Draft

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMUNICATIONS
NATIONAL TRANSPORT RESEARCH CENTRE (NTRC)

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RECOMMENDATIONS OF THE

TECHNICAL COMMITTEE CONSTITUTED BY THE

SENATE STANDING COMMITTEE ON

COMMUNICATIONS (COMMUNICATIONS & RAILWAYS)

ON

THE EXISTING PUBLIC TRANSPORT SYSTEM

May, 2005

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1. INTRODUCTION

As a result of decision on Motion under Rule 194 titled "The Existing Transport System in the Country" introduced by Senator Raza Muhammad Raza in the House on 21st September, 2004, a meeting of the Senate Standing Committee on Communications (Communications and Railways) was held under the chairmanship of Senator Kamil Ali Agha on 21st December, 2004 in the Committee Room No. 4, Parliament House, Islamabad. The Senate Standing Committee Members and representatives of various concerned federal and provincial government departments attended the meeting.

It was decided to set up a Technical Committee comprising representatives from all the Provinces with Chief, National Transport Research Centre (NTRC), Ministry of Communications as its Coordinator for preparing the draft Report on the subject. The emphasis of discussion and the information provided by the Provinces pertained mainly to the public transport system in the urban context. The present draft Report has, therefore, focused on the existing public transport system in the urban context. The draft Report was prepared accordingly and circulated among all the concerned members in January, 2005.

A detailed Presentation was made to the Senate Standing Committee on Communications (Communications and Railways) in its meeting held under the chairmanship of Senator Kamil Ali Agha on 15th March, 2005 by the Chief, National Transport Research Centre (NTRC), which was also attended by the representatives from the provinces and Small and Medium Enterprise Development Authority (SMEDA). The

draft Recommendations have been prepared for kind consideration and finalization by the Senate Standing Committee on Communications.

2. VISION STATEMENT

The Vision Statement is to establish a public transport system that provides an efficient, safe, reliable, affordable and environment friendly access and mobility for people and goods thereby supporting the government's goal of increasing public welfare through economic growth and poverty reduction.

3. RECOMMENDATIONS

Following recommendations have been formulated to achieve the objectives of the Vision Statement:-

3.1. Institutional Arrangement

The subject of 'Mechanically Propelled Vehicles' is included in the Concurrent Legislative List in the Constitution of the Islamic Republic of Pakistan, 1973. The Motor Vehicle Ordinance (MVO) 1965, the Motor Vehicle Rules (MVR) 1969 and the National Highway Safety Ordinance (NHSO) 2000 provide the legal framework.

Almost the entire operational control specially with regard to regulation, operation and management of public service vehicles vests with the Provincial Governments. The government has gradually minimized its role as a primary provider of transport services with greater emphasis on its regulatory role which may be continued.

The magnitude of the urban transport problem is such that it needs to be tackled on a fast track in a coordinated, wholesome and systematic manner for which well-trained manpower in adequate numbers is a pre-requisite.

The public transport system is characterized by multiple agencies that fall under the purview of various departments with some implementing agencies responsible for infrastructure and others for operations and management. This diversity is one important reason to have a very effective coordinating mechanism to achieve consistency in the application, construction, operation and maintenance of urban transport and allied infrastructure as a system rather than individual modes/ components of transport. For effective coordination, the Provincial Transport Departments need to play the lead role and evolve a strong coordinating mechanism with all the concerned departments (notably Police, Excise & Taxation Departments, City/ District Governments, etc.).

The role of a regulator like the Regional Transport Authorities (RTAs) / Executive District Officers (EDOs), etc becomes all the more important in the privatized form of transport. These need to be strengthened and manned by professionals to ensure proper planning, operations, monitoring, route compliance and effective implementation specially with regard to service quality and safety.

Access to information is vital for smooth functioning. At the federal level, the Ministry of Communications looks after the subject of road and road transport and it would be necessary that

the Ministry of Communications is also kept informed by the Provincial Governments about the transport matters on a regular basis so that it can extend a helping hand whenever so required.

3.2. **Modus Operandi**

In the context of urban transport, congestion is mainly caused by personal modes of transport notably the car (Table - 1). The annual compound growth rate of production of cars is presently of the order of 7.3 per cent (Table - 2) as compared to 1.7 per cent in the production of buses (Table - 3).

The present practice of car financing scheme by the banks is resulting in a disproportionate increase in number of cars in the urban context (alongwith associated externalities in the form of environmental pollution, congestion, etc.) and need to be properly evaluated.

Road System capacity gets adversely affected by encroachments and mis-use of bus / wagon stops as bus/wagon terminals.

There is a need to adopt an integrated 'Package Approach'. Priority should be given to public transport modes over the personal modes of transport. Some kind of regulatory/restraint measures are un-avoidable for dealing with traffic problems (as briefly mentioned in Annex – I), even if a conscious decision to increase the urban infrastructure is taken to 'cope for car demand', during the construction phase.

Transport Master Plans need to be prepared with due emphasis on land-use and regularly updated by the City/District Governments.

3.3. Bus Requirements

The various public transport options are not mutually exclusive. While buses are the most basic form of urban mass transit making an efficient use of the existing road infrastructure, these are not a universal 'panacea'. Other forms of para-transit modes have a definite role to play specially on the secondary/tertiary routes.

All cities with a population of more than 500,000 should have proper urban transport system. The requirements of equivalent number of buses in 14 cities of Pakistan have been estimated at about 21,200 (Table – 4).

Considering that the mix would comprise 40 per cent as large size buses, the requirement is 8,500 buses. Present local production of buses is to the tune of 1,400. The possibility of importing new/re-conditioned buses may be considered to augment the supply of urban buses at minimum investment with the proviso that the first right of refusal may be given to the local bus industry.

3.4. CNG Buses

Finding a suitable substitute for HSD in view of huge expenditure in foreign exchange on its import is a very desirable

grounds. This may have to be done in a phased manner with first priority to introducing CNG buses mainly in the urban areas on environmental consideration. There is however, a need to evaluate the performance of CNG buses and a proper techno-economic and a financial feasibility study be carried out by the Hydro Carbon Development Institute of Pakistan (HDIP), which is the focal agency, so that implications could be fully understood for evolving a policy package.

The initiative taken by the Punjab Government for introducing CNG in 4 stroke rickshaws need to be encouraged and adopted by other Provinces also.

3.5. Mass Transit

Dedicated mass transit systems have become un-avoidable specially in large metropolitan cities on those travel corridors where the level of traffic in one direction exceeds 20 thousand persons per hour. The implications in terms of capital cost, operating costs, affordable fare structure and operating subsidy, however, need to be fully understood at the outset and duly provided for at the planning stage (Table– 5).

It is also important ensure that inter-modal changes should be as smooth as possible with minimal time penalty and out-of-pocket expenses for the users.

3.6. Financial Aspects

The urban mass transit invariably needs to be subsidized. Profitability of large size urban buses need to be evaluated on life cycle costs for evolving a sound policy package for urban cities.

Subsidy can assume many forms and whether direct or indirect, should be well directed and can be in 'one-off', 'periodic' or 'regular mode', but it needs to be fully ensured that the benefits are passed on to the user and does not result in inefficient operations.

To encourage urban bus / mass transit, adequate finances should be made available specially to the corporate sector. Creation of a special credit line at low rate of interest may be considered by the Banks in preference to the present car financing schemes. The Government should, however, not extend any guarantees for obtaining loan by the private urban bus / mass transit investor/operator.

Financial participation of the Federal/Provincial and District/City Governments need to be clearly defined. The federal government may share the 'one-off costs' or provide 'one-off/ periodic concessions' and the provincial, district / city governments should, in addition to their share in capital costs, look after the costs of a 'periodic' and 'regular' nature.

3.7. **Terminal / Parking Facilities**

Urban land is very expensive. The present system of auctioning the terminal facility adds about 10 – 20 per cent in the inter-city bus fares. Besides, the Operators impose certain restrictions on make of bus, etc for using the terminal facility. This may act as an inhibiting factor for new investment. Adequate land for Terminal / Parking facilities for public transport vehicles at

convenient places on a nominal rental basis should be the responsibility of the District/ City government with the proviso that land-use will not be changed.

Bus bays and bus stops should be used for as minimum a time as possible to ensure safe embarking and disembarking of passengers. This is important for maintenance of laid down bus schedules also and needs effective enforcement.

Embarking and disembarking of intercity passengers by the intercity passenger transport should be provided at convenient locations in the city and integrated with the local urban transport system to minimize inconvenience, time penalty and out-of-pocket expenditure to the passengers.

Parking Policies need to be regulated by providing additional spaces wherever feasible (both off-street and on-street) and adequately charged to act as a dis-incentive for use of personal modes specially during the peak periods.

3.8. **Roadway Facilities**

Proper geometry of roads, signs, signals, road markings, footpaths, efficient road drainage are essential components of any road network and need to be given full attention.

Traffic Engineering Units should be established with adequately trained manpower in all large cities.

3.9. **Safety**

Carriers provided on roof- tops of Buses, Wagons, etc specially in urban areas should be removed to avoid travelling on roof-tops.

Walking is the most important mode of transport (Table – 6). In fact, there is no trip, which does not involve 'walking' as a composite mode of transport. Continuous/ through walking paths, therefore, need to be essentially provided for pedestrians in the urban context.

3.10. **Vehicle Registration, Motor Vehicle Examination, Driver Training and Driving Licences**

For vehicle registration, it is extremely necessary to have computerized record of all the registration books at the district and provincial levels in the form of a Common Data Bank. For inter-district / intra – provincial transfers, the records should be meticulously checked before affecting any transfer.

The system of motor vehicle examination needs to be effectively revamped (Tables – 7 & 8). The prescribed fees need to be revised upwards (Table – 9). Rather than visual observations, standardized check-lists and Testing Equipment be made available in designated workshops to ensure that fitness certificates are granted to roadworthy vehicles only.

The Motor Vehicle Examiner (MVE) should be a Mechanical/Auto Engineer at least in BPS-17 and above depending on qualifications and experience. There is a need to enforce the

prescribed age limit for various types of commercial vehicles.

The ENERCON under the Ministry of Environment have recently established an Energy Conservation Fund of 3 Million US $ which can be availed by interested firms for setting up of good quality workshops.

The present licensing system is decentralized and therefore one can have multiple licenses from different districts at a time even if their licenses are cancelled by one authority. There is no system of point scoring on the licenses with the result that license of an erring driver cannot be suspended / cancelled. No practical tests are taken to ascertain the proficiency of driving knowledge and skills of drivers and little emphasis is given to their medical fitness.

There is a need to establish Driver Instructor Training and Driver Training Schools to educate the drivers and to conduct their refresher courses. While Driver Instructor Training Schools may be set-up in the public sector, Driver Training Schools should be established in the private sector.

3.11. **Insurance**

The insurance of vehicles against third party risks has been provided for under the Motor Vehicles Act, 1938. The policy of insurance covers a liability of upto twenty thousand rupees for vehicles in which passengers are carried. Normally, the third party insurance system is being mis-used and is considered to be an in-

effective tool.

In order to introduce an effective system, the National Insurance Corporation of Pakistan (NICL) have proposed to follow the Australian example of only one insurance company to deal with compulsory third party insurance in the country. Third party compensation of fifty thousand rupees in case of death and in case of injuries medical expenses, etc of upto twenty five thousand rupees would be provided under the Act only insurance on no fault basis i.e. the claimant not being required to prove driver fault. Compensation of one hundred thousand rupees per passenger can be provided in case of death of passenger. To cover the exempt vehicles as well, such compensation schemes have universally relied on the testing power of the government. For an effective insurance/ compensation scheme, it would be desirable to ensure collection of funds on behalf of NICL by way of a levy as under:-

- A levy on gasoline/petroleum of 05 paisa per liter may be considered, if NICL is required to provide compensations as per act only liability/passenger liability.
- If NICL is also required to provide compensation under comprehensive insurance to commercial vehicles, then a levy of 10 paisa per liter may be considered.

Once a policy decision in respect of levy has been taken for collection of funds, procedure for issue of insurance certificates/insurance tokens if required along with a procedure for claims handling can be developed by coordinating with concerned public authorities and associations of public transporters. However

before NICL can take over the act only liability insurance it would be necessary to consider the following legal aspects:-

- Definition of authorized insurer appearing in Section 93 (a) of Motor Vehicles Act 1938 may be amended so that NICL is allowed to become the sole insurer for act only liability.

- The Ministry of Commerce/ Securities and Exchange Commission of Pakistan (SECP) should issue rules under Insurance Ordinance 2000 whereby insurance companies are required to amend comprehensive insurance policies so that act only liability cover is no more part of such comprehensive insurance policies.

Details may be seen at Annex - II

3.12. **Fares**

Fixation of fares may be indexed and should be automatic as per the prices fixed by Oil Companies' Advisory Committee (OCAC).

3.13. **Enforcement**

There is a need to have an effective enforcement apparatus. For this purpose, creation of professionalism in the traffic police and equipping them with proper tools to ensure speedy enforcement is very necessary. This can be achieved by separating the cadre of traffic police in each province to ensure development of required level of professionalism.

3.14. **Adoption of NHSO, 2000**

The NHSO 2000, although applicable to National Highways and Motorways all over the country, contains many updated versions for licencing, control of traffic, etc and need to be appropriately adopted

by the Provinces. There is, however, a need to formulate the rules for enforcement of NHSO, 2000.

3.15. **Monitoring**

The Senate Standing Committee has provided an excellent forum to deal with this highly fragmented, multi-disciplinary and provincially controlled subject for an effective liaison and monitoring on a regular basis to affect necessary improvements.

TABLE - 1 **PERSONS TRAVELLING AND ROAD CAPACITY**

Vehicle Type	Persons Travelling (%)	Road Capacity Usage (in %)
Motor/Bi-cycles	20.1	16.1
Rickshaw	4.4	14
Car	**10.5**	**42.4**
Taxi	1.2	5.4
Mini-Bus	17.5	6.2
Bus	**45.5**	**11.1**
Others	0.8	4.8
Total	100	100

Please Note:-

* Road Usage with Present Fleet Mix 100%
* If no Buses 220%
* If all Buses 25%

TABLE - 2 **LOCAL PRODUCTION OF CARS**

YEAR	CARS
1991-92	28,911
1992-93	26,945
1993-94	19,544
1994-95	20,955
1995-96	31,079
1996-97	33,462
1997-98	33,683
1998-99	38,682
1999-00	32,461
2000-01	39,573
2001-02	40,601
2002-03	62,893
ACGR (1991-03)	**7.3 %**

TABLE - 3 **LOCAL PRODUCTION OF BUSES**

YEAR	BUSES
1991-92	1,114
1992-93	1,177
1993-94	427
1994-95	312
1995-96	438
1996-97	862
1997-98	425
1998-99	1,220
1999-00	1,508
2001-02	1,337
2002-03	1,346
ACGR (1991-03)	**1.7 %**

TABLE- 4 **Requirement of Equivalent No. of Urban Buses**

CITY	1981 Population	1998 Population	1981-98 Avg. Annual Growth Rate	2005 Population	Equivalent Buses Required 2005	2010 Population	Equivalent Buses Required 2010
ISLAMABAD	204,364	529,180	5.76	783,165	522	1,036,241	691
Sub-Total	204,364	529,180	5.76	783,165	522	1,036,241	691
Punjab							
LAHORE	2,952,689	5,143,495	3.32	6,464,711	4,310	7,611,515	5,074
FAISALABAD M.C	1,104,209	2,008,861	3.58	2,569,693	1,713	3,063,803	2,043
RAWALPINDI	794,834	1,409,768	3.43	1,785,144	1,190	2,113,031	1,409
MULTAN	732,070	1,197,384	2.93	1,465,640	977	1,693,313	1,129
GUJRANWALA M.C	600,993	1,132,509	3.79	1,469,367	980	1,769,733	1,180
SARGODHA	291,362	458,440	2.7	552,428	368	631,143	421
SIALKOT	301,609	421,502	1.99	483,841	323	533,938	356
BAHAWALPUR	180,263	408,395	4.93	571,976	381	727,573	485
Sub-Total	6,958,029	12,180,354	3.33	15,362,800	10,242	18,144,048	12,096
Sindh							
KARACHI	5,208,132	9,339,023	3.49	11,873,812	7,916	14,095,552	9,397
HYDERABAD	751,529	1,166,894	2.62	1,398,477	932	1,591,533	1,061
SUKKUR M.C	190,551	335,551	3.38	423,462	282	500,031	333
Sub-Total	6,150,212	10,841,468	3.16	13,695,751	9,131	16,187,116	10,791
NWFP							
PESHAWAR	566,248	982,816	3.29	1,232,765	822	1,449,344	966
Sub-Total	566,248	982,816	3.29	1,232,765	822	1,449,344	966
Balouchistan							
QUETTA	285,719	565,137	4.09	748,198	499	914,243	609
Sub-Total	285,719	565,137	4.09	748,198	499	914,243	609
Total	14,164,572	25,098,955	3.42	31,822,680	21,215	37,730,992	25,154

TABLE - 5 **MASS TRANSIT SYSTEM CHARACTERISTICS**

CHARACTERISTICS	BUSES AND TROLLY BUSES			LRT (SURFACE EXCLUSIVE)	RAPID RAIL		
	MIXED TRAFFIC	BUS ONLY LANE	SEGRE-GATED BUSWAYS		SURFACE	ELEVATED	UNDER-GROUND
Vehicle capacity	80 to 120	80 to 120	120	200 to 300	300 to 375	300 to 375	300 to 375
Lane/Track Capacity (Passengers/ hr.)	10,000 to 15,000	15,000 to 20,000	30,000	20,000 to 36,000	50,000	70,000	70,000
Journey Speed (Km per hr.)	10 to 12	15 to 18	15 to 30	15 to 25	30 to 35	30 to 35	30 to 35
Capital Cost (US $ million/km)	-	-	2 to 7	6 to 10	20 to 25	45 to 55	85 to 105

TABLE – 6 : **DISTRIBUTION BY TRANSPORT MODE**

Transport Mode	% age Trips
Motorcycle	12.0
Car	11.0
Pick-up	2.8
Bus / Mini Bus	10.7
Taxi / Rickshaw	2.6
Walk	52.6
Bicycle, etc.	8.3
Total	100

TABLE - 7 **COMPARATIVE DATA ON VEHICLE INSPECTION AND FEES**

Province / Area	**Av. No. of Vehicles inspected per year**	**Av. Fee Collected per year (Rs)**	**Amount of Fee per Vehicle Inspected (Rs)**
Punjab	180,209	44,184,646	245.19
Sindh	117,377	NA	NA
NWFP	53,221	3,740,431	70.28
Balochistan	18,032	236,623	13.12

Present vehicle inspection system covers about 65 – 75 % of the commercial vehicles.

TABLE - 8 VEHICLE INSPECTIONS

Area/Province	Existing No. of MVEs	Average No. of Vehicles Inspected	
		Per Year (Five-year avg.)	Per MVE per day (26 days a month)
PUNJAB	35	180,209	16 – 17
SINDH	12	117,377	31 – 32
NWFP	18	53,221	9 – 10
BALOCHISTAN	3	18,032	19 - 20
Total	68	368,839	17 – 18

TABLE - 9 **COMPARISON OF FEE STRUCTURE AMONG THE**

(Rs)

Fee Structure	Punjab	Sindh	NWFP	Balochistan
-Certificate of Fitness - Heavy - Other	400+ 200	100 – 250++ 20 – 57+++	100 50	20
-Renewal - Heavy - Other	200 150	50 – 125 10 – 35	50 25	10
Penalty - Heavy - Other	100/month 100 month	10-20/month 2 – 8/month	100+10 p.m 50 + 5 p.m	20

\+ All except delivery vans

++ Bus – Articulated lorries

+++ Rickshaw – Mini Bus / Wagon / Coach

ANNEX-I

DEALING WITH URBAN TRAFFIC PROBLEMS – SOME QUICK SOLUTIONS

In the context of dealing effectively with the urban traffic problems, the foremost requirement is to have an effective, well-equipped, highly trained and motivated traffic police. While such a traffic police can ensure proper discipline, there is a definite need to reduce the 'traffic pressure' specially during the interim period, which may be required for necessary infrastructure development, by implementing the following measures: -

1) **Time Staggering**: - Through time staggering, it would be possible to spread the morning and evening peak periods effectively. This would mean that the School timings, Govt. office timings and private business timings should be so staggered that there is a difference of at least one hour in their opening times e.g. school opening time may be kept at 7:30 AM, office timing at 8:30 AM and the business timings from 9:30 AM onwards. Strict compliance of these timings would be essential and for that the school/office administration and the traffic police can play an important role. This can be seen from the improvement in road traffic conditions on 'Saturday' vis-a-vis other working days when some of the private schools are closed.

2) **Grant of loan**: - Traffic congestion is caused by cars. If the policy for the grant of bank loans at low mark-up rates has to be continued, it should then be consistent with providing more and more wider roads and other associated urban infrastructure like parking spaces, etc to cope with the resultant increase in cars. But even the most advanced countries in the world are not in a position to cope with such an unbridled growth in car ownership, obviously because of huge capital investments and large in-take of scarce urban land. The present scheme for the grant of loan at low mark-up rates for cars should be dis-continued in favour of large size buses for use in schools/colleges and as public service vehicles (PSVs).

3) **Parking Fee** :- Parking fees may be introduced at all parking lots including offices, business places, etc. To begin with, all cars whether belonging to shop-keepers/business community, etc. should be charged the parking fee. This may be gradually increased to Rs 50 per day, Rs 15 per hour and Rs 30 per peak hour. The timings may be clearly specified to avoid any ambiguity. It should serve as a good source of earnings. The City Government Development Authority should prepare a comprehensive plan to deal with this problem on a regular footing and also provide for on-street and off-street parking facilities. As far as traffic police is concerned, it can at the best introduce discipline, but it cannot reduce number of vehicles on its own.

4) **Public transport facility**: - Good quality public transport should be provided, as far as possible, on the entire road network. The bus bays and bus stops should be used for as minimum a time as possible, necessary to ensure safe embarking and dis-embarking of passengers only.

5) **Shifting of schools, motels, etc from residential streets/areas** : All commercial activity in residential areas should be shifted to its allocated places. It should be made incumbent

on all schools and colleges with combined teaching/school staff and enrollment of 100 and above to have their own buses for picking and dropping the staff/children. The pick and drop facility by the schools/colleges in their buses may be gradually increased to achieve suitable target of at least 50 per cent. This would also help in minimizing car-use for picking and dropping of children/staff, etc.

6) **Freight Movement** : All truck movements inside the city should be restricted between 10 PM to 6 AM. Delivery vans like the Suzuki Pick-ups may be allowed and treated at par with the policy for car usage.

7) **Emulation of Diplomatic Enclave Transport Model at Islamabad** : This model can be emulated for well-defined zones, whereby the motorist parks his car in the parking lot and then uses the public transport facility to go to and come back from the Diplomatic Enclave. For this, a Shuttle Bus Service and adequate parking facility needs to be provided at the desired entry points in well-defined zone.

8) **Odd & Even Numbered Car Registration** : The above measures should produce visible improvements. However, if further reduction in "traffic pressure " is un-avoidable, then the extreme possibility of allowing odd/even numbered registered cars specially during particular hours (like well-defined peak hours in properly delineated zones) on a spatial/temporal basis may be considered. The Taxis may, however, be exempted.

Besides the above mentioned measures, which need to be regularly monitored for improvements, the concerned City Government/Development Authority should play its due role in providing adequate urban infrastructure facilities to overcome the traffic problem and maintain a strong liaison with the Traffic Police for implementing the Traffic Management schemes (including traffic channelization at round-abouts, improvement of intersection geometry, road markings, signs, signal timings and green-wave setting, etc) effectively.

INSURANCE SCHEME FOR PUBLIC TRANSPORT SYSTEM

DEFINITIONS

(1) ACT ONLY COVERAGE

The insurer will indemnify the insured in respect of all sums including claimant's cost and expenses that he is legally liable to pay in respect of death and bodily injury only to third parties.

(2) THIRD PARTY LIABILITY

The insurer will indemnify the insured in respect of all sums including claimant's cost and expenses that he is legally liable to pay in respect of death and bodily injury to third parties as well as third party property damage. The unlimited coverage is normally provided.

(3) COMPREHENSIVE

It is the widest possible cover. Every thing is covered unless specifically excluded including insured's own medical expense.

INTRODUCTION OF PUBLIC TRANSPORT INSURANCE SCHEME

The public transport system in Pakistan has grown over the years and there have been developments in automotive industry as well. As a result of this, the number of vehicles used for public transport like buses, vans, inter-city buses, trucks, etc have risen and are used by millions of citizens. These vehicles and the passengers that they carry need to be insured more so because accidents do occur and not only vehicles get damaged because of accidents but also precious human lives are lost. At present, there does not exist any type of a country wide transport insurance scheme that covers both vehicles and human lives. Thus there is a need to provide protection to the passengers and the public transport vehicles.

Generally two types of insurance covers are required: -

1) Insurance to cover OWN DAMAGES suffered by the owners of the vehicles, which may be provided through comprehensive insurance policies.

2) Insurance of PUBLIC RISKS to cover liability of damages suffered by third parties including passengers. This is the subject of policies covering Act Liability only, third party public risks and No fault accident compensation. Public risk includes other public transport means such as railways/metro systems(to be developed).

NICL is reluctant to provide comprehensive insurance for vehicles owned by private sector transporters. However NICL can play an important role to cover public risks of type 2 stated above. The premium rates suggested as per latest tariff notification of the Insurance Association of Pakistan (IAP), a representative body of insurance companies of Pakistan, are as under :-

RATING SCHEDULE FOR COMMERCIAL VEHICLES
(Tariff of INSURANCE ASSOCIATION of PAKISTAN – IAP)

Carrying capacity/seating capacity	**Comprehensive Insurance**	**Act only Liability**	**Public risks third party Liability**
Not exceeding 2 M Tones	660 + 5.5% IEV	Rs 1200	Rs 1500
Exceeding 2 M Tones	810 + 5.5 % IEV	Rs 1400	Rs 1600
Up to 3 M Tones	3075+5.5% IEV	Rs 1500	Rs 1800
Over 3 M Tones	3075+5.5% IEV	Rs 1800	Rs 2000
SINGLE DECK			
Up to 14 passengers	1410+5.5 IEV	Rs 2500	Rs 3000
15 to 30 passengers	1530+5.5% IEV	Rs 2500	Rs 3000+100/seat
31 to 52 passengers	1800+5.5 IEV	Rs 3000	Rs 3000+100/seat
Exceeding 52 passengers	2070+5.5% IEV	Rs 3500	Rs 6000+100/seat

IEV - Insured Estimated Value.

As against the premium rates suggested by IAP- tariff given above, the present level of compensation to be provided against **act liability only** in case of death is twenty thousand rupees per person. However in most cases even this meager compensation is not being provided under the present system. As against this a number of effective mechanisms exist in the world to provide compensation to the victims of traffic accidents. Some of them are e.g. Insurance guarantee schemes recommended by European Commission, National organization of life and health insurance guarantee association in America (NOLHGA), Motor Insurance Bureau (MIB) in UK providing compensation to victims of accidents by uninsured vehicles, Guarantee Funds for German insurance Industry and Motor Accidents Commission (MAC), in respect of COMPULSORY THIRD PARTY (CTP) insurance in Australia.

Considering the number of registered vehicles and number of casualties reported in traffic accidents, it is possible to introduce a much-improved level of compensation under **act liability only insurance** to the victims of traffic accidents. Following the Australian example of only one insurance company to deal with compulsory third party insurance in the country, the National Insurance Company Ltd (NICL) can provide adequate cover for public risks in Pakistan. For example the NICL may provide third party compensation of fifty thousand rupees in case of death and in case of injuries medical expenses etc of up to twenty five thousand rupees under the *act only* insurance on *No Fault* basis i.e. the claimant not being required to prove driver fault. Compensation of one hundred thousand rupees per passenger can be provided in case of death of passenger.

The NICL can take over **Act Only Insurance** providing much improved levels of

compensation even on same premium rates as suggested by IAP tariff for this type of insurance. As regards comprehensive insurance for the vehicles a discount can be considered over the tariff rate as a large number of vehicles are to be covered as a fleet. The insurance market is understood to have experienced a high burning cost of about 4% in comprehensive motor insurance. A good number of companies who operated on thin premium rates in cut throat market competition have suffered heavily on account of big losses in their motor account. It may not be out of place to mention that a premium rate of 5% was earlier developed by NICL for comprehensive insurance of yellow cab scheme. However collection of premium from commercial vehicles may prove to be an insurmountable problem. Moreover the issue of third party compensation may remain a soar issue in cases of accidents by uninsured vehicles, operating on commercial insurance basis only. Once a compensation scheme has been introduced, it would be difficult as a public policy, not to provide compensation to victims of accidents caused by exempt vehicles such as those owned by military, federal and provincial governments, NLC, disabled persons etc. This may require introduction of a scheme not entirely on considerations of commercial insurance only. For their funding such compensation schemes have universally relied on the taxing power of the government, which may be exercised in the form of compulsory levies to finance the scheme. The degree and method of funding for compensation schemes vary and will depend on the scale of government support. The rate of levy may be reviewed periodically on the basis of actual experience over the years.

For an effective insurance/ compensation scheme, it would be desirable to ensure collection of funds on behalf of NICL by way of a levy as under:-

- A levy on gasoline/petroleum of 05 paisa per liter may be considered, if NICL is required to provide compensations as per act only liability/passenger liability.

- If NICL is also required to provide compensation under comprehensive insurance to commercial vehicles, then a levy of 10 paisa per liter may be considered.

Once a policy decision in respect of levy has been taken for collection of funds, procedure for issue of insurance certificates/insurance tokens if required along with a procedure for claims handling can be developed by coordinating with concerned public authorities and associations of public transporters. However before NICL can take over the act only liability insurance it would be necessary to consider the following legal aspects:-

- Definition of authorized insurer appearing in Section 93 (a) of Motor Vehicles Act 1938 may be amended so that NICL is allowed to become the sole insurer for act only liability.

- The Ministry of Commerce/ Securities and Exchange Commission of Pakistan (SECP) should issue rules under Insurance Ordinance 2000 whereby insurance companies are required to amend comprehensive insurance policies so that act only liability cover is no more part of such comprehensive insurance policies.

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