys, safety and operation of vessels, delivery of goods, liability of ship owners, employment of personnel on vessels and other legal matters.

As far as shipbuilding is concerned, the authority was transferred to the Ministry of Defense from the Ministry of Communications in late 1993.

PSW is in a position to study and evaluate merchant shipping policy continuously, at micro and macro level, reviewing all previous rules, regulations, practices and procedures followed previously in accordance with the dynamics of the international shipping trade.

It has no alternative but to bear a limited authority because most of the important decisions such as acquisition/purchase of vessels are left to Planning Commission or upper Council/Committee after following the relevant procedures requesting the Ministry of Communications in Islamabad to examine applications from concerned parties as illustrated in Figure 8.1.1.2.

It would appear that the PSW is fully occupied in checking whether applications conform with pertinent provisions in the existing rules, regulations and Merchant Shipping Act of 1923 which is already outdated.

Figure 8.1.1.1 Organizational Chart of Port and Shipping Wing in KARACHI

(as of July, 1994)

Director General	Capt. I.M.K. Samadani
Director (Ports & Admn)	Capt. M. Alim Shaikh
— Section Officer (Port-I)	Dr. Abdul Shakoor Abro
— Section Officer (Port-II)	Mr. Muhammad Ibrahim
— Section Officer (Port-III)	Mr. Ziauddin Bukht
— Section Officer (Establishment)	Mr. Abdul Qadir
— Section Officer (Finance & Accounts)	Mr. Ikram Ahmad Ghori
Director (Shipping)	Capt. M. Saleem Baloch
— Section Officer (Shipping-I) — Section Officer (Shipping-III)	Mr. M. Mehar Narejo
— Section Officer (Shipping-II)	Mr. Ishrat Ahmed
Director (Projects)	Capt. Irfan-ul-Haq Dar
— Section Officer (External Coord)	Mr. Zubair Ahmad
— Section Officer (Projects)	Mr. Abdul Saboor Nizamani
— Statistical Officer	Vacant
Chief Nautical Surveyor	Capt. I.M.K. Samadani
— Deputy Chief Nautical Surveyor	Capt. Saifuddin Latif
Chief Engineer & Ship Surveyor	Mr. Badar Munir
— Engineer & Ship Surveyor	Mr. M. Zafar Shaikh
Principal Examiner of Masters and Mates	Capt. I.M.K. Samadani
— Nautical Surveyor (Exam)	Capt. M. Aslam Shaheen

Source: PSW

Figure 8.1.1.2 Decision-making procedures in the Central Government

Prime Minister

Cabinet

ECNEC
Executive Committee of National Economic Council chaired by Finance Minister

CDWP
Central Development Working Committee chaired by Deputy Chairman of Planning Commission

Planning Commission

Ministry of Communications in Islamabad

PSW in Karachi - Technical Committee headed by Mercantile Marine Dept. of PSW
Application from the state-owned shipping companies and/or private sectors

(2) Merchant Shipping Act of 1923

The comprehensive shipping legislation in Pakistan which is now in force is the Merchant Shipping Act 1923 which was formulated by the British in 1923. The Act, as well as the Merchant Shipping Act of 1894 and the 1959 Shipping Ordinance which still provides the legal basis for all maritime affairs, fall short of flexibility for contemporary shipping activities because even fundamental matters subject to the management's decision still require permission from PSW.

Under the present Act the shipping industry faces unnecessary procedural delays and difficulties.

The pertinent provisions of clause 289A and clause 289B with regard to necessary permits, for example, stipulate as follows:

The criteria for ownership of a Pakistan flag vessel is now in principle that more than 51% are Pakistan nationals whilst foreign ownership has been restricted to 49%. The share of the foreign ownership is eased upto 60% under the condition that the administrative control remains with the Pakistani Investor to protect the integrity of Pakistan Flag and to promote private sector shipping.

289A.-

1) No citizen of Pakistan shall acquire any ship or any share or interest therein, or being a registered owner of any ship registered at any port in Pakistan or of a share or interest in such ship, shall sell, mortgage or otherwise transfer such ship or share or interest to a foreign national or a Bank or Corporation, the majority of whose shares are held by foreign nationals, except with the previous permission in writing of the Central Government and such permission, if granted, may be subject to such terms and conditions as the Central Government think fit to impose.

289B.--

1) Notwithstanding anything contained in section 53 of the Merchant Shipping Act 1894, the registry of a ship registered at a port in Pakistan shall not be transferred to any port outside Pakistan except with the previous permission in writing of the Central Government; and no action in favour of the applicant on any application for such

transfer of registry, whether made before or after the coming into force of this section, shall be taken by the Registrar except with the previous permission in writing of the Central Government.

2) Any transfer of registry in contravention of the provisions of subsection (1) shall be void.

A new Merchant Shipping Act to supersede the above Acts which allows maximum flexibility to prospective entrepreneurs in the matter of ship-purchase and ship chartering is imperative indeed.

The Act in question has been pending before parliament for over 2 years.

(3) Shipping policy

It is vital to promulgate and enforce a shipping policy to serve trade in general and the maritime industry in particular as this is in the best national interest of a developing country like Pakistan where shipping is regarded as an important economic activity.

The government will make a valuable contribution of facilitating on a competitive basis the improvement and expansion of the services offered by Pakistani ports and shipping since the two sectors face international competition .

1)Background and history

Pakistan started its merchant fleet with 3 vessels with a total of 25,103 dead weight capacity only on independence in 1947 as shown in Table 8.1.1.1.

Due to the peculiar geographical position of the country which was separated into two parts, West Pakistan and the then East Pakistan, the government took initiatives to develop coastal shipping in movements of goods to and from East and West Pakistan. Special measures were taken and incentives offered in the form of generous allocation of foreign exchange resources and granting of loans and credits to private shipping companies for acquisition of vessels. As a result, the merchant fleet increased to 29 vessels with a total of about 250,000 dead weight capacity in 1958.

A turning point for the shipping sector was the year 1959 when the Pakistan Shipping Lines entered into the shipping conference system. The fleet started growing rapidly and reached 43 vessels of over 390,000 dead weight capacity in 1963.

In 1963, the National Shipping Corporation (NSC) was established as a state-owned company under Ordinance dated 18th September 1963, and started operating on domestic as well as international routes. By 1971 before the separation of East Pakistan, the country had a fleet of 71 vessels of over 750,000 dead weight capacity.

Table 8.1.1.1 Record of Maritime Growth of Pakistan (Year 1947-1994, July)

Year	Total Ships	Total Dead Wt.Ton	Year	Total Ships	Total Dead Wt. Ton
1947	3	25,103	1971	57	635,937
1948	7	59,414	1972	54	608,845
1949	10	87,780	1973	52	597,685
1950	14	117,460	1974	52	602,741
1951	22	161,700	1975	53	621,341
1952	25	190,363	1976	49	584,195
1953	25	203,656	1977	48	564,112
1954	24	195,256	1978	48	564,112
1955	23	185,242	1979	48	580,225
1956	23	185,242	1980	50	645,450
1957	21	168,932	1981	55	738,894
1958	29	244,922	1982	50	766,601
1959	35	293,256	1983	47	731,545
1960	41	353,945	1984	36	602,744
1961	43	390,212	1985	33	559,279
1962	43	390,212	1986	30	522,517
1963	43	384,449	1987	29	510,624
1964	50	458,304	1988	29	510,624
1965	53	516,137	1989	28	492,400
1966	59	593,826	1990	28	496,914
1967	61	618,758	1991	28	496,914
1968	65	682,913	1992	28	496,914
1969	66	679,692	1993	28	518,270
1970	71	749,046	1994 July	27	595,684

Source : Mariner Jan.-Mar. 1993
PNSC & Tristar Shipping Lines Ltd.

Pakistan has lost a number of vessels as well as a large shipping market since its disintegration in 1971. The Pakistan Maritime Shipping (Regulation and Control) Act 1974 was enacted and took into effect on the 1st of January, 1974, to nationalize all the 9 private shipping companies in Pakistan--a milestone in merchant marine history.

The companies taken over by the government were subsequently merged into the Pakistan Shipping Corporation (PSC) in 1976. At the time there were only two shipping companies in the country.

However, it was ironic that both NSC and PSC tended to undercut each other rather than compete with other international operators. Under the circumstances, the government decided to combine the two companies in 1979 to form the Pakistan National Shipping Corporation (PNSC) as a national flag carrier through Ordinance No.XX of 1979.

There were no particular developments in the shipping sector since then, but private sector participation in shipping has materialized as a result of inclusion of privatization in the economic policy of 1990.

Three private shipping companies out of 39 shipping license holders, as of July 1994, have made a debut into the shipping sector.

It is recognized that there are only 27 ocean-going vessels, used 15 years or longer, with a very low total DWT of 595,684 at the present.

2) Formation of shipping company

The present outlook of each company, on the basis of their latest annual report, is tabulated in Table 8.1.1.2.

a. Pakistan National Shipping Corporation (PNSC) is the only national line. It owns 18 general cargo carriers and 1 passenger cum cargo vessel as of July, 1994. Total DWT is 313,040. It does not own bulk carriers.

b. Pan Islamic Steamship Company (PISC) separated from PNSC in 1980 and started to operate as a private shipping company in the liner cargo sector by inviting a stake of 49% from the Saudi government. At present, it owns 3 vessels with 28,102 DWT. 2 are general carriers, and 1 is passenger cum cargo vessel.

c. National Tanker Company (Private) Ltd. (NTC), an exclusive crude oil tanker company, was established by PNSC, as its subsidiary by a joint venture with the State Petroleum Refining and Petrochemical Corporation Ltd. in June 1981 in response to the government's decision for crude oil transport to be under the national flag as part of the 5th Five Year Plan. It owns M.V.Johar with 89,500 DWT only at this stage.

d. Private shipping companies which consist of Tristar Shipping Lines Ltd., Milwa Shipping Company and Ray Shipping Enterprises Ltd. own 4 vessels with a total tonnage of 193,144 DWT capacity. Three bulk carriers have been added to the Pakistani merchant fleet for the first time in Pakistan's shipping history, although they are considerably old in terms of vessel's age. Further reference on each company is in Section 8.1.6, Business performance of shipping companies.

Table 8.1.1.2 Particulars of Pakistan Shipping Companies

	PNSC	NTC	PISC	Tristar
1. No. of Employees	19	60	297	31
Ashore	1,016	25	80	4
Afloat	653	35	217	27
2. Fleet				
No. of Vessels	19	1	3	2
Total dead weight tons	313,040DWT	89,500DWT	28,102DWT	96,163DWT
Average age of owned vessels	16.8 years	18years	21.1 years	22years
3. Cargo tonnage handled	3,631 thousand Freight Tons	3,998 M/Tons	148 thousand Freight Tons	N.A
4. No. of Passengers	N.A.	Nil	15,725	Nil
5. Operating Income (Rs million)	3,134	373	236	66
6. (Loss)/Profit after Taxation (Rs million)	(95.2)	7.8	(75.2)	21
7. Dividend	Nil	Yes	Nil	15%
8. Issued, Subscribed & Paid -Up Capital (Rs million)	1,143.4	33.5	34.7	200
9. Share holding	Gov't 94.1% Private 5.9%	PNSC 50% PERAC 50%	Pakistan 51% Saudi 49%	Private 100%

Source : from each company

Note : 1 Company's name

PNSC : Pakistan National Shipping Corp.
NTC : National Tanker Co. (Pte)Ltd.
PISC : Pan-Islamic Steamship Co.,Ltd.
Tristar : Tristar Sipping Lines Ltd.
PERAC : State Petroleum Refining and Petrochemical Corporation Ltd.

2 Figures on accounting items are based on the latest fiscal report of each company.

PNSC : The year ended 30/06/93
NTC : The year ended 30/06/93
PISC : The year ended 31/12/92
Tristar : The year ended 31/12/93

3) Promotional measures for Pakistani vessel owners

There are no direct incentives such as operating differential subsidy and special arrangement for soft loans. However, the rights and privileges as mentioned below are granted to Pakistani vessel owners according to the Economic Coordination Committee of the Cabinet(ECC) on January 14, 1993.

a. Right of First Refusal

The First Right of Refusal carrying all government and public sector import cargoes consisting of wheat, iron ore, coal, fertilizer was being exercised by PNSC only in the past. However, this right was given to the private companies who have registered vessels under Pakistan Flag as a part of government policy to encourage private sector investment in shipping and to treat PNSC and private sector equally in 1993.

The Prime Minister of Pakistan issued a directive after her visit to PNSC in January 1994, restoring their right of first refusal which has disappointed the other shipping companies in the private sector. In addition to PNSC, NTC has very recently been given the right of first refusal regarding lifting of crude oil and other petroleum products for the country.

b. Tax concessions

I) Income Tax (Five-Year Tax Holiday)

Income from shipping is exempted from the levy of Income Tax for a period of 5 years from the date of registry of the ship in Pakistan.

II) Duties & Levies on capital value of vessels

Duties and levies in respect to vessels purchased and registered in Pakistan are exempted from the charges except Iqra surcharge of 5% upto December, 1995.

License fees	:	6%
Custom duty	:	10%
Iqra surcharge	:	5%
Total	:	21%

As far as the custom duty is concerned, the PSW made it clear on March 17, 1992 that the importer of the vessel will have to report to the customs and pay all applicable duties if it scraps the vessel subsequently, although import of the vessel for operation purpose is exempt.

III) Freight tax

An export freight tax of 8% of the gross freight is compulsory on all flags, except the following 23 countries under a Double Taxation Treaty:

Austria, Sri Lanka, Denmark, France, Germany, India, Ireland, Japan, Poland, Sweden, U.S.A., U.K., Switzerland, Malta, Libya, Canada, Netherlands, Thailand, Romania, Philippines, Greece, Italy, Malaysia.

Tax authorities in Pakistan require the concerned shipping agents to submit following documents so as to claim exemption.

1) Certificate of Vessel/Operating Company (both must be registered in countries which are covered by the Double Taxation Treaty)

2) Certificate from tax authority where operating company's income is assessed.

3) Certificate from tax authority where vessel's income is assessed.

c. Ship financing

The vessel financing is the most important things to develop the Pakistani merchant fleet because there are restrictions on financing vessel acquisition.

The government has recently declared that the government is not in a position to contribute Foreign Exchange component for vessel acquisition by private sector under Pakistan Flag. Thus, vessels were to be accepted as collateral for banks and DFI's, if it is agreed. However, the shipping industry is facing difficulties in financing from the two reasons.

i) Banks do not want to extend a credit line because there is no separate allocation of credit for the shipping industry by the State Bank of Pakistan.

ii) It takes time for the shipping industry to take out loans from banks, particularly from foreign banks, since mortgage on the vessel is still subject to permission from PSW. Under the provision Merchant Shipping Act of 1923, prior permission is to be obtained from PSW. This applies to sellers of vessels to foreign buyers.

d. Others

It seems possible that exporters of fresh fruits and vegetables will be allowed a facility for duty drawback on packaging material at a rate fixed by the government in addition to a freight subsidy of up to 25% of the actual freight paid on their exports, provided these goods were transport by PIA or PNSC vessels.

4) Share of Pakistan fleet in seaborne trade in Pakistan

Pakistan has little overland trade and depends almost entirely on seaborne exports and imports in the development of the economy. The share of entire Pakistan merchant fleet including PNSC, NTS and Pan-Islamic Steamship Company was barely at 10% out of the total seaborne trade of 30.2 million tons in 1992-93.

Shipping generally operates under the concept of freedom of shipping. However, under UN Convention on the Code of Conduct for liner conferences, the guideline of sharing of the participating countries is 40% each whereas third flag carriers are allowed to carry the balance of 20%.

UNCTAD Code of Conduct for liner conferences

National Flag	40%
Trading Partner	40%
Third Country	20%

Table 8.1.3.4 shows that the share of liner cargo taken up by the national flags was 8.2% which is much lower than the above figure.

(4) Private sector participation in shipping

Privatization has become the key word in the country's economic policy since 1990. In keeping with the government's policy of opening the industries to private sector except a few - tied list industries, the government has embarked on a programme to encourage participation of both local and foreign private sector in the shipping sector. PSW invited applications for shipping licenses from the private sector.

It is said that the then Prime Minister himself issued 23 licenses to relevant applicants to Pakistani and local/foreign joint ventures in May 1991. At this stage 39 licenses have been issued to the private sector to enable them to purchase vessels under any condition and of any age.

Three private shipping companies out of 39 shipping license holders are operating. The most important certificate being required by the PSW is the production of a seaworthiness certificate of the vessel from any of the recognized classification societies involved.

Practical procedures required by Merchantile Marine Department of the PSW are shown in Table 8.1.1.3.

Table 8.1.1.3 Requirement for Issuance Certificate of Interim Pakistan Registry (Provisional)

SECOND HAND VESSELS ARE AS UNDER

1 - Licence to operate ship issued by Ministry of Communications, (Ports & Shipping Wing), Karachi.

2 - Permission for acquisition/purchase of second hand vessel from Ministry of Communications, (Ports & Shipping Wing), Karachi. (Technical approval)

3 - Indemnity bond regarding customs duties on scrap of vessel.

4 - Seaworthiness report from Lloyd's.

5 - Declaration of ownership (on Form No.8) (Original).

6 - Copies of following Certificates/Documents to be required:

- a) - General arrangement plan.
- b) - Accommodation plan.
- c) - Tonnage Certificate.
- d) - Ship Registry (previous).
- e) - Minimum Safe Manning Certificate.
- f) - Cargo Ship Safety Equipment Certificate.
- g) - Cargo Ship Safety Construction Certificate.
- h) - International Road Line Certificate.
- i) - Cargo Ship Safety Radio Telegraphy/Telephony.
- j) - International Oil Pollution Certificate.

7 - Permission from Directorate of Signals Navel Headquarters Islamabad for naming of vessel.

8 - Advertisement in daily News Papers, English & Urdu for
Name of vessel:
to be issued in compliance of above.

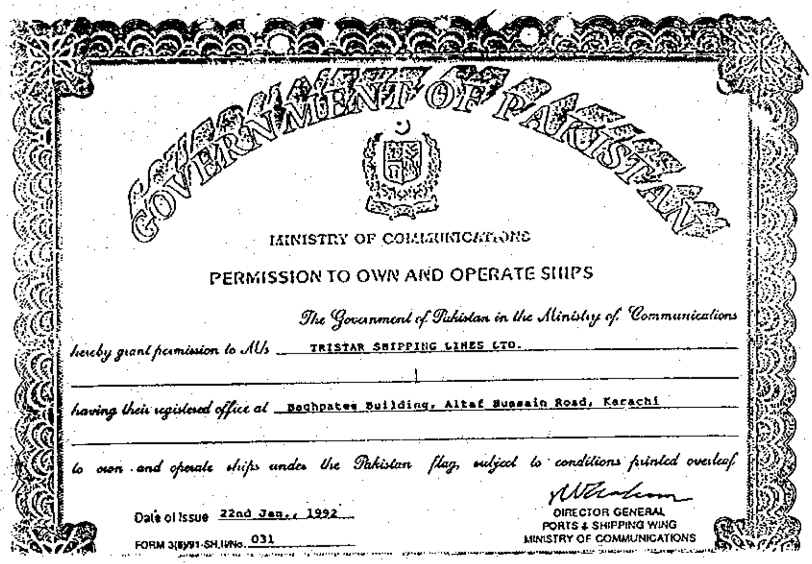
- a) - Carving and Marking note.
- b) - provisional Interim Pakistan Ship Registry.
- c) - Letter for Embassy of Pakistan to verify the Original Bill of Sale and Deletion Certificate before delivery of Ship Registry.

9 - After arrival of vessel at Karachi/Port Qasim following documents are required permanent registration.:

- a) - Import permit/Licence from C.C.I & E.
- b) - Clearance from Custom along with Bill of Entry & Invoice relating to Import.
- c) - Original Bill of Sale duty executed by the registered owners in favour of purchaser in presence of the Flag Government.
- d) - Original Deletion Certificate from Flag government.

Source : Tristar Shipping Lines Ltd.

Figure 8.1.1.3 Copy of the Shipping License



GOVERNMENT OF PAKISTAN

MINISTRY OF COMMUNICATIONS

PERMISSION TO OWN AND OPERATE SHIPS

The Government of Pakistan in the Ministry of Communications hereby grant permission to M/s TRISTAR SHIPPING LINES LTD. having their registered office at Baghpatee Building, Altaf Hussain Road, Karachi to own and operate ships under the Pakistan flag, subject to conditions printed overleaf

Date of Issue 22nd Jan., 1992

FORM 3(8)/91-SH.I/No. 031

DIRECTOR GENERAL
PORTS & SHIPPING WING
MINISTRY OF COMMUNICATIONS

A copy of the shipping license granted to the first private shipping company, Tristar Shipping Lines Ltd., since 1974, is shown in Figure 8.1.1.3.

The government has introduced promotional measures for Pakistan vessel owners to encourage and promote the license holders to acquire and register vessels under Pakistan Flag.

Also, the government announced intention to privatize PNSC taking into account the U.S. based consultant's recommendations from Mercer Management employed by the former government. However, the present government has decided not to privatize the PNSC.

The government seem to suffer financial losses. Despite massive financial assistance to PNSC in the 1980s and its strength of management, the condition has not improved. PNSC had turned into a huge financial burden with Rs.95.2 million loss, corresponding to 30% of its operating income in fiscal 1993, following the resumption of a cash dividend in 1992. Unless net profits occur large enough to stabilize the financial position, unfavorable condition may surface again.

The government, in favor of private sector participation in shipping, shall rationalize PNSC itself. The government intervention to the private shipping companies shall be limited to emergencies.

8.1.2 Foreign Trade Situation

Pakistan has a sizable domestic market with approximately 120 million population. It has a great potential for the promotion of trade with the members of South Asian Association for Regional Cooperation (SAARC) and the Central Asian Republics/ECO countries in view of the modern open market trends, although economic coordination on trade with these groups is small at present.

(1) Current Trade Situation

Pakistan has an import-dependent economy. The shares of major countries and major products in Pakistan's foreign trade for the year of 1990-91 are indicated in Figure 8.1.2.1. The graphs indicate that petroleum are imported from the Arab League e.g. Saudi Arabia and UAE and Machineries & Chemicals and other products are from industrialized countries such as EC and Japan. Raw materials are imported mainly from ASEAN countries, and wheat from USA and Canada. Among import partners, EC ranked first with 24%, Arab league second with 15% Japan third with 13%.

Main items of exports were cotton yarn, hoisiery, cotton cloth, raw cotton, rice, synthetic textiles, carpets and sporting goods. Much of Pakistan's exports exhibit heavy dependence on cotton-based products which are subject to quantitative and non-quantitative restrictions in the markets industrial countries. Raw cotton and rice are volatile crops, however. Major export partners consist of EC, USA, Arab league, Japan, Hongkong, ASEAN, other European countries, Korea, and Africa in the order of shares. Exports to Iran and Turkey forming ECO(Economic Cooperation Organization), an economic group link to Pakistan. Exports to the Gulf, as a whole, are small.

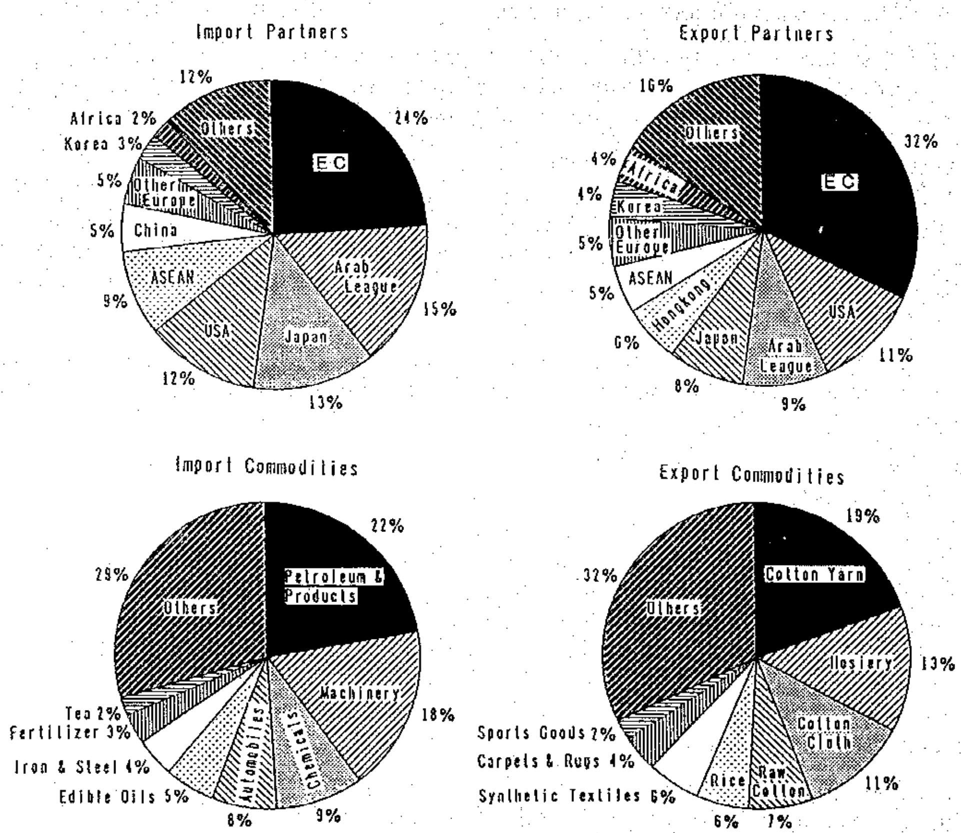
Table 8.1.2.1.indicates Pakistan's exports to and imports from ECO for the recent past 3 years upto 1992-93. In the meantime, exports to Dubai among Middle East is said to have 6% of total exports.

(2) Trend of balance of payments for shipping

In addition to continuous deficit in trade balance, balance of payments in shipping has remained negative for the past 9 years as shown in Table 8.1.2.2. Deficit in the shipping sector for the year of 1991-92 was US$734 million. A considerable amount of ocean freight is being paid to foreign shipping companies due to the non-availability of vessels under Pakistan Flag and insufficient merchant fleet to transport Pakistan's seaborne trade as mentioned in Section 8.1.3.

A clear objective shall be to promote the Pakistan merchant marine to earn and save foreign currency for the country to improve the balance of payments.

Figure 8.1.2.1 Pakistan Foreign Trade By Country And Commodity (1990 - 91)



Source: Pakistan Year Book 1992-93.

Table 8.1.2.1 Pakistan's' Export To And Import From ECO 1990-91 - 1992-93

(Figures in Tons)

Country	1990-91 Export	1990-91 Import	1991-92 Export	1991-92 Import	1992-93 Export	1992-93 Import
Iran	164,088	3,985,966	298,056	3,668,044	98,456	4,367,471
Turkey	3,654	87,854	48,177	326,751	47,209	305,106
Afghanistan	6,558	58,187	8,796	55,732	88	61,213
Azerbaijan	-	-	-	-	-	-
Kazakhstan	-	-	-	-	-	-
Kyrghizstan	-	-	-	-	-	-
Tajikistan	-	-	-	-	-	-
Turkmenistan	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-

Source : PSW

Note : (1) Commodities of: -

Export — Cotton Printed Flannel, Gray Cotton Yarn, Molasses, Sports Goods, Tamaron Chlorinated Paraffin Paper Scissors Rosins Phenolic, Glazing Powder, Amino Rosins, Sesame Seeds, White Rice, Licoric Roots, P.Effects & General Cargos.

Import — Chickpeas, Tyres & Tubes, Parts and Accessories of Tractors, Dyes, Aluminum Sheets, Colours Tanning Substances, Olive Oil, Plastic Waste & Scrap, Leather Finishing Machinery, Tyre Cord Fabrics, Chemicals, Kraft Paper, Urea Molding Compound, Textile Lubricating Preparations (Alusil) and General Cargoes.

(2) ECO ——Economic Cooperation of Organization

Table 8.1.2.2 Balance Of Payment (1984 -85 to 1992 - 93)

(US $ million)

Items	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	Jul -Dec 1991	Jul -Dec 1992(P)
Trade Balance	-3,552	-3,042	-2,294	-2,557	-2,573	-2,485	-2,483	-2,236	-1,351	-1,591
Exports (f.o.b)	2,457	2,942	3,498	4,362	4,634	4,926	5,902	6,762	3,131	3,284
Imports (f.o.b)	-6,009	-5,984	-5,792	-6,919	-7,207	-7,411	-8,385	-8,998	-4,482	-4,875
Services (Net)	-815	-1,016	-982	-1,381	-1,461	-1,616	-1,790	-2,224	-977	-1,226
Receipts	941	963	1,013	970	1,081	1,398	1,630	1,581	808	823
Payments	-1,756	-1,979	-1,995	-2,351	-2,542	-3,014	-3,420	-3,805	-1,785	-2,049
Shipment	(522)	(543)	(499)	(602)	(630)	(642)	(709)	(734)	(357)	(425)
Investment Income	(661)	(752)	(787)	(933)	(1,013)	(1,074)	(1,242)	(1,335)	(644)	(728)
Others	(573)	(683)	(709)	(816)	(899)	(1,298)	(1,467)	(1,736)	(784)	(896)
Private Unrequired Transfers (net)	2,687	2,822	2,557	2,256	2,100	2,210	2,102	2,961	1,367	1,193
(Workers Remittances)	(2,446)	(2,595)	(2,279)	(2,013)	(1,897)	(1,942)	(1,848)	(1,468)	(710)	(805)
Current Account Balance	-1,680	-1,236	-719	-1,682	-1,934	-1,891	-2,171	-1,499	-961	-1,624
Long-Term Capital (net)	834	1,223	793	1,299	1,952	1,671	1,729	2,541	1,226	940
Private Capital (net)	306	474	286	431	390	466	510	1,061	505	555
Official Capital (net)@	528	749	507	868	1,562	1,205	1,219	1,480	721	385
Basic Balance	-846	-13	74	-383	18	-220	-442	1,042	265	-684
Errors and Omissions (net)*	-229	404	105	-19	-75	47	-1	-321	102	-34
Balance Requiring Official Financing	-1,075	391	179	-402	-57	-173	-443	721	163	-718
Official Borrowings	58	43	85	262	68	550	449	-591	-649	388
Official Short-Term Capital (net)	33	18	75	253	-88	324	440	-600	-653	384
Balance of Payments Borrowings	25	25	10	9	156	226	9	9	4	4
IMF Trust Fund	(-)	(-)	(-)	(-)	(147)	(217)	(-)	(-)	(-)	(-)
Others (Debt Cancellation)	(25)	(25)	(10)	(9)	(9)	(9)	(9)	(9)	(4)	(4)
Change in Reserves (- = increase)	1,017	-434	-264	140	-11	-377	-6	-130	486	330

@ Includes Official Unrequired Transfers

P Provisional

* Includes Private Short-term Capital

Note. Figures may not tally with table 10.1 due to some changes in nomenclature and rearrangement of some Components in the light of 4th edition of IMF Balance of Payments Manual

8.1.3 Pakistan's Seaborne Trade

(1) Volumes of Seaborne Cargo

Volumes of seaborne cargo handled at both Karachi Port and Port of Qasim are shown in Table 8.1.3.1. Total cargo volumes have increased from 18 million tons to 30 million tons during the 9 year period between 1984-85 and 1992-93.

1) Total cargo volumes

Following is the shares of more than 30 million tons of cargo in 1992-93:

	(x1,000tons)	
Liquid bulk cargo	14,067	(46.6%)
Dry bulk cargo	8,852	(29.3%)
General cargo	7,253	(24.1%)
Total :	30,172	(100.0%)

2) Export/Import Ratio

Import oriented trade pattern is mentioned. Follwoing table show the figures of seaborn imprt and export. As indicated, import volume is much higher than that of export.

Table 8.1.3.2 Export/Import at Karachi and Qasim Ports, 1992-93

(X1,000tons)

	Export		Import		Total	
Liquid bulk cargo	1,564	11.1%	12,503	88.9%	14,067	100.0%
Dry bulk cargo	935	10.6%	7,917	89.4%	8,852	100.0%
General Cargo	2,978	41.1%	4,275	58.9%	7,253	100.0%
Total	5,477	18.2%	24,695	81.8%	30,172	100.0%

3) Growth in Cargo Volumes

The ratio in trade is smaller, but the growth of export increased drastically from about 1 million tons to about 9 million tons in 9 years. The cotton products are the major componets of the growth. Out of export liquid bulk cargoes, molasses has recently reached over one million tons. Main items of cargo import which made notable increases in the past were diesel oils, fuel oils, wheat, fertilizer, coal and coke as indicated in Table 8.1.3.3 and 8.1.3.4.

Table 8.1.3.1 Cargo - Tonnage Handled at Karachi Port and Port Qasim

(Unit:1,000 Tons)

Type of Cargo	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
DRY BULK CARGO	5,918	7,319	6,849	6,502	6,951	7,195	7,338	8,600	8,852
Import	4,701	5,482	5,294	5,219	6,171	6,428	5,786	7,126	7,917
Export	1,217	1,837	1,555	1,283	780	767	1,552	1,474	935
LIQUID BULK CARGO	8,220	8,289	8,483	9,867	10,167	11,636	11,217	12,304	14,067
Import	7,260	7,295	7,799	8,853	9,094	10,100	9,952	10,655	12,503
Export	960	994	684	1,014	1,073	1,536	1,265	1,649	1,564
GENERAL CARGO	3,758	4,631	4,840	5,013	5,823	5,459	5,745	6,656	7,253
Import	2,577	2,764	2,826	3,120	3,351	3,230	3,438	3,793	4,275
Expor	1,181	1,867	2,014	1,893	2,472	2,229	2,307	2,863	2,978
Grand Total	17,896	20,239	20,172	21,382	22,941	24,290	24,300	27,560	30,172
Import	14,538	15,541	15,919	17,192	18,616	19,758	19,176	21,574	24,695
Export	3,358	4,698	4,253	4,190	4,325	4,532	5,124	5,986	5,477
(GROWTH RATE) (%)									
Year to year	—	13.1	(-)0.4	6.1	12.0	1.5	0	13.5	9.5

Source:PSW

Table 8.1.3.3 Pakistan's Import by Commodities Handled at Karachi Port and Port Qasim

(1,000 Tons)

Type of Cargo/Commodity	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
DRY BULK CARGO	4,701	5,482	5,294	5,219	6,171	6,428	5,786	7,126	7,917
Wheat.	1,073	1,949	468	580	2,354	2,126	1,028	2,216	2,866
Iron Ore.	1,185	1,303	1,378	1,505	1,397	1,547	1,502	1,624	1,701
Fertilizer.	569	456	1,024	1,044	782	1,067	1,255	958	1,472
Coal & Coke.	711	859	941	810	910	1,024	979	985	1,044
Cement.	722	217	18	12	24	3	19	31	63
Iron Scrap.	144	172	390	667	333	190	248	558	353
Manganese Ore.	—	33	28	—	36	—	29	29	—
Rock Phosphate.	276	225	238	251	263	271	252	588	308
Sugar.	21	268	771	323	27	179	454	110	71
Sulphur.	—	—	38	27	45	21	20	27	39
LIQUID BULK CARGO	7,260	7,295	7,799	8,853	9,094	10,100	9,952	10,655	12,503
Crude Oil.	4,088	3,726	3,715	3,841	3,571	3,507	4,012	4,038	4,029
Diesel & Other Oil	1,779	1,938	2,671	2,546	2,877	3,078	2,870	3,496	4,114
Kerosence and Fuel Oil.	505	526	557	1,329	1,459	2,179	1,720	1,867	2,584
Petrol	127	150	37	122	203	181	220	126	226
Edible Oil & Tallow.	761	955	819	1,015	984	1,155	1,130	1,128	1,550
Palm Oil.	761	626	453	474	428	695	749	928	1,168
Soyabean Oil	—	217	246	403	455	374	280	120	325
Tallow.	—	112	120	138	101	86	101	80	57
GENERAL CARGO	2,577	2,764	2,826	3,120	3,351	3,230	3,438	3,793	4,275
Jute.	76	140	123	99	113	135	90	122	85
Bamboos.	5	7	2	1	2	1	1	2	5
Dyes & Chemicals.	93	139	170	180	177	161	136	196	188
PAPER	128	146	161	170	185	138	168	127	161
News Print.	—	18	38	29	41	43	59	48	59
Other Paper.	128	128	123	141	144	95	109	79	102
Iron & Steel.	442	430	384	455	455	419	440	395	400
Timber.	11	29	53	21	19	22	12	5	6
Tea.	48	50	48	69	69	75	56	56	69
Motor Vehicles/Tractors.	31	50	33	36	20	27	38	24	81
Dangerous Cargo.	63	59	65	46	44	36	43	50	52
Pulses.	9	35	—	—	—	—	—	—	—
LPG	—	—	—	—	—	—	—	—	10
Other Cargo.	1,671	1,679	1,787	2,043	2,267	2,216	2,454	2,816	3,218
Grand Total	14,538	15,541	15,919	17,192	18,616	19,758	19,176	21,574	24,695
(GROWTH RATE) (%)									
i) Year to year	—	6.9	2.4	8.00	8.3	6.1	(-)2.9	12.5	14.5
ii) 1984-85 as base year.	—	6.9	9.5	18.3	28.1	35.9	31.9	48.4	69.9

Source: PSW

Table 8.1.3.4 Pakistan's Export by Commodities Handled at Karachi Port and Port Qasim

(1,000 Tons)

Type of Cargo/Commodity	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
DRY BULK CARGO	1,217	1,837	1,555	1,283	780	767	1,552	1,474	935
Chorome Ore.	—	—	19	41	41	33	43	42	44
Coke.	—	20	—	—	—	65	28	28	—
Fertilizer.	271	379	—	—	10	—	—	—	—
Sugar.	—	—	—	—	—	6	—	—	—
Pig Iron.	43	92	214	—	11	10	2	—	—
Rice.	831	1,321	1,239	1,203	688	636	1,327	1,339	840
Wheat.	72	25	30	2	6	—	—	—	—
Cement.	—	—	—	—	—	15	150	7	17
Steel Billets/Coils.	—	—	53	37	24	2	2	—	—
Clinker.	—	—	—	—	—	—	—	58	34
LIQUID BULK CARGO	960	994	684	1,014	1,073	1,536	1,265	1,649	1,564
Molasses.	670	736	473	750	756	1,135	706	1,082	1,013
Naptha.	—	138	117	144	79	43	186	146	65
Crude Oil.	—	—	—	—	135	259	325	350	425
Oil(For Bunker).	—	107	39	47	65	83	40	40	50
Petroleum Product/Alchol	290	13	55	73	38	16	8	31	11
GENERAL CARGO	1,181	1,867	2,014	1,893	2,472	2,229	2,307	2,863	2,978
Cotton.	97	512	492	397	600	212	142	320	156
Cotton Yarn.	7	55	138	110	80	51	167	240	211
Cow Dung.	93	190	196	156	162	177	157	140	199
Food Grains (Other than rice)	37	3	—	—	—	—	—	—	—
Guwar meal/oil Cake.	—	49	54	42	64	82	52	44	48
Leather/Hides & Skins.	—	8	11	11	5	3	3	2	2
Rice bran.	10	82	54	50	39	69	40	37	21
Sports Goods.	—	5	8	9	5	3	4	5	4
Tetiles.	15	65	85	102	72	62	125	215	199
Ores.	29	7	—	—	—	—	—	—	—
Other Cargo.	893	891	976	1,016	1,445	1,570	1,617	1,860	2,138
Grand Total	3,358	4,698	4,253	4,190	4,325	4,532	5,124	5,986	5,477
(GROWTH RATE) (%)									
i)Year to year	—	39.9	(-)9.5	(-)1.5	3.2	4.8	13.1	16.8	(-)8.5
i)1984-85 as base year.	—	36.9	26.7	24.8	28.8	35.0	52.6	78.3	63.1

Source:PSW

Table 8.1.3.5 Export/Import of Dry and Liquid Cargoes Handled at Karachi Port and Port Qasim by Pakistan and Foreign Flag Vessels during 1987-88 to 1992-93

(×1,000 ton)

Year	Export							Import							Total Export and Import						
		Foreign Flag			Pakistan Flag				Foreign Flag			Pakistan Flag				Foreign Flag			Pakistan Flag		
	Total	Handled by Ship Agents	Chartered by PNSC	Chartered by Pan Islamic	PNSC	Pan Islamic	National Tanker Co.	Total	Handled by Ship Agents	Chartered by PNSC	Chartered by Pan Islamic	PNSC	Pan Islamic	National Tanker Co.	Total	Handled by Ship Agents	Chartered by PNSC	Chartered by Pan Islamic	PNSC	Pan Islamic	National Tanker Co.
Dry and Liquid Cargoes																					
1987-88	4,190	3,626	125	-	269	170	-	17,191	13,807	759	-	625	69	1,931	21,381	17,433	884	-	894	239	1,931
1988-89	4,325	3,847	93	-	268	117	-	18,616	13,876	1,976	-	630	45	2,089	22,941	17,723	2,069	-	898	162	2,089
1989-90	4,534	4,272	24	4	135	99	-	19,758	15,062	2,061	-	621	70	1,944	24,292	19,334	2,085	4	756	169	1,944
1990-91	5,124	4,739	13	-	245	127	-	19,176	12,428	3,849	-	600	72	2,227	24,300	17,167	3,862	-	845	199	2,227
1991-92	5,986	5,134	360	-	385	107	-	21,574	15,535	3,182	-	535	141	2,181	27,560	20,669	3,542	-	920	248	2,181
1992-93	5,482	4,512	320	-	<—	650	—>	24,690	20,180	2,140	-	<—	2,370	—>	30,172	24,692	2,460	-	1,190	120	1,710
Dry Cargo																					
1987-88	3,176	2,627	110	-	269	170	-	8,339	6,942	703	-	625	69	-	11,515	9,569	813	-	894	239	-
1988-89	3,252	2,793	74	-	268	117	-	9,523	6,872	1,976	-	630	45	-	12,775	9,665	2,050	-	898	162	-
1989-90	2,998	2,741	19	4	135	99	-	9,658	6,906	2,061	-	621	70	-	12,656	9,647	2,080	4	756	169	-
1990-91	3,859	3,474	13	-	245	127	-	9,224	4,715	3,837	-	600	72	-	13,083	8,189	3,850	-	845	199	-
1991-92	4,337	3,795	50	-	385	107	-	10,920	7,062	3,182	-	535	141	-	15,257	10,857	3,232	-	920	248	-
1992-93	<—							N.A.						—>	16,105	12,615	2,170	-	1,200	120	-
Liquid Cargo																					
1987-88	1,014	999	15	-	-	-	-	8,852	6,865	56	-	-	-	1,931	9,866	7,864	71	-	-	-	1,931
1988-89	1,073	1,054	19	-	-	-	-	9,093	7,004	-	-	-	-	2,089	10,166	8,058	19	-	-	-	2,089
1989-90	1,536	1,531	5	-	-	-	-	10,100	8,156	-	-	-	-	1,944	11,636	9,687	5	-	-	-	1,944
1990-91	1,265	1,265	-	-	-	-	-	9,952	7,713	12	-	-	-	2,227	11,217	8,978	12	-	-	-	2,227
1991-92	1,649	1,339	310	-	-	-	-	10,654	8,473	-	-	-	-	2,181	12,303	9,812	310	-	-	-	2,181
1992-93	<—							N.A.						—>	14,067	12,077	280	-	-	-	1,710

Source: PSW

A summary is shown below:

Table 8.1.3.6 Growth of Total Export/Import, 1984-95 and 1992-93

		1984-85 (x1,000tons)	1992-93 (x1,000tons)	Growth (%)in 9Years
Liquid Bulk Cargo	Export	960	1,564	62.9
	Import	7,260	2,503	72.2
Dry Bulk Cargo	Export	1,217	935	-23.2
	Import	4,701	7,917	68.4
Generral Cargo	Export	1,181	2,978	252.2
	Import	2,577	4,275	65.9
Total	Export	3,358	5,477	63.1
	Import	14,538	24,695	69.9

(2) Share of Pakistani National Fleet

The shipments to and from Pakistan depend heavily on foreign flag vessels. . In the total seaborne trade (c.f. Table 8.1.3.5), Pakistan flag carried an average of 12.6%; 8.2% of the total was in dry cargo, and 17.8% was in liquid cargo in 6-year period ending June, 1993. The remaining 87.4% was shipped by foreign flag vessels. (In these figures, general cargo is included in dry cargo.) The latest statistic of 1992-93 indicates that Pakistan flag carried 10% of the total seaborne trade; the dry cargo was 9.2% of the total and liquid cargo was 5.7% of the total. The share of each carrier was 3.9% for PNSC, 0.4% for Pan-Islamic and 5.7% for NTC, respectively.

Figure 8.1.3.1 show the trend of the share of Pakistani national fleet by total trade--exports and imports.

8.1.4 Ocean-Going Fleet Position of Pakistan's Merchant Fleet

(1) Pakistani Fleet by Vessel's Type and Age

In 1970, just before the separation of East Wing, Pakistani merchant had the largest fleet, with 71 vessels totaling to 749,046 DWT. There were no significant changes in the number of vessels since then. As of July 1994, there are only 27 ocean-going vessels with an aggregate deadweight tonnage of 595,684.

The 27 vessels comprised 21 vessels for general cargo vessels, 3 bulk carriers, 2 passenger vessels and 1 crude oil tanker as indicated in Table 8.1.4.1. The statistics, on the distribution of Pakistani fleet by type and age in Table 8.1.4.2, indicates that all the vessels have been in operation longer than ten years. The share of tonnage of the vessels under 20 years accounted for 58.1% and vessels with age of over 21 years was 41.9%. 5 vessels were in operation longer than 26 years. The older vessels may be second-hand bought from abroad. Older vessels shall be replaced gradually to revitalize the restructure of Pakistani merchant.

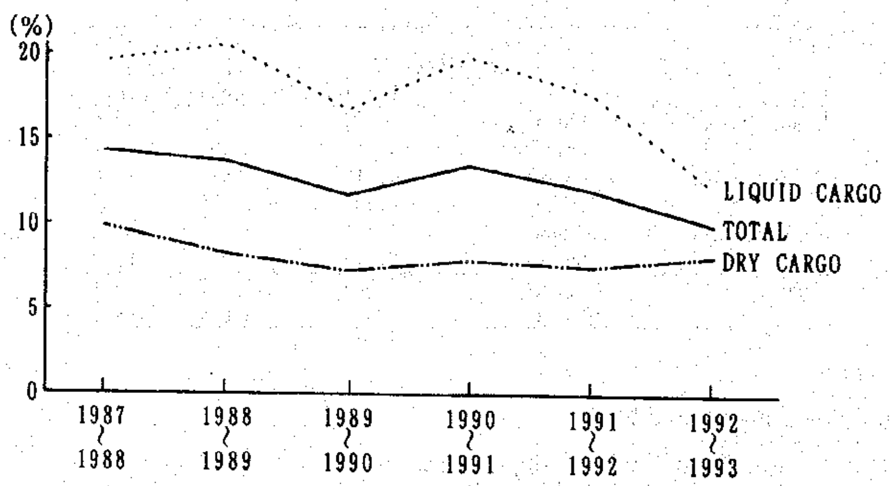
(2) Pakistani Merchant Fleet by Shipping Company

Details of each shipping company's fleet as of February 1994 are shown in Table 8.1.4.3.

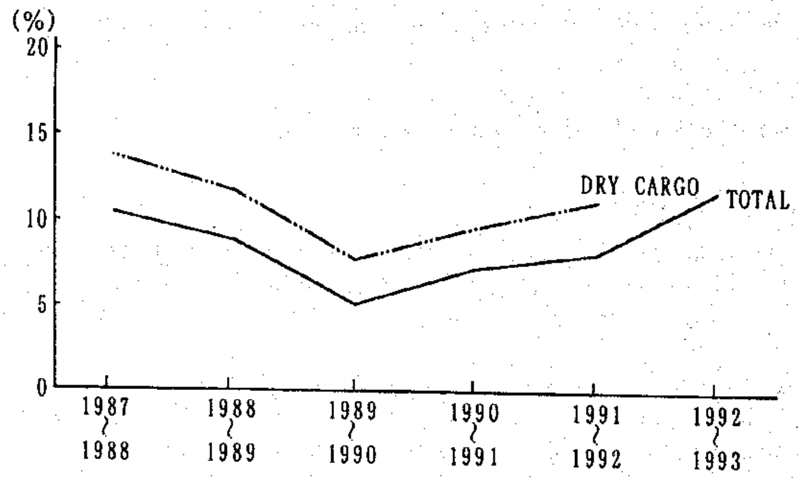
a. The latest vessel constructed in Pakistani fleet is M.V.Islamabad with 18,204 DWT: a multi-purpose cargo carrier which was built at Karachi Shipyard & Engineering Works Ltd. in 1983 as one of the 14 new multi-purpose cargo carriers acquired under the 5th Five Year Plan.

Figure 8.1.3.1 Share of Pakistan National Fleet

(a) Total Trade (Exports & Imports)



(b) Exports



Note: Nil for LIQUID CARGO

(c) Imports

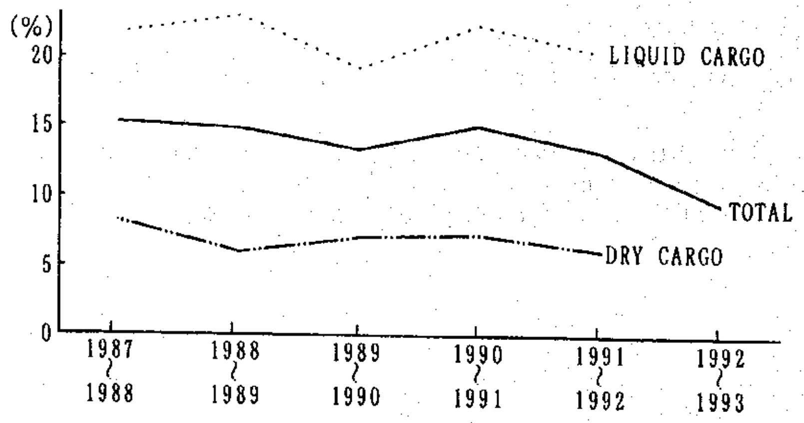


Table 8.1.4.1 Pakistan Fleet Classified By Vessel's Type (July, 1994)

Type of Ship	Number	Dead Weight Ton	%
General Cargo Vessel	21	330,369	55.5
(Conventional)	(8)	(108,466)	(18.2)
(Multi Purpose)	(13)	(221,903)	(37.3)
Bulk Carrier	3	163,076	27.4
Crude Oil Tanker	1	89,500	15.0
Passenger	2	12,739	2.1
Total	27	595,684	100.0

Table 8.1.4.2 Pakistan Fleet By Vessel 's Type And Age (July, 1994)

Ship's Type / Age of Ship	General Cargo Vessel				Bulk Carrier		Crude Oil Tanker		Passenger		Total		
	Multi-Purpose		Conventional										
	No. of Ships	DWT	No. of Ships	DWT	No. of Ships	DWT	No. of Ships	DWT	No. of Ships	DWT	No. of Ships	DWT	Share by Age
Under 10	0	0	0	0	0	0	0	0	0	0	0	0	0
10 - 15	12	219,937	0	0	0	0	0	0	0	0	12	219,937	36.9
16 - 20	1	1,966	3	34,674	0	0	1	89,500	0	0	5	126,140	21.2
21 - 25	0	0	3	47,185	2	96,163	0	0	0	0	5	143,348	24.1
26 Over	0	0	2	26,607	1	66,913	0	0	2	12,739	5	106,259	17.8
Total	13	221,903	8	108,466	3	163,076	1	89,500	2	12,739	27	595,684	100.0

Source :PSW & Ray Shipping

Table 8.1.4.3 Composition of Pakistan Merchant Fleet By Shipping Company (July, 1994)

1. Fleet owned by the state-owned shipping companies

Owner	Name of Ship	Built	Gross Ton	DWT	Ship's Type
PNSC	1. m.v. Islamabad	1983	12,518	18,204	Multi-Purpose
	2. m.v. Khairpur	1981	12,010	16,430	Cargo Carrier
	3. m.v. Sibi	1981	12,010	16,436	"
	4. m.v. Kaghan	1981	11,940	18,050	"
	5. m.v. Ayubia	1981	11,940	18,050	"
	6. m.v. Sargodha	1980	12,438	18,242	"
	7. m.v. Malakand	1980	12,478	18,224	"
	8. m.v. Multan	1980	12,436	18,257	"
	9. m.v. Bolan	1980	12,478	18,153	"
	10. m.v. Hyderabad	1980	12,436	18,257	"
	11. m.v. Chitral	1980	12,478	18,144	"
	12. m.v. Makran	1979	16,240	23,490	"
	13. m.v. Lalazar	1974	9,025	13,539	Conventional
	14. m.v. Hunza	1972	10,684	15,928	Cargo Carrier
	15. m.v. Hinglaj	1972	10,684	15,928	"
	16. m.v. Ocean Envoy	1972	9,126	15,215	"
	17. m.v. Shalamar	1970	8,942	13,391	"
	18. m.v. Kaptai	1968	10,216	13,330	"
	19. m.v. Shams	1960	8,929	5,772	Passenger
	(Sub Total 19 vessels)		(219,008)	(313,040)	
NTC	m.v. Johar	1976	43,430	89,500	Crude Oil Tanker
Public Sector Total: 20 vessels			262,438	402,540	

2. Fleet owned by private sectors

Owner	Name of Ship	Built	Gross Ton	DWT	Ship's Type
PISC	1. m.v. Safina-e-Ismail-II	1977	8,023	9,754	Cargo Carrier
	2. m.v. Safina-e-Najam	1976	7,082	11,381	"
	3. m.v. Safina-e-Arab	1962	8,477	6,967	Passenger
	(Sub Total 3 vessels)		(23,582)	(28,102)	
TSL	1. m.v. Delta Star	1972	16,639	34,686	Bulk Carrier
	2. m.v. Delta Pride	1972	35,758	61,477	"
	(Sub Total 2 vessels)		(52,397)	(96,163)	
MSC	m.v. Mustansir	1976	1,273	1,966	Multi-Purpose Cargo Carrier
RSE	m.v. Enterprise R	1968	35,486	66,913	Bulk Carrier
Private Sector Total: 7 vessels			112,738	193,144	

3. Pakistani Merchant Fleet (1. + 2.)	27 vessels (595,684 DWT)

N. B.

PNSC: Pakistan National Shipping Corporation
PISC: Pan-Islamic Steamship Co., Ltd.
NTC : National Tanker Company
TSL : Tristar Shipping Lines Ltd.
MSC : Milwa Shipping Company
RSE : Ray Shipping Enterprises Ltd.

b. PNSC has a total of 19 vessels of which there are 18 cargo carriers and 1 passenger cum cargo vessel. The average age of its fleet is 16.8 years. The passenger vessel, M.V.Shams, have been in operation more than 30 years.

c. NTC's only crude oil tanker, M.V.Johar, has been in operation for 18 years.

d. PISC has 3 vessels with an average age of 21.1 including a passenger cum cargo vessel, over 30 years in operation.

e. The 3 private shipping companies recently granted to have 4 second-hand vessels by the government. They are 3 bulkers and 1 multi-purpose cargo carrier.

8.1.5 Passenger Traffic

(1) Passenger Fleet

There are two passenger vessels belonging to the Pakistan flag. The average year of opearion of these vessels is over 30 years as shown in Table 8.1.5.1.

Table 8.1.5.1 Pakistan's Passenger Fleet

Name of Ship	Year built	Speed (Kts)	Gross Ton	Passenger Capacity
PNSC:m.v.Shames	1960	15.0	8,929	1,112
PNSC:m.v.Shafina-e-Arab	1962	14.0	8,447	1,394
Total			17,406	2,506

M.V.Sham has been laid up for more than one year since 1993. It used to make 5 to 6 voyages annually. These vessels are mainly used to ferry pilgrims during the Haj season of two months to Jeddah, which is 2,166 nautical miles from Karachi. It takes 6 days to cover this distance at an average speed of 15 knots. A round trip is completed in 18 days. During the off-Haj season they are used for passengers transportation to Jeddah for Umrah. The round-trip passenger fare is as follows:

Table 8.1.5.2 Fare of Passenger from Karachi to Jeddah

	Haj Season		Umrah Service	
	1993	1994	1993	1994
1st class	Rs.7,690	Rs. 11,535	Rs. 11,000	to be
2nd class	5,180	10,770	10,000	Decided
Deck	5,640	8,460	8,000	later

Note : Airfare during Haji season is Rs.18 ,110 in 1994.

The present passenger fleet is ending its operational life An appropriate replacement for these ships is long awaited and views are welcomed from Saudi authorities.

(2) Sea Passage

According to Table 8.1.5.3, the number of passengers for the last 5 years from 1988 to 1992 averaged about 32,000 per year of which transportation of pilgrims represented 62%. The government has decided on the number of pilgrims during Haj season every year by the number of visas issued by Saudi Arabia. Taking the year of 1993 for example, it is said that around 80,000 pilgrims were permitted to make pilgrimages to Mecca . The share of sea passage is recently on the wane due to limited capacity of passengers on the existing passenger vessels in comparison with air passage.

Table 8.1.5.3 Passenger and Pilgrim Traffic (1988-89 - 1992-93)

year	Regular Passenger (1)			Pilgrims (2)			Grand Total (1+2)		
	Dis-Embarked	Embarked	Total	Dis-Embarked	Embarked	Total	Dis-Embarked	Embarked	Total
1988-89	4,748	4,546	9,294	7,368	12,233	19,601	12,116	16,779	28,895
1989-90	8,949	11,407	20,356	11,134	10,847	21,981	20,083	22,254	42,337
1990-91	9,604	2,018	11,622	12,799	7,725	20,524	22,403	9,743	32,146
1991-92	6,438	2,702	9,140	10,138	7,740	17,878	16,576	10,442	27,018
1992-93	8,931	2,918	11,849	8,842	7,728	16,570	17,773	10,646	28,419

Source : KPT

8.1.6 Business Performance of Shipping Companies

Particulars of shipping companies in Pakistan are shown in Table 8.1.1.2, and in Table 8.1.6.1 the financial aspect is shown. Following is the business reference of related companies:

(1) Pakistan National Shipping Corporation(PNSC)

PNSC is the only national shipping line in Pakistan. Management of the corporation is regulated by Pakistan National Shipping Corporation Ordinance No.XX of 1979 as mentioned in 8.1.1.(3).1).

1) Share capital

The ordinance states that the government shall not any time hold shares of a value less than 51% of the subscribed capital.

The present share holding is as follows:

Authorized Capital	Rs. 2,000 million (200 million ordinary shares of Rs10)
Paid -Up Capital	Rs 1,143million
Government Share	89.1%
Share of Government-Sponsored Institutions	5.0%
Share of Private Sector	5.9%

Share prices (data from Karachi Stock Exchange) indicate the corporation's financial situation.(Face value Rs. 10 per share)

Year	Share price	Year	Share price
1990	Rs. 9.30	1993	Rs. 11.40
1991	Rs11.00	1994	Rs. 11.00
1992	Rs.18.00	21/07/94	Rs. 10.25

2) Board of Directors

There are seven directors which consist of five executive directors including chairman appointed by the government and two directors elected by the share- holders other than the government with a tenure of 3 years. The two directors from the private sector do not bear any responsibilities for any departments within the company, although they are expected to keep the company in good order and to assess every projects on the basis of profit and loss according to their business experience.

3) Personnel

There are 1,669 employees which consist of 1,016 ashore staff including 187 staff in the workshop and 653 afloat employees. It must be pointed out that there is room for retrenchment of this surplus situation, which is excessive for the present fleet of 19 vessels. Seamen are guaranteed to retire at the age of 60.

4) Fleet

As mentioned in 8.1.1.(3).2), it owns 19 vessels totaling 313,040 DWT which consist of 18 general cargo carriers (12 multi-purpose plus 6 conventional vessels) and 1 passenger cum cargo vessel, though there are no bulk carriers and full-container vessels at all. The average age of its fleet is 16.8 years. Under the circumstances, it is noted that most of the vessels are becoming outdated, uneconomical and difficult to maintain. PNSC recognizes the difficulty of keeping the older vessels operational much longer in view of the fact that more industrialized countries prohibit older vessels of more than 17 years old from entering their ports.

It seeks permission from the government to restructure its fleet through gradual disposal of old and obsolete vessels and their replacement with full-container vessels, bulk carriers, edible oil, and product tankers.

PNSC 's fleet continued to shrink because of no acquisition of any vessels since 14 multi-purpose vessels were acquired under the 5th Five Year Plan in addition to its failure to see the trend of containerization.

It is imperative to replace PNSC's liner fleet of 12 multi-purpose vessels by full container vessels in view of the fact that most of cargo traffic is containerized in major liner trades such as in Europe and in the Far East. It has little incentive to lure shippers as compared to major global shipping companies.

5) Services

a. Liner services

PNSC in Pakistani merchant fleet is presently operating its main services, to and from Europe and the Far East, with 12 multi-purpose vessels with an aggregated container capacity of 5,596 TEUs, mainly for conventional break-bulk cargoes but able to carry one-third of the cargo in container. However, already more than 71% of the trade is containerized, and this percentage is expected to jump up to 90% levels by the end of this century. In 1993, there were a total of some 500,000 TEUs despite the absence of proper container terminals in Pakistan. The PNSC in container traffic is negligible because they have no full-container vessels at all. It was unable to invest in new container tonnage since it had already invested in the break bulk tonnage vis-a-vis multi-purpose vessel. It is problematic that the 12 multi-purpose vessels will be gradually phased out of the Europe Line and the Far East Line services after 2000 when they will have become 20 years old as shown in Table 8.1.4.3.

Main liner services in operation consist of following lines; details of which is shown in Table 8.1.6.2. This shows 60% comes from Far East trade, about 33% from Europe trade and 7% from USA trade in terms of tonnage lifted.

Pakistan-Far East -Colombo-M.E.Gulf(MEG),	Frequency: every 10-15 days
Pakistan-UK/Continent-Mediterranean Sea-MEG,	Frequency: every 20 days
Pakistan-Canada/US East Coast,	Frequency: every 30 days

Table 8.1.6.1 Profit & Loss Account /Balance Sheet of Pakistan's Shipping Companies

(Rupees'000)

			Pakistan National Shipping Corp.			National Tanker Co., Ltd.			The Pan-Islamic Steamship Co., Ltd.		
			1993	1992	1991	1992	1991	1990	1992	1991	1990
Profit & Loss Account		Operating Income	3,134,077	4,062,877	3,860,369	373,962	356,130	278,853	236,082	275,028	265,741
		Operating Expenses	3,105,772	3,895,015	3,634,874	356,433	310,122	249,934	276,214	259,867	234,928
		Administrative Expenses	147,949	128,728	116,836	6,112	4,620	4,410	17,648	21,131	18,242
		Operating(Loss)/Profit	(119,644)	39,134	108,659	11,417	41,388	24,509	(57,780)	(5,970)	12,571
		Other Income	86,948	93,192	74,976	9,965	9,273	12,530	1,009	26,836	1,188
		Other Expenses	57,885	58,464	53,598	8,111	2,859	7,182	18,468	10,350	6,035
		Profit before Taxation	(90,581)	73,862	130,037	13,271	47,802	29,857	(75,239)	10,516	7,724
		Taxation	4,711	5,787	3,475	5,448	26,690	15,204	Nil	2,000	7,143
		Profit after Taxation	(95,292)	68,075	126,562	7,823	21,112	14,653	(75,239)	8,516	581
		Balance of(Loss)/Profit B/F	299,501	402,937	276,375	(1) 6,356	369	196	19,686	11,170	10,589
		Profit available for Appropriation	204,209	471,012	402,937	14,179	21,481	14,849	Nil	Nil	Nil
		Appropriations	Nil	171,511	Nil	12,578	20,125	14,480	Nil	Nil	Nil
		Balance of(Loss)/Profit C/F	204,209	299,501	402,937	1,601	1,356	369	(55,553)	19,686	11,170
Balance Sheet	Assets	Current Assets	1,178,196	1,450,445	1,229,383	191,169	184,305	127,735	62,447	67,775	41,919
		Fixed Assets	826,875	843,966	894,112	4,551	4,910	2,872	241,719	241,015	221,302
		Others	91,219	86,312	76,140	18,405	5,474	610	2,754	1,833	2,130
		Total	2,096,290	2,380,723	2,199,635	214,125	194,689	131,217	306,920	310,623	265,351
	Liabilities	Current Liabilities and Provisions	496,119	697,091	432,356	156,412	132,221	69,737	273,212	196,235	150,385
		Long Term Liabilities and Deferred Liabilities	125,713	113,882	94,401	Nil	Nil	Nil	49,792	55,233	64,527
		Sub-total	621,832	810,973	526,757	156,412	132,221	69,737	323,004	251,468	214,912
	Capital	Issued, Subscribed & Paid-Up Capital	1,143,406	1,143,406	1,143,098	33,542	33,542	20,125	34,714	34,714	34,514
		Reserves	126,843	126,843	126,843	22,570	27,570	40,986	4,755	4,755	4,755
		Unappropriated Profit	204,209	299,501	402,937	1,601	1,356	369	(55,553)	19,686	11,170
		Sub-total	1,474,458	1,569,750	1,672,878	57,713	62,468	61,480	(16,084)	59,155	50,439
		Total	2,096,290	2,380,723	2,199,635	214,125	194,689	131,217	306,920	310,623	265,351

Source: from each firm

Note: (1) Rs 5 million of transfer from General Researve is included.

Table 8.1.6.2 Operation of PNSC's Linker Services (1990-91 - 1992-93)

Item / Destination \ Year	No. of Vessels			No. of Voyages			Voyage Days			Tonnage Lifted (Freight Tons)		
	1993	1992	1991	1993	1992	1991	1993	1992	1991	1993	1992	1991
Far East	16	18	15	84	93	92	2,851	3,459	3,143	804,648	878,941	790,594
Owned Vessel	14	17	14	82	92	91	2,790	3,427	3,112	781,165	864,758	775,879
Time Charter	2	1	1	2	1	1	61	32	31	23,483	14,183	14,715
Europe/M.E.G.	8	10	7	173	138	119	1,696	2,252	1,481	434,162	545,656	430,863
Owned Vessel	8	10	7	37	39	30	1,696	2,252	1,481	364,926	467,261	326,117
Time Charter	-	-	-	-	-	-	-	-	-	-	-	-
Slot Charter	-	-	-	136	99	89	-	-	-	69,236	78,395	104,746
U.S.A.	4	6	5	13	17	14	677	952	719	110,559	125,656	92,349
Owned Vessel	3	6	5	12	17	14	609	952	719	99,951	125,656	92,349
Time Charter	1	-	-	1	-	-	68	-	-	10,608	-	-
Total	28	34	27	270	248	225	5,224	6,663	5,343	1,349,369	1,550,253	1,313,806

Source: PNSC

Table 8.1.6.3 Operation of RNSC's Tramping Services (1990/91-1992/93)

Item / Commodity \ Year	No. of Vessels			No. of Voyages			Tonnage Lifted (Freight Tons)		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
Iron Ore	9	23		9	34	34	428,880	1,655,112	1,574,126
Coke/Coal	21	15		23	24	21	997,248	1,026,041	874,587
Wheat	4	12	91	4	14	16	183,562	505,598	627,321
Fertilizer	2	6		2	6	29	46,814	168,004	637,439
Rock Phosphate	8	8		11	11	6	257,665	264,636	148,584
Total	44	64	91	49	89	106	1,914,169	3,619,391	3,862,057

Source: PNSC

PNSC has concluded slot chartering agreement between Ceylon Shipping Corporation in order to improve container capacity in the Europe line as its operation by multi-purpose vessels is unsuitable for present day requirements.

b. Tramping service

PNSC participates in tramping operation by chartered vessels for shipments of the following dry bulk cargoes as it does not own a single bulk carrier ; Tramping services during the past three years is presented in Table 8.1.6.3.

-Iron ore & coak/coal imports for Pakistan Steel
-Wheat imports for Ministries of Food and Agriculture and Production
-Fertilizer imports
-Rock phosphate imports

PNSC was protected by the first right of refusal for the above shipments in the past but has suffered from lower lifting because of withdrawal of the right of first refusal in 1993 as shown in Table 8.1.6.3.

c. Financial performance

It is a fact that the company was saved by the rescue measures adopted by the Government on 12th February 1990 to carry out Rs. 643,093 thousand paid-up capital increase in the form of an allocation of shares to the Government as well as an increase of authorized capital by 4 times to Rs.2,000 million in the fiscal year of 1990 which ended on June 30, 1990.

The rescue measures represented the financial restructuring aimed at relieving the company's liabilities, foreign loans to be exposed to foreign exchange risks and writing off its enormous accumulated losses in the sum of Rs.3,979.155 million through converting them to into the above equity. Thus, the company had not acquired any long term loan with respect to acquisition of vessels to keep financial charges to the minimum level.

Since then, its business performance improved until the resumption of cash dividend in 1992 was made. But it is still too early to justify any improvement because it sustained a huge loss of Rs. 95,292 thousand in the fiscal year of 1993. It means various inefficiencies and overstaffing on the company becomes more costly, and evident.

The company's competitiveness is hindered by its rapidly aging fleet and the lack of full container vessel ownership.

With vessels getting old, operating expenses have increased due to greater number of laid up days and higher repair and maintenance cost. The passenger ship "M.V.Sham" has remained inoperative for more than one year. In the meantime, the rate of expansion on salaries in respect of ashore/afloat employees became over 30%, although its turnover decreased 19% in 1993 as compared to 1991.

It is important to prepare contingency plans to transform the company to keep its business stability ahead of the race for market share through retrenchment and reduction of operating expenses as much as possible.

(2) National Tanker Co.(Pte)Ltd. (NTC)

NTC was established as a subsidiary of PNSC to cater for crude oil transport under national flag to form a joint venture with the state-owned petroleum corporation, State Petroleum Refining and Petrochemical Corporation Ltd., (PERAC),in 1981.

1) Share holding

Authorized Capital : Rs. 100 million
(10 million ordinary shares of Rs.10 each)
Paid-up Capital : Rs 33.5 million
PNSC/PERAC : 50% each

2) Personnel

The total number of employees is 60 which includes 35 afloat employees, 25 ashore staff, and 9 directors including the chairman from PNSC.

3) Fleet

There are two crude oil tankers in operation which consist of one owned crude oil tanker, "M.V.Johar" with 89,500 DWT capacity built in 1976, and one chartered middle-sized crude oil tanker. Total imports of crude oil in Pakistan are transported by these 2 crude oil tankers as shown in Table 8.1.6.4.

4) Development plan of fleet

One second-hand crude oil tanker with 70/80,000 DWT capacity and one product carrier with 70,000 DWT were projected under the 7th Five year plan but no acquisition has been approved by the government.

An attempt was made to acquire a second-hand crude oil tanker through Islamic Development Bank but lease financing has failed and the company was taken to the court by the seller on account of breach of contract. NTC now faces huge damage charges. Acquisition of a product carrier has not begun as yet though the government has approved this transportation on PAYE (Pay As You Earn basis). NTC is not able to find a financier who can finance loan without the government/State Bank guarantee. The government is not willing to give any guarantee.

In the meantime, the government has recently given the right of first refusal to NTC in the transport of petroleum products, mainly furnace oil and high speed diesel oil. According to the government's notification, petroleum products purchase tender will be called on FOB and C&F basis. NTC will be consulted to make an offer on the freight rates in due course. If NTC can quote low freight rates, it will get the contract. However in view of the varying demand and supply schedule, NTC will find it difficult to transact this business profitably and economically unless it acquires its own tanker, either through outright purchase, joint venture or time charter. There is great potential in the transport of petroleum product business.

5) Financial performance(Table8.1.6.1)

The business performance is recently in good shape because depreciation on M.V.Johar is completed. It's retained earnings are appropriated to cash dividend and /or distribution of bonus shares. It is imperative to place a first priority on the acquisition of at least two tankers to make use of retained earnings in view of the above fleet requirement as well as the company's healthy management.

(3) Pan-Islamic Steamship Co.,Ltd.(PISC)

It was separated from PNSC in 1980 to participate in seaborne trade between neighbouring countries as mentioned in 8.1.1.(3).2).

1) Share holding

Authorized Capital Rs.100million
(1 million ordinary shares of Rs.100 each)
Paid-Up Capital Rs. 34.7million
Share holding Pakistan 51% ,Saudi 49%

The share's year end value as quoted at Karachi Stock Exchange indicates the company's situation.

Year	Share price	Year	Share price
1988	Rs120	1992	Rs68
1989	Rs110	1993	Rs50
1990	Rs 88	July20'94	Rs31
1991	Rs 53		

2) Personnel

The number of employees is 297 which includes 217 afloat employees and 80ashore staff. In the meanwhile, the board of directors consists of 7 directors including chairman from Saudi Government.

3) Fleet

It owns 3 vessels totaling 28,102 DWT of which there are 2 general cargo vessels and 1 passenger cum cargo ship. Average age of its fleet is 21.1 years old including a passenger cum cargo ship more than 30 years old.

4) Services

It operates two liner services and one tramping services.

Liner services are as follows:

Karachi-Chittagong-Singapore-Colombo-Middle East Gulf
Frequency: every one month
Karachi-Jeddah-Karachi
Frequency: every one month

Details of its operation by financial year are shown as follows:

Year	No.of Round Voyages	Total Number of Vessels	No.of voyage per Vessel	Tonnage carried (dead weight ton)
1988	14	3	4.66	144,169
1989	12	3	4	144,249
1990	12	4	3	148,755
1991	12	4	3	161,720
1992	9	4	2.25	130,824
1993	5	2	2.50	72,605

5) Financial performance(Table 8.1.6.1)

The company's operating income comprised 43% from freight revenues on cargo carriers and 57% from passage revenues. A considerable amount of Rs.56 million which exceeds the paid-up capital was in the red, showing a deficit of Rs.16 million in equity in 1992. It is a weak point that insurance, repair and maintenance account for over 20% out of the operating expenses due to operation of the aged vessels and also financial charges is reaching about 8% out of operating income in 1992.

Stream-lining plans of the company are needed at this stage .

(4) Private shipping companies

The government, as a part of its policy freeing Pakistan's economy, has opened the doors of shipping industry to the private sector to allow its re-entry after nationalization in 1974 as mentioned in Section 8.1.1.(4). Most of 39 license holders granted by PSW are unable to launch operations due to various reasons including worldwide recession in shipping and paucity of fund for an acquisition of ships except following 3 entrepreneurs. The first shipping company in private sector, Tristar Shipping Lines, has begun operation from 14 October 1992.

1) Tristar Shipping Lines Ltd.

a. It became the first company to have launched the first national bulk carrier, M.V.Delta Star with 34,686 DWT built in 1972. The vessel is being operated to carry iron ore & coal to get the tender for the afreightment of the cargo of Pakistan Steel. The company acquired another bulk carrier M.V.Delta Pride, a 25 year-old vessel from Korea in March 1994.

b. The company has been established as a public limited company with an initial paid-up capital of Rs. 200 million and an authorized capital of Rs. 300 million. Its shares are listed in Karachi Stock Exchange.

c. Initial yearly financial statement

It made a profit of Rs21million after tax and paid a cash dividend in the fiscal year ending December 31,1993.

d. The number of personnel is 31 persons only which consist of 4 ashore staff and 27 afloat employees because it has hired crew through ship management company.

e. The company appears to be aggressive and intends to launch a maritime shipping bank in addition to acquisition of some ships through an establishment of a joint venture(Kopak) with Pan Ocean Shipping Corp., in Korea. However up to now, the company has acquired two very old ships with limited duration aiming at capital gains by scrap . In order to prove its long term shipping interest in the Pakistan economy the company will be required to acquire modern ships.

2) Milwa Shipping Company

It owns one multi-purpose cargo carrier M.V.Mustansir with 1,966 DWT capacity and was built in1976. The government has recently permitted that it can sell the ship to foreign buyers if it so desires.

3) Ray Shipping Enterprises Ltd.

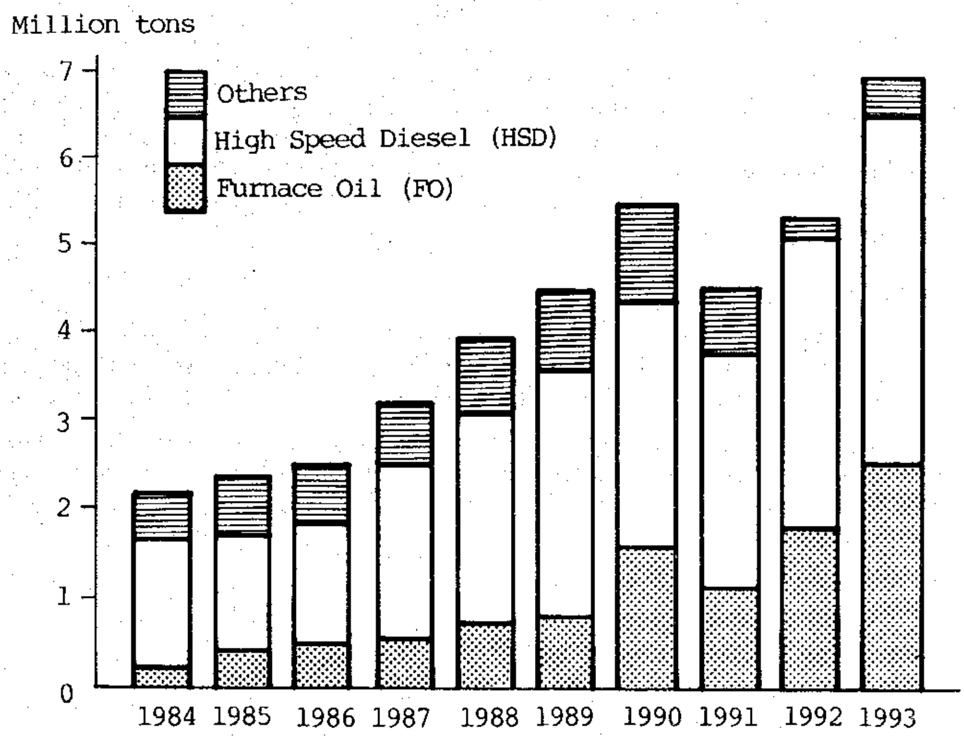
The company is a joint venture company between European and Pakistani sponsors and is making a public floatation of its shares in the Karachi Stock Exchange next year. It bought a bulk carrier built in 1968, M.V. Enterprise R with 66,913 DWT in February 1994 for dry-bulk-cargoes transport. The ship is time-chartered out to PNSC for the phosphate transport business on a six-monthly-renewable contract. The operational strategy of this company appears to be similar to that of Tristar Shipping Lines i.e. to acquire very old ships and to operate them for one or two years on government cargoes under the expectation of scrap value.

Table 8.1.6.4 Crude Transported By N.T.C

Period	Through Chartered Vessels M/Tons	Through Johar M/Tons	Total M/Tons
1981-82	3,752,332	293,100	4,045,432
1982-83	1,818,244	2,368,881	4,187,125
1983-84	1,913,300	2,380,862	4,294,162
1984-85	1,946,381	2,071,242	4,017,623
1985-86	1,573,778	2,220,901	3,794,679
1986-87	1,703,336	2,008,607	3,711,943
1987-88	1,735,941	2,067,499	3,803,440
1988-89	1,454,798	2,165,909	3,620,707
1989-90	1,594,020	1,902,542	3,496,562
1990-91	1,674,695	2,297,813	3,972,508
1991-92	1,767,642	2,305,607	4,073,249
1992-93	2,291,307	1,706,819	3,998,126
Total	23,225,774	23,789,782	47,015,556

Source : NTC

Figure 8.1.6.1 Petroleum Products - Import 1984 - 1993



Source: Progress PPL Vol. No.9

8.1.7 Shipping-related Industries

(1) Shipbuilding

The only shipyard in Pakistan is the Karachi Shipyard & Engineering Works LTD(KSEW) whose paid-up capital is Rs. 464 million entirely owned by the government. The number of employees is over 3,500 employees including three thousand workers. The administration has been transferred to Ministry of Defence from Ministry of Communications last year as mentioned in 8.1.1.(1).

Since 1956 when it commenced its commercial production, it has built 223 vessels of which 7 vessels were medium-sized. It has a close relationship with Mitsui Engineering & Shipbuilding Co.,Ltd, one of major shipyards in Japan, in terms of technical aspects.

Present facilities are as follows:

1) 3 shipbuilding berths

	Size (length x width)	Max DWT
Berth No.1	169x23m	15,000
Berth No.2	118x24m	6,000
Berth No.3	213x31m	26,000

Construction of container ships are limited to ships of upto about 1,200 TEU.

2) 2 dry docks

	Size	Max DWT
Dock No.1	189x27m	26,000
Dock No.2	171x24m	18,000

It is now exploring the possibilities of getting ship-building orders from foreign countries as there are no new orders since 1992 when a dry bulk carrier of 17,350 DWT was built. The company needs to collaborate with a foreign shipyard to take the design and know-how for ship building, although it is presently being utilized to cater to naval fleet and ship repairing. It is pointed that the company is urged to restructure for survival in the tough competition in today's shipbuilding industry.

(2) Seafarers

The number of registered Pakistani seafarers amounts to 12-13,000 of which about 8,000 are ratings with an average age in the 40s. It is necessary for most of ratings to be re-trained for upgrading their technical competence as they are un-educated and lack required technical skills.

The government is planning to re-educate 400 seamen for 2 years with effect from the latter half of 1994 at Pakistan Marine Academy for the first time in 10 years. In addition to ratings, it is also important for officer training and for both deck officers and engineers to meet current industry requirements.

1) For deck officers

Tanker safety, Inert gas & Crude oil washing
Rader/APRA(Automatic rader Plotting Aids)simulator
Ship handling simulator
Bridge team management
GMDSS(Global Maritime Distress and Safety System)

2) For engineers

Advance marine instrumentation control system
Advance shipboard hydraulic system
Engine manufacturer training(Sulzer, BNW etc)
Boiler water treatment

An increase in the number of faculty members with well qualified professional mariners and engineers must be adequate because present faculty members with 12 instructors are not enough to carry out tasks at Pakistan Marine Academy.

In view of technological development in maritime transport system, upgrading of knowledge and skill of seamen is essential in securing maritime safety. Compliance with the pertinent provisions of the 1978 STCW Convention (Inter-national Convention on Standards of Training, Certification and Watch Keeping for Seafarers) for upgrading seafarers to the international levels will be the focus for improving the quality of education and training for Pakistani seafarers.

There is in general a glut of seafarers, ratings in particular, in view of insufficient merchant fleet to recruit in Pakistan at this stage. Employment situation of seafarers is roughly classified to 10% for Pakistan flag vessels, 50% for foreign flag vessels and the rest unemployed. The government should endeavour to provide as much job opportunities as possible to Pakistani seafarers.

(3) Ship Management and Manning Services

Under the circumstances, there is a business chance to engage in a ship management and manning services to take advantage of an oversupply of seamen.

The Terra Marine Ship Management(Pvt) Ltd.,in this respect, has aggressively developed marine related business in managing 11 ships, manning over 30 ships and supplying over 400 officers and ratings to overseas ship management companies involved.

This business looks bright in the future.

8.1.8 Review of the 7th Five Year Plan

Merchant fleet of Pakistan remained in a sorry state as explained in the analysis of share of cargo lifting and existing fleet situation. As a matter of fact, not even a single vessel has been added to Pakistan's merchant fleet since the acquisition of 14 multi-purpose vessels and 1 crude oil tanker were built under the 5th Five Year Plan.

Plans to acquire all types of ships as envisaged were also provided in the 7th Five Year Plan following the 6th Five Year Plan but no ship during both the plan periods was acquired because of the worldwide shipping recession, financial problems of PNSC and the government policy to restrict further investment in shipping toprivate sector.

Following acquisition were projected in the 7th Five Year Plan:

For PNSC : Three 1,200/1,500 TEU container ships
Two multi-purpose cargo ship
One bulk carrier of 60/70,000 DWT
One bulk carrier of 35/40,000 DWT
One edible oil tanker
One passenger ship for carriage of pilgrims

For NTC : One second-hand crude oil tanker of 70/80,000 DWT
One product carrier of 70,000 DWT

No vessel acquisition was undertaken, although it was planned to obtain these vessels through lease financing arrangements due to paucity of funds available for both PNSC and NTC. It is important for the plan to refer to source of funds so as to make the plan feasible in particular, even if ships as projected came from the minimum requirement to achieve the due share for national shipping in the seaborne trade of Pakistan. These deficiencies have proved to be a hindrance in the development of national fleet. In addition, it is unlikely that the entire amount could be made available for acquisition of all ships as projected. Under the circumstances, development of merchant fleet through opening of shipping to private sector has become an increasing necessity.

Needless to say, there are practical methods of financing acquisition of ships through not only loan facilities but also bare boat charter or lease with option to purchase. However the bare boat charter hire or lease installment payable to the foreign owner is subject to withholding tax at this stage. This makes financing by way of bare boat charter/leasing uneconomic due to such a with holding tax. It is recommended that ships mainly operate in foreign waters be exempted.

8.2 Identified Items and Recommendations

The present structure of Pakistani Shipping consists of a crumbling edifice. The present form can not reform or develop by itself. Temporary measures prove to be futile--only resulting in delaying the end of the sector. To rejuvenate the shipping sector in Pakistan, the present set-up should be completely discarded and a new structure established. In this regard the following steps are recommended:

8.2.1 Modernization of Merchant Fleet

Pakistan's merchant fleet has been typically comprised of overaged and dwindling fleet of 27 vessels with aggregate tonnage of 595,684 DWT of which 10-year to 20-year-old vessels account for 58.1% and vessels exceeding 21 years of age are 41.9% in terms of ship's age as explained in 8.1.4. The aged fleet in operation may become costly and less competitive because expenditures on repair, maintenance and insurance become financial burdens on individual shipping companies. Investment in shipping is capital intensive; to pay back its cost a modern ship would require 8 to10 years peaceful and healthy financial environment.

Unofrtunately, this environment does not exist for entrepreneurs at present. The major reasons of not being able to participate for private shipping companies, despite the previous government's efforts, is the lack of the healthy environment.

M/S.Tristar Shipping Lines, M/S.Milwa Shipping Company and M/S.Ray Shipping's participation with 25 years old scrap units manifests their lack of confidence in shipping entrepreneurs. These companies have purchased scrap units at demolition prices with the objective of selling them to scrap merchants when time is appropriate. This can not be called expansion of the sector.

Under the circumstances, it is increasingly important to modernize the merchant fleet as well as reinforcement of the merchant marine to obtain a reasonable share in Pakistan's seaborne trade. However, it is not so easy for Pakistani shipowners to build an adequate fleet of ocean-going vessels which may satisfy the increasing current demands for shipping space and shippers' requirements, unless infrastructure for the shipping sector is improved. It may be pointed out that the problems of existing aged fleet also extends to safe navigation.

8.2.2 Upgrading of PSW's Organization

As long as Merchant Shipping Act of 1923 which presently governs merchant shipping in Pakistan, remains effective, PSW is in a position to scrutinize thoroughly each application according to the pertinent provisions of the Act. There are cumbersome procedures to get necessary permissions/approvals from PSW if one wishes to catch up with the present shipping business corresponding to possible fluctuations on shipping market.

In other words, shipping companies involved are not in a position to take initiatives which look ahead to the coming shipping market. A reduction in the processing time of transactions /applications is fostered by rationalizing document requirements and procedures related thereto. In the same vein, devolution and decentralization measures should also be initiated in order to foster more responsive, realistic and immediate actions on shipping matters affecting a particular area/region of the country.

More deregulation/liberalization policies should be introduced at the earliest opportunity, until a full deregulation environment is established, with government intervention being made only on matters of maritime safety and quality of service as may be warranted by given situations.

Its activities should focus on following:

(1)Enforcement of maritime safety

PSW should monitor and control Pakistan flagged ships in respect of international safety standards in view of the fact that present acquisition of ships in Pakistan relates to shares second-hand and overaged vessels entirely.

It may be desirable to promote the establishment of a local classification society in the name of Pakistan Register of Ships at a time when Pakistan will extend tonnage in future.

(2) Policies and programmes on development of shipping

Development of Pakistani shipping should be made from the standpoint of market mechanisms in pursuit of the policy of privatization.

a. Liaise with various ministries and State Bank in sorting out shipowners' problems as below mentioned to create a more favourable climate for investment.
    - to maintain exemption from import duties and taxes for vessels, machineries, spare parts and cargo-handling equipment
    - to remove withholding tax on lease/bareboat charter hire and 30% custom duty on the import of containers
b. Ensure fair competition in handling government bulk cargo.
c. Study what is happening in other developing countries in the arena of shipping and provide similar incentives to Pakistani Shipowners.
d. Propose an incentive package to foreign investors who wish to bring flags in Pakistan. Setting up of a Pakistani Flag of Convenience similar to that of N.I.S.(Norwegian International Register)should be seriously studied.
e. Find employment for Pakistani Seamen in foreign markets and give liberty to Pakistani shipowners to employ foreign seamen if they so desire.
f. Simplify existing procedures for prospective entrepreneurs.

(3) Improvement of personnel

Most directors within PSW comprise mainly of captains from maritime fields presently. These should include professionals associated with shipping capable of comprehensive logistics planning including multimodal transport as well as maritime policy to interpret present day trade requirements, developing trends in cargo movement and regional requirements in the future.

8.2.3 Introduction of a New Merchant Shipping Act

It is high time to announce and promulgate a new Merchant Shipping Act to supersede the Merchant Shipping Act 1923, which fails to meet the current requirements of shipping industry, although the draft Act at issue has been pending before the parliament for two years.

It is essential for a new Act to aim at making a maximum leeway for prospective shipowners. New chapters such as registration of ships, mortgage of ships are to be included in the New Act in order to ensure management competence and financial capability for those who will be allowed to engage in shipping operations.

In addition, it is also necessary to enable shipowners/operators and foreign investors to form joint venture arrangements as the country's economy and its shipping industry will continuously develop and grow.

8.2.4 Participation of Private Shipping Sector in Shipping

There are three entrepreneurs who remained in service out of 39 license holders granted by PSW. It is of interest to know the reasons for the poor response from the licensees. They are epitomized by lack of up-to-date legislation allowing maximum leeway for activities.

a. The investors of a shipping company are afraid to disclose the source of funds that will be invested by tax authorities.

b. Investors are not allowed to use the facility of Flag of Convenience to rule out obstacles concerned. In other words, foreign investment in the shipping has been limited upto 60 % for acquisition of the ship under Pakistan Flag registry. In this regard, PSW 's main concern is to secure a fleet of Pakistan flagged ships which could be used effectively in case of national emergencies.

c. They are concerned that the government could threaten to nationalize all private shipping companies likewise in 1974.

d. They are afraid of various bureaucratic interference under the Merchant Shipping Act of 1923 after the opening of business.

e. There is no fair-competition environment as long as the Right of First Refusal is in force.

f. They face difficulties in raising funds for acquisition of a ship.

8.2.5 Availability of Source of Funds Over Ship Financing

Generally, financial sources for acquisition of ships are as follows:

a. Self-financing by way of retained earnings;

b. Commercial loans on the basis of either roll-over of short term loan or long term fixed rate;

c. Loans from government-related financial institutions, DFI's in particular;

d. Lease/bare boat charter arrangement with option to purchase; and

e. Raising funds by way of public issue of shares or corporate bond through capital market.

Firstly, self-financing is a remote option for shipping companies of limited financial competence. Secondly, commercial loans by mortgage on the ship became available since shipping has recently been given the status of industry. Under the Merchant Shipping Act of 1923, PSW's prior approval is needed in order to put up the ship as collateral for the loan. It means lack of flexibility in taking out the loan. To say the least, the Pakistani shipowners should be free to acquire and dispose the ship as and when they see it appropriate, and also put up the ship as collateral for the loan. Deregulations of the Act are imperative from the standpoint of corporate finance. Thirdly, it is difficult for members in shipping industry to aquire a loan from DFI's because shipping is not yet recognized as the priority industry. Fourthly, lease/bare boat charter arrangement becomes uneconomic because it is subject to withholding tax/taxon tax according to the present tax regulations. Finally, raising funds from capital market is totally up to the company's financial soundness as well as competitiveness.

So far Tristar Shipping Lines, the first shipping company in private sector, has raised necessary funds through public issue of shares at Karachi Stock Exchange. Under the circumstances, there should be no hindrance so that relevant shipowners can choose sources of funds available for acquisition of a ship from the financial market as desired. However these orthodox corporate finance methods are not enough to promote acquisition of ships. An alternative method is deemed as necessary in order to sustain the momentum for the country's fleet development and modernization. It is recommended to induct a financing programmes giving priority for a shipping project out of DFI's involved or set up a maritime bank as promoted by Trister Shipping Lines in view of the fact that there are no particular financial institutions or loan facilities in Pakistan to enable Pakistani shipowners to borrow long term funds at a low interest rate for acquisition of ships. In this respect, there would be useful references to some extent to lending schemes which consist of loan-making subsidy for interest rate differentials through the Development Bank of Japan and financing under a co-ownership of the vessel through the Maritime Credit Corporation in Japan.

8.2.6 Strength of Sea Linkage

Pakistan can meet the multimodal transport requirements of the Central Asian Republics and of the ECO regions as Pakistan is in a good geo-political position with neighbouring landlocked countries. It is noted that cargo movements to and from Iran among ECO are increasing recently as indicated in Table 8.1.2.1. Movement of goods and products between these countries and Pakistan through gateway ports like Gwadar port in addition to Karachi and dry ports will increase in the future, provided that the government draw up and implemente comprehensive and integrated policy measures for transport is expected and that there will be a great potential for more feeder services in transhipment trade. In order to meet requirements, there is a need for door-to-door containerized movement of goods through Bill of Lading to pave the way to multimodal transport system. Furthermore, development of modern container terminals in Pakistan should be followed so that containerized cargoes can be delivered effectively. As a matter of fact, there is little cooperation between modes in developing multimodal transport arrangements or integrated services. For each mode, responsibility stops when the freight or passengers are unloaded. Little consideration appears to be given to the delays and transfer or transshipment costs this imposes. It is imperative for the three parties, PNSC, Pakistan Railways and NLC, to coordinate closely in the development of multimodal transport. However the principal issue is the overall transit time from a vessel's arrival in Karachi until the ultimate delivery of a cleared container from an inland dry port.

The reasons for this long transit are identified as shortage of NLC trailers as well as shortage of rail wagons. In particular, shortage of rail wagons caused considerable delays to get to Lahore, for example, after an import container had reached Karachi port. Such delays should be removed in due course.

8.2.7 Restructuring of PNSC

It appears that problems over PNSC were discussed in detail in the report of the Mercer Management, the US based consultancy appointed by the previous government, to urge PNSC to privatize after drastic restructuring of the organization.

The present government has somehow reversed the position on privatization, although the previous government invited bids for the sale of PNSC itself. As explained in the relevant items, it is clear that PNSC's competitiveness is lost by a rapidly aging fleet which is not suitable for the present-day-trade requirements, especially container traffic in the liner trade. As a result, PNSC's share in Pakistan's seaborne trade has been dwindling as compared to major international shipping companies offering frequency, container capacity and good services.

The company has little incentive to make its operations more efficient. The restructuring of the existing fleet is vital to make the company a profit earning organization. This would involve gradual replacement of overaged and un-economical ships and induction of vessels suited to the present-day-trade requirements. On top of this, the company still lacks in management stability despite the financial restructuring in 1990. Hence, affairs of the company are to be streamlined under professional management, and the professional people should be inducted at alltiers of the organization in pursuit of all possible checks and controls over expenses. On the other hand, the most important thing is to take advantage of the restoration of the right of first refusal under formation of professional marketing team.

Following measures are to be included in contingency plans:

1. Retrenchment of present overstuff to correspond to the existing fleet;
2. Stiff control over expenses;
3. Review of present operations by each services profitability;
4. Increase of turnover under formation of qualified marketing team;
5. Initiatives for Inter-Modal Transport;
6. Gradual disposal of overaged and un-economical vessels;
7. Acquisition of full-container ships ensuring weekly service in major container trades;
8. Acquisition of second-hand bulk carriers.

The company is sooner or later destined to be privatized because it represents a financial burden on the government exchequer as no amount of government's financial and administrative support or protectionism is going to make them turn around to take lessons from nationalized corporations around the globe.

Given the foregoing developments and projections in the shipping industry of Pakistan, one can probably expect the emergence of this sector as a rejuvenated industry which will play a critical role in furthering development of the Pakistan economy and its drive towards global competitiveness.

8.3 Short-Term Proposals for 1997-98

The 8th Five Year Plan unlike the previous Five Year Plans declares that programme for development of shipping is taken up entirely by the private sector, taking into account the government's policy promoting participation of the private sector in the shipping. In the meantime the plan provides for acquisition of the following ships as planned by both PNSC and NTC.

For PNSC :

Seven new full container ships of 1200/1800 TEU capacity
Two bulk carriers of 60/70,000DWT
One edible oil tanker of 25/30,000DWT
10,000TEU steel containers
Total: 10 ships +10,000TEU steel containers

For NTC :

One crude oil tanker of 70/80,000DWT
One product tanker
Total: 2 ships

As mentioned, the current financial status of both companies largely depends on the availability of funds as required, and whether such projections with a large amount of investment will be implemented under the difficiult environment. In the light of the strategies in the Mid-Term proposals, an investment plan for 1997-98 is proposed in order of priority out of the above programmes:

1. As many full-container ships as possible
2. One crude oil tanker for the carriage of all crude oil import
3. One petroleum product carrier
4. Two bulk carriers
5. One edible oil tanker
6. 10,000TEU steel containers

8.4 Mid-Term Proposals for 2005-06

Fundamental planning conditions were proposed in the report compiled by the working group of Planning Commission on ports, shipping and inland water transport in July, 1987 under the title of the Seventh Five Year Plan (1988-93) and Perspective Plan(1988-2003) as well as the final report of JICA study of March 1988. Projections and concepts in these report still apply since it analyses from every aspect in an attempt to expand Pakistani merchant fleet.

Attention should be paid to the recommendation that the gap against a definite requirement of Pakistani merchant fleet in comparison with cargo movement in the Pakistani seaborne trade is to be filled up as soon as possible until the year 2005-06. The JICA Study Team has informed that no acquisition of any modern ships has been made since the 5th FiveYear plan. In view of the Government's policy of Privatization, it is inevitable to examine the identified items and recommendations as mentioned in 8.2 to promote healthy environment to encourage both the Private and Public Sector to invest in shipping. Participation of the private sector in shipping has become important in developing the merchant fleet since the 8th five-year Plan, unlike the previous Five Year Plans in which the investment plan of public-owned shipping companies only was focused. Under the circumstances, the Study Team has no alternative but to point out a benchmark by type of ship so as not to draw up redundant plans. Fundamental concepts of fleet development are based on achieving the target of carrying the following shares of Pakistani seaborne trade from standpoint of stable supply of materials to industries involved:

Liner service 40% from 40% in 1988
Tanker(crude oil) 100% from 50% :
Product carrier 100% from 0% :
Bulkers 50% from 0% :

(1) to acquire full container ships

Containerization is now a general and world-wide trend in liner services, and more than 90% of Pakistani seaborne trade is expected to be containerized in the 21st century from present percentage of 71%. In order to accommodate this movement, the acquisition of full container ships is imperative in major liner trades such as the Far East and Europe. Weekly services are required for operation of full container ships to beat stiff competition between international competitors.

(2) to develop a fleet of crude oil tankers and petroleum products carriers to achieve the objective of becoming self sufficient in the transportation of crude oil and its product.

1) Crude oil tanker

The annual import of crude oil is about 4 million tonnes which is shared by one tanker owned and one chartered tanker through NTC respectively. NTC is in a position to carry all imported crude oil if they acquired one second-hand crude oil tanker of 70/80,000DWT as projected. 100 percent transportation of crude oil should be made on Pakistani flag vessels.

In the meantime a replacement of the only tanker owned, "Johar", which is now 18 years old, should be considered during this period. Thus two tankers including one replacement are required to meet future demand of imported crude oil.

2) Petroleum product carrier

In the year 1993 , Pakistan imported petroleum products of approximately 7 million tonnes which consists of 2.5 million tonnes for furnace oil and the remaining 4.5 million tonnes for clean product. Foreign flag carriers carried all imported products because there are no petroleum product carriers against a definite requirement of product carriers.

It is difficult to estimate quantity of import by furnace oil and clean products for the number of product carriers as required because it is subject to production capacity by Pakistan's three refineries.

In this regard there is a variable factor that production capacity of two refinery companies (one with Pak/Iran joint venture and the other run privately by M/s Schon) to be set up in the future at Port Qasim/ Karachi.

a. Furnace Oil

Demand of furnace oil cannot be projected using a linear growth model because it is directly dependent on the requirements of power and cement sectors. Acquisition of one carrier every year during the period of 1997-98 - 2005-06 is proposed since initial acquisition of two product carriers is made immediately.

b. Clean products

Clean and white products are finished products of refineries. It is proposed to acquire one new/second-hand-clean-product carriers every year from 1997-98.

(3) to increase the number of bulk carriers for bulk cargoes consistent with the production plan of Pakistan Steel Mill(PSM) in particular.

Pakistani flag vessels should participate in the transport of raw materials so as to maintain stable supply of raw materials. PSM has a production capacity of 1.1 million tonnes of raw steel per annum with a potential to expand to over 3 million tonnes. PSM is mainly arranging shipment of iron ore and coal in chartered foreign vessels although it imported about 2.7 million tonnes in 1993. Size of a bulk carrier is suited to Panamax size between 60,000 DWT and 70,000 DWT due to the draft in the creek leeding to PSM. Acquisition of two bulkers is considered as a minimum requirement as freight rate in the tramping market fluctuates up and down in addition to harsh competitions.

(4) to acquire edible oil tanker

Pakistan imported a total about 1.5million tonnes of Edible Oil. It is desirable to own one product carrier of 25,000 DWT for the purpose of taking due share by national fleet.

(5) to replace the present overaged passenger ships with Passenger-RORO vessel. It is projected that the total number of general passengers will be maintained at the present level of approximately .15,000 a year in the year 2005- 06. The present two passenger ships are to be replaced because they have outlived their operational life. There seems to be ample room to induce passengers as well as import cargo if new passenger-RORO vessels with speeds of 20s knot were launched. It is desirable to acquire two vessels.

(6) to modernize Pakistani fleet with the replacement of over aged ships on efficiency point of view. All Pakistani flag vessels are becoming more than 20 years old. It is required to form a fleet of modernized vessels.

(7) to solicit high paying cargoes by Pakistani fleet under a professional marketing team to handle their business more effectively.

(8) to strengthen financial competence in the shipping companies involved.

Both (7) and (8) are necessary to create retained earnings and allow access to all source of funds available at a desirable low interest rate for acquisition of ships as planned.