

# Industry Status For Trucking Sector

## 3.1 Section - I Background

The trucking sector of Pakistan is operating in a highly competitive environment, consisting mainly of a very large informal and un-organized segment. Low quality of service is seriously impeding Pakistan's trade competitiveness at both the internal and external levels. On the domestic front, an unhealthy and intense internal competition prevails in the sector compelling it to operate at very low profits. The sector generally comprises of very small fleet ownership except for a few firms which are regular fleet operators. Single ownership of old, obsolete Bedford trucks is a common phenomenon which cannot be overcome in the present environment as with increasing fuel prices and

competition, the sector becomes more & more marginalized. The concept of informal financing with 100% interest rates constrains the driver-owner to switch over from the old Bedford and other obsolete trucks to modern vehicles. The reason for the lack of access to banking sector finance by investors and entrepreneurs is the lack of recognition of the Trucking Sector as a credible and documented sector of the economy. For efficient transportation, there is a growing demand for Prime Movers and Multi Axle Trucks/ Trailers which have a positive bearing on the modernization and development of lateral and downstream Industry.

## 3.2 Section - II Policy Recommendations

3.2.1 In this back drop, the Trucking Policy declares this sector as an "**Industry**". The Freight Forwarding has already been declared as an industry by the Government in year 2005 which covers the soft part of the trucking operations.

3.3.2 Giving Industrial status to the trucking sector will not only encourage fleet operations but would also enable facilitating the sector on account of:

I. Lending by commercial banks to the trucks/ fleet operators, at competitive rates.

- II. Insurance cover to the trucking sector.
- III. Relevant tax incentives becoming applicable to the sector.
- IV. Utilities obtained at industrial rates instead of commercial rates.
- V. Enabling the trucking sector to organize itself on a platform.
- VI. Attracting the much needed foreign investment in the formal fleet operations.

---

**INDUSTRY STATUS FOR TRUCKING SECTOR**

3.3.3 This step of giving industry status would be a positive move towards organizing the Trucking Sector and changing the current fragmented nature of the sector. The Trucking Policy further recommends the following additional incentives for this sector:

- Allocation of dedicated funding by State Bank of Pakistan / IFI's - 50% interest to be picked up by the GoP.
- Withdrawal of 1% Federal Insurance Fee and 5% Federal Excise Duty (FED) on gross

- Investment tax credit allowance of 15% be allowed to fleet operators for which eligibility criteria has been defined.
- National Freight and Logistics Chamber (NFLC) to be constituted to formally organize the Sector.

**Eligibility Criteria of fleet operators**

- Companies owning: 20-25 Trucks (Imported used Trucks)
- OR**
- Companies owning: 10-15 Trucks (new Trucks)
  - Capacity (GVW): 280 HP(28-30 Tons) and above.
  - Engine : Euro-II (At least 25% of Fleet)
  - Mandatory Vehicle Tracking System
  - Registered with NFLC

3.3.4 These incentives shall be finalized after due consultation with the Finance Division.

**3.3.5 Implementation**

MoIP&SI to notify the Industry status of the Trucking Sector as approved by Economic Coordination Committee (ECC) of the Cabinet in their decision.