

INTERVIEW SECTION



Agha Jan Akhtar
Chairman, Port Qasim Authority

Agha Jan Akhtar is an officer of the Pakistan Administrative Service. He has a Bachelor's degree in Electrical Engineering from the University of Southern California and holds a Masters in Business Administration in Management from Pepperdine University, California. He is an Alumnus of the Kennedy School of Government, Harvard University, the Asia Pacific Center of Security Studies, Hawaii and the Near East South Asia Center for Strategic studies (NESAS), USA. His specialization is in the fields of Management and Strategic Studies.

ICMAP: Please tell us briefly about the functions, facilities and nature of operations of Port Qasim Authority.

AJA: Having established in 1980, the Port Qasim has transformed into a hub of international trade and one of the largest contributors to national economy, catering to over forty percent of Pakistan's seaborne trade. The port is well connected to inland transport network and is just 15 kilometers away from the national highway. Further 14 km of railway track inside the terminal links it to the national railway network through six railway tracks. There are total 341 projects operating in PQA industrial zone in which 314 are industrial and 27 are commercial.

PQ offers time-efficient, cost-effective and customer oriented port services and facilities for raw material imports of Pakistan Steel Mill and land for industrial/commercial complexes to promote industrialization. PQ handles all types of general, bagged, bulk, break bulk, liquid and containerized cargo with backup infrastructure and handles bulk, break bulk, general cargo, liquid bulk, furnace oil, diesel oil, crude oil, palm oil, chemicals, coal, iron ore, wheat, cement, rice, seeds, LPG, LNG and containers by atomized equipments. There is immense possibility for expansion and upgrading of port facilities in terms of number of berths and draught in navigational channel to meet dynamic requirement of international shipping.

The existing port facilities include iron ore and coal berth; Marginal Wharf having four berths; FOTCO oil terminal; QICT Container Terminal having two berths; EVTL Liquid Chemical Terminal; 2nd Container Terminal having two berths; Liquid Cargo Terminal; Grain and Fertilizer Terminal; SSGC

Period	Cargo	Ships
2008-09	25.013	1,238
2009-10	25.606	1,187
2010-11	26.168	1,229
2011-12	24.025	1,083
2012-13	24.859	1,055
2013-14	25.775	1,072
2014-15	30.114	1,280
2015-16	33.245	1,387

LPG Terminal; Engro Elengy Terminal. The country's first integrated IC3 (Integrated cargo container control) facility is also available at Port Qasim with a joint investment of over US\$ 8 million by Pakistan Customs and US Customs and Border Protection.

Port Qasim handles over 1300 ships yearly. The cargo handling during July-April 2016 showed an increase of 10.5 percent as compared to corresponding year figures of 24.145 million tons. Shipping also increased by 7.4% over the corresponding period.

ICMAP: Can you highlight a few important contributions of PQA in the economic development of Pakistan?

AJA: Ports and Shipping provide trading infrastructure for Pakistan. As already stated Port Qasim handles around 40 percent of the total cargo of Pakistan. PQA facilitates in imports of LNG to meet the shortage of natural gas and import of coal for upcoming coal based power plants. PQA has also provided basic infrastructure facilities for the development of commercial and industrial units. At present, hundreds of commercial and industrial units are operating in PQA. Furthermore, PQA provides employment to around 2200 people and 1550 pensioners. Almost all departments under Port and Shipping division are profitable and contributing millions of rupees by paying taxes to national exchequer.

ICMAP: Has PQA signed any Implementation Agreements for cargo handling?

AJA: So, far twelve Implementation Agreements have been signed by PQA and Terminal Operators for handling of multifarious cargos and port related projects under BOT/BOO concept. PQA under landlord concept, within the ambit of PQA Act, 1973, has so far developed port terminals through private sector investment to the tune of over US\$ 1000 million by 2015. The upcoming projects of 1320 MW coal-fired power project under CPEC at a cost of US\$ 2 billion and PIBT terminal at a cost of US\$ 250 million are under construction, while two to three more LNG terminals are expected to start shortly. PQA has signed Implementation Agreements with the following groups:

- Fast Track LNG project by EETPL
- Coal and Clinker/Cement Terminal by PIBT
- 1320 MW Coal Fired Power Project by PQEPCL

- Grain and Fertilizer Terminal by FAP
- 1st Container Terminal by QICT/DP World
- 2nd Container Terminal by QICT/DP World
- Liquid Cargo Terminal by Felda Westbury Qasim (FWQ)
- LPG Terminal by SSGC
- Chemical Terminal and Storage Farm by EVTL
- Oil Terminal by FOTCO
- LNG Import Terminal as joint venture of GEIP-GEIL-2011
- LNG Terminal by PGPL-FOTCO (expected shortly)

ICMAP: How was the first-ever LNG Terminal established and what hurdles were faced in this regard?

AJA: When I took charge as Chairman PQA, I was initially briefed that the location was not ideal but as soon as I got the briefing from Lloyds and others, which are world organizations and have their own reputations at stake, I felt that there is no issue about Port Qasim's location. I took the initiative for establishing the first LNG Terminal despite opposition that it was a 15 years agreement and we were finalizing it for 30 years. Our role was basically to facilitate them in getting permissions, conducting studies and ensuring that the LNG terminal is completed within the stipulated time of 11 months. The purchasing of LNG is running into billions of dollars as Pakistan needs it to meet its energy shortages.

I have firm belief that it is our responsibility to facilitate the private sector. Since it was the first-ever LNG terminal in Pakistan, we had to get 'out of box' solutions to get it approved and implemented. Alhamdulillah the LNG terminal was

completed in eleven months. After its construction, the same companies which were thinking that Pakistan was not ready for LNG are now coming to Pakistan for investment because they are also business oriented and want to earn money. Similarly, a foreign company which was initially hesitant to provide ships for carrying LNG to Pakistan due to security and others risks, is now having its representatives sitting in Islamabad and trying to put up a private LNG terminal at Port Qasim without any toning agreement with the government.

The second LNG terminal is also expected to be completed in the next twelve months which is working with the government and the government will be buying gas from them. So, from one LNG terminal which was completed in March 2015, delivery was completed in 11 months and so far 42 ships carrying LNG have arrived. Initially, two LNG ships per month were coming which has now increased to four ships per month.

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ICMAP: Why is Port Qasim the most expensive port in LNG handling?

AJA: Port Qasim is one of the expensive ports for LNGs handling, the reason is simple that we had to provide four LNG Tugs to Port Qasim for this we went to the international market to get services of these tugs which cost us US\$ 25 million for two years only. On top of that, the Customs Department of the Government of Pakistan was imposing a tax of US\$ 15 million on these tugs. Hence, the running cost only was to the tune of US\$ 40 million, in addition to fuel charges. Therefore, we had to recover this cost from LNG as this service was meant for LNG, therefore we are charging as toll around Rs. 90 million from each ship to recover the other expenses along with the running cost of these four tugs. As soon as the second terminal is completed, this will go down.

ICMAP: How would you compare Port Qasim with other ports internationally in terms of standards and efficiency?

AJA: We are glad to say that port security and operations at PQA meet international standards. Port Qasim is maintaining acceptable international security standards and at IC3 terminal, the cargoes are directly scanned, locked and shipped to America without transit to any other port. Hence, our level is now improving worldwide and the LNG Terminal has elevated the image of our country internationally. For this I will give entire credit to the private sector as they can deliver much better than the state sector. In just 19 to 20 hours our ships at container terminal return after turnaround. If this was handled by the state sector, the efficiency and performance of our ports would have nothing different from that of Nigerian and other African ports. The private sector is so much scientific in their operations that on computer area design, they identify at which berth the ship is to be placed with calculation of its tonnage and weight. Do we have such skills in the government sector to perform such tasks scientifically at ports? We still have a long way to go until our government sector is to deliver in the same way as the private sector. Public-Private partnership is the only way for successful implementation of projects.

ICMAP: What is the role of government in facilitating PQA to become viable and sustainable?

AJA: During a briefing made to the Prime Minister on his visit to PQA, I pointed out that the duties imposed by FBR on LNG terminal are on a higher side and these should be rationalized as money used in duties could be utilized for development and value addition. As a result from the current budget 2016-17, the government has exempted duties till 2020 on dredges, tugs and ships. In fact, during the previous regime of Prime Minister Nawaz Sharif, a shipping policy was announced which included duty exemption till 2020, however, with change of government; this shipping policy could not be implemented and we had to pay around 43% of

the value of tugs as duties. With the passage of time, FBR withdrew all the benefits through issuance of SROs. Anyhow, now being exempted from duties, PQA intends to purchase a dredger for its own use at port for increasing the width and deepening the 47 km channel. The government's policies are now very conducive for the development of ports and shipping industry.

ICMAP: Do you think the development of Gwadar Port will have any impact on Port Qasim?

AJA: Gwadar Port will have its own features and business and I do not think that will affect us or impact Gwadar. We are looking at the CPEC corridor also while the linkage of Gwadar port is completed. We feel that in such time period we will provide the option. There have been a lot of changes in our railway connectivity. Prior to this government, five freight trains used to go from PQ in every month, whereas at present three trains go from Port on a daily basis. So in just two years, the change is from five trains a month to 90 trains a month. Railways are short of locomotives otherwise more freight trains could be transported. In every part of the world, rails are the most economical transportation and NLC and road networks are not the solution. In fact, in 1979, it was a very wrong strategic decision to move away from

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railway and go towards freight movement through trucks and we have still not recovered. I feel that in 1979 Pakistan Railways was in a much better position to deliver than it is now and under leadership of Mr. Saad Rafiq, Minister, the Pakistan Railways is now showing improvement.

ICMAP: Does the PQA expansion plan include installation of power plants to resolve the energy crisis?

AJA: To support the government, PQA is contributing several projects to meet energy crisis in the country. One such project is a 1320 MW Coal-fired Power Project under CPEC which is to be established at 200 acres land in Eastern Industrial Zone (EIZ) to be completed in 2017. This power project with US\$ 2 billion investment will have its own jetty and further US\$ 200 million will be spent directly on the value addition of channel. On completion in 2018, this power plant will be on grid with 660 MW and by March 2018 they will be on grid with remaining 660 MW. This would be one of the fastest completing projects in the world which will be completed within three years or less. In fact, this power plant was to be installed few years back, however due to unstable political scenario in the country in 2014, they packed and went back. When the President of China came to

Pakistan and signed the CPEC agreement with the Prime Minister of Pakistan, all these companies came back and started the stalled projects from 2015. You can see that a lot of changes have occurred since then.

Another 350 MW Coal-fired Power Project by Siddiqsons Pvt. Ltd. to be set up at 100 acres land in EIZ is also underway which will be completed next year. In addition, 174 acres land has been allocated to M/s. Metal for Coal-fired Power Project which is at planning stage. PQA welcomes similar projects through private sector investment.

ICMAP: Does PQA have any plans of producing energy through wind?

AJA: At Port Qasim we do not have any wind corridors but turbines and all other things are being delivered through us. Certainly, wind energy projects have much potential but it is an expensive investment as wind grids are much costlier than solar grids. Secondly, there is much fluctuation in wind power whereas a power plant constantly delivers the same megawatt of energy. Wind power can fluctuate from 5 MW to 1 MW and maintenance is also much difficult. If the private sector comes forward to install wind power plants, we can definitely facilitate them.

Let me give you an example of how we facilitated the private sector. When we provided an industrial plot in Port Qasim to a private power plant, there was concern that utility provision is the domain of government and power is not an industry. Also, as per Port Qasim Land Allotment Act, there was no provision to provide a land to a private sector for power projects. Nevertheless, realizing the energy requirement of our country we acted in the larger interest and allowed the installation of private power plant whose electricity was transferred to national grid. Now, K-Electric has taken an industrial plot from a private party for installing a 660 MW power plant. The land has been transferred to K-Electric from the private party.

ICMAP: What contribution PQA would be making in CPEC-related projects?

AJA: The PIBT Terminal for handling of coal is expected to be completed by December 2016 for transportation of 4 million tons of coal per annum through conveyor belt from terminal to the railway network for upcountry coal-fired power projects. Similarly, PQA with the consent of the government has decided to convert Marginal Wharf 3-4 for coal handling through mechanized system for handling, transportation and self-use of coal by IPPs only. The construction phase is nine months to enable coal handling to the tune of 4 million tones minimum at initial phase. PQA has also advertised to establish a dedicated coal terminal and private sector are invited to participate in the bidding process by 2017, keeping in view the market appetite.

ICMAP: How many islands come under the territory of PQA? What are the future prospects of these islands?

AJA: There are nine islands which come under the territory of PQA namely Bundal, Khiprianwala, Buddo, Khuddi, Miran, Khand, Muchak, Hafeez and Ziarat Hassan Shah. In future, these islands can be developed for the construction of terminals and berths; fish farming; shipyard; ship breaking; recreation and hotels and resorts.

All the islands we have are exactly identical to that of Singapore's Sentosa islands which measure just 1200 acres, whereas our two to three islands measure more than 18,000 acres. In the long run we are looking towards connecting these islands with the highways for supply of logistics and power lines. Thereafter, you can turn those islands into ports or entire industrial areas. Even, you can give some area of islands to other countries for production and exports by using Pakistani labour force. China would be more than willing to put up industries under Free Industrial Zone and

export to Europe. They will be saving a lot as far as logistics is concerned. We have arranged visits of dignitaries from China and other countries to these islands but the problem is that when we touch one island or terminal, the media starts campaign that we are damaging mangroves and the environment. You need to maintain a balance between development and environment as every development or construction that is unnatural, for instance construction of home for which you ruffle ground, is at the cost of environment.

ICMAP: Management Accountants, being specialized in cost control and management, can provide professional services to PQA in efficient cargo and terminal management. Do you agree?

AJA: Yes, I agree. We have Management Accountants in PQA and they are professionally and actively participating in decision making related to cargo and terminal management.

ICMAP: What services ICMA Pakistan can offer to PQA for human resource development?

AJA: Well, I think your Institute can develop a two-week or one month training program in the evening, specifically for the Finance and Planning & Development (P&D) personnel of PQA. The Institute can also provide its qualified and partly-qualified students as interns for PQA. In addition, PQA can also look into the possibility of extending financial assistance to needy students of ICMA Pakistan, similar to that offered by PQA to IBA Sukkur. I support this being a noble cause. Our concerned officer can sit with you to materialize all these plans.

The interview ended with a vote of thanks to Agha Jan Akhtar, Chairman, Port Qasim Authority (PQA) who spared his valuable time and gave his candid views exclusively for this Journal - Editor

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