

BRIEF ON REVIVAL OF KARACHI CIRCULAR RAILWAY PROJECT

1. REVIVAL OF KCR

The City of Karachi does not have an effective Mass Transit System like other mega cities of the world. This is causing enormous problems to the commuters of the city at large. It was therefore, decided by the Government of Pakistan to revive the Karachi Circular Railway (KCR) as a modern Commuter System.

History of KCR

KCR was commissioned in 1964 and was highly patronized till 1984 when 104 trains were operating per day, however, due to lack of investment, the operational efficiency was marginalized thus resulting in the reduction of ridership and eventually it was closed in December 1999.

In 2004-05, Government of Pakistan (GoP) initiated to revive Karachi Circular Railway (KCR) as a modern Commuter System for the city of Karachi.

GoP requested Government of Japan (GoJ) for the revival of KCR. The project was undertaken with the technical and financial assistance of the Government of Japan through JICA (Japan International Cooperation Agency).

Formation of Karachi Urban Transport Corporation Limited

Government of Pakistan initiated efforts for the revival of KCR and in Oct-2004, a Task Force was constituted to prepare recommendations for Revival of KCR. Task Force comprised of Minister of State for Railways as Chairman and Minister of Transport, GoS and Nazim CDGK as its members. The Task Force after due deliberations presented its recommendations in a meeting Chaired by the Prime Minister, wherein it was decided that KCR will be revived as a modern commuter system. Special Purpose Vehicle (SPV) to be created under the title of Karachi Urban Transport Corporation (KUTC) to act as an implementing agency. KUTC has been formed with Ministry of Railways, GoS, and CDGK now KMC as shareholders on the basis of their equity.

An Implementation Committee was constituted to oversee the progress of the decisions, Comprising of:

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| a) | Mr. Ishaq Khan Khakwani, Minister of State for Railways | as | Chairman |
| b) | Mr. Adil Siddiqui, Provincial Minister (Transport) GOS | | Member |
| a) | Additional Chief Secretary (Dev) GOS | | Member |
| b) | Mr. Abdul Ahad Effendi, Consultant-Privatization Commission GOP | | Member |
| a) | City Nazim Karachi | | Member |
| b) | Ijaz Hussain Khilji, Project Director KCR | | Member & Secy |

Implementation Committee engaged a reputed law firm to prepare the Memorandum of Association and Articles of KUTC which were approved in a meeting held on September 13, 2005 for the formation of Karachi Urban Transport Corporation (KUTC). Said meeting was held in Karachi and chaired by the Governor Sindh participated by Minister of State for Railways, Ministers and high officials of GoS and Ministry of Railways.

Accordingly KUTC was incorporated under section 32 of Companies Ordinance 1984 with SECP on May 8, 2008 with shareholding of Ministry of Railways (GoP), GoS and CDGK (now KMC) as shareholders as per their equity ratio of **60%, 25% & 15%** respectively for the Implementation of the project. The Chief Secretary Sindh is the Chairman of KUTC Board and Managing Director is the nominee of the Ministry of Railways, GoP.

COMPOSITION OF KUTCL BOARD OF DIRECTORS:

Nominees of Ministry of Railways:

- CEO/Senior General Manager (Operations)
- Additional General Manager Infrastructure.
- Divisional Superintendent, Pakistan Railways, Karachi.
- Managing Director KUTCL

Nominees of Government of Sindh

- Chief Secretary, Government of Sindh / Chairman KUTC Board.
- Secretary Transport, Government of Sindh.

Nominees of City District Government Karachi / KMC

- City Nazim / Mayor, Karachi
- Director General, Karachi Mass Transit Cell / Sindh Mass Transit Authority

Private member, nominee of KUTCL Board (Position Vacant)

2. JICA WORKING STATUS

- All Social, Environmental and Engineering studies / requirements as per guidelines of JICA, World Bank & Asian Development Bank including all preconditions of JICA for negotiation of loan have been completed.
- In September 2009 ECNEC approved the Project at an estimated cost of US\$1.558 Billion (Rs.128.6 Billion @ Rs.82.50=1US\$)
- Subsequently updated detailed Feasibility Study was carried out by the experts of JICA estimating the cost of the Project to US\$2.609 Billion.
- ECNEC Approved the project in August, 2012 at revised cost of US\$2.609 Billion (Rs.247 Billion @ US\$ 1 = Rs.94.50). **However the same has been reduced by US\$ 341 Million after waiver of GST, Import Duty, Federal Levies etc. by Government of Pakistan and Government of Sindh.**
- The Re-confirmatory Survey carried out by JICA in 2013 through locally appointed consultants in association with KUTCL.
- ECC waived Relending Charges i.e. 8.2% Annual on Capital and interest amount in January 2013. It was further decided at ECC that the loan will directly be transferred to KUTC.
- Government of Pakistan on 5-3-2013 waived imposition of GST, Customs Duty and other federal levies on KCR Project.
- Government of Sindh through its Notification dated 12-05-2014 exempted Revival of KCR Project from all Govt. Taxes and duties.

3. TIME LINE FOR THE PROJECT

Project will be completed in five years after signing of loan agreement.

4. FUNDING

- JICA is to provide Soft Term Loan at a markup of 0.1% p.a. repayable in 40 years including 10 years grace period provided JICA conditions for loan facility are met. (All JICA conditions already met by KUTC).

5. SALIENT FEATURES

- Route length: 43.12 K.m. dual tracks with 24 stations at an average distance of 1.5K.m.
- Trains will operate at 5 min. headway/interval: expected ridership 0.58 MI. per day.
- Electric traction infrastructure with modernized signaling & telecom system.
- Provision of segmental fare level compatible to bus fare.

- Elimination of all level crossings (22)
- Elevated track 23.86 Km
- Tunnel 3.70 Km
- Surface 15.56 Km
- No. of Stations 24
- 290 trains in a day (06:00 to 23:00 hours)
- Frequency 6 minutes in peak hours, upto 10 minutes in off peak hours
- Turn around period for 43.12Km – 66 minutes

6. IMPLEMENTATION / PUBLIC PRIVATE PARTNERSHIP

Concerned Ministry : Ministry of Railways, Government of Pakistan.
Implementation agency : Karachi Urban Transport Corporation Limited.

KUTCL is the vehicle for the Implementation of the Project. After completion of Project, KUTCL will be responsible for overall Management of KCR and will perform the role of Regulator to oversee the working of Private Operator.

Private Sector:

- Operation & Maintenance : Private Operator of International repute (Singapore/Dubai model)
- Real Estate Development: Joint venture
- Power supply : MoU signed with KESC now K-Electric (KE) declaring KUTCL as Strategic Customer for ensuring uninterrupted power supply for KCR.

RESETTLEMENT OF PAPs/ PAHs (PROJECT AFFECTED HOUSEHOLDS/ PROJECT AFFECTED PERSONS)

- Since the closure of KCR in 1999, about 20% of the KCR Right of Way has been encroached by squatters/illegal occupants who can be relocated at a allocated Resettlement Site.
- Detailed Resettlement Action Plan (RAP) Study of the squatters has been prepared in conformity with the guidelines of World Bank, Asian Development Bank, JICA, IFC etc. with thorough interaction and consent of the Project Affected Households (PAHs) in association with JICA experts.

Since the relocation of PAHs at the resettlement site will consume 4 to 5 years resulting in much delay of the project, a workable solution i.e. a **Domestic Plan** has been worked out to separate the Resettlement component of the Project from the main KCR Project.

7. Domestic Plan

In a meeting, jointly presided over by the Chief Minister Sindh and Federal Minister for Railway, held on April 26, 2014, a **domestic plan** was presented by the Managing Director KUTC to start the resettlement component of the Project through local resources.

Consequently, following eight members Committee was constituted headed by the Commissioner, Karachi to deal with resettlement related issues:

- Commissioner Karachi
- Secretary Finance, GOS
- Secretary Transport & Mass Transit, GOS
- Managing Director, Karachi Urban Transport Corporation (KUTC)
- Administrator, KMC
- Divisional Superintendent Pakistan Railways, Karachi.

- Project Director, KUTC
- Senior Superintendent of Police, Pakistan Railways, Karachi.

The Committee has submitted its report to Chief Minister Sindh in May 2014 as per the following three proposals:

Proposal-A

Number of Structures	2997
Structure Replacement Cost	PKR 686.25 Million
Cash compensation @ Rs.2.5 Lac to each PAH (Total PAH 4653)	PKR 1,163.25 Million
Cost of construction of Boundary Wall (73 KM) along ROW	PKR 2,000 Million
Total	PKR 3,849.5 Million Say PKR 3.85 Billion

Proposal-B

Number of Structures	2997
Structure Replacement Cost	PKR 686.25 Million
Cash compensation @ Rs.5 Lac to each PAH (Total PAH 4653)	PKR 2,326.5 Million
Cost of construction of Boundary Wall (73 KM) along ROW	PKR 2,000 Million
Total	PKR 5,012.7 Million Say PKR 5.01 Billion

Proposal-C

Number of PAHs	4,653
Number of Apartment	5,000
Cost of Construction per Sq. ft.	Rs.1,200
Cost of Construction of 5,000 Apartments	Rs.4,200 Million (Say Rs.4.2 Billion)
Cost of Infrastructure facilities and Amenities	Rs. 2,231.6 Million
Cost of construction of Boundary Wall (73 KM) along ROW	PKR 2,000 Million
Total	PKR 8,431.6 Million Say PKR 8.43 Billion

Note: -Decision is awaited from the concerned authorities.

-Shifting of PR tracks is a part of Domestic Plan, the cost of which (PKR 3.0 bil) has to be added in the above 3 proposals.

Why Domestic Plan

- Development/ construction time of the Resettlement site at Jumma Goth will be eliminated.
- Completion time of the main project will be reduced by almost four years.
- RoW will be available for commencement of the main project due to accelerated clearance of occupied KCR RoW which will result in early start of project.
- Reduction of the RAP cost to a considerable extent.
- Alternative utilization of 283 acres of Railway land earmarked for resettlement of PAHs at Jumma Goth adjacent to Shah Latif Township.

8. Meeting with the Prime Minister

- A meeting chaired by the Honorable Prime Minister was held on July 7, 2014 at Islamabad. Apart from other development projects, present position of KCR Project was discussed. Chairman Railway, Managing Director KUTC and PD KUTC attended the meeting. MD KUTC presented the Domestic Plan of the project.
- As a follow up of July 7, 2014 meeting, another high level meeting was held at the Governor's House Karachi on July 10, 2014 to discuss the development projects of Sindh including Revival of KCR Project. The meeting was again chaired by the Honorable Prime Minister of Pakistan. Federal Minister for Railways suggested to utilize 283 acres of Railway land at Jumma Goth to generate funds for cash compensation to the Project Affected Households. It was decided to resolve the matter by taking up the issue with Government of Sindh.

9. Meeting with JICA Headquarter Tokyo

- In the meantime a meeting held on July 8, 2014 at JICA Pakistan office, Islamabad through TV Conference among JICA Headquarter South Asia Division-II, Tokyo, Japan, Karachi Urban Transport Corporation (KUTC), Ministry of Railways, Economic Affairs Division, Finance Division, Concerned Government of Sindh Officials and Karachi Metropolitan Corporation (KMC) in connection with the Revival of KCR Project.
- The purpose of discussion was mainly focused on:
 - Resettlement Plan
 - Shifting of PR Line/Tracks
 - Construction of Boundary Wall along KCR Route alignment
 - Budget allocation on the above 3 items
- 2nd Meeting (TV Conference) held on July 22, 2014 at JICA Pakistan office Islamabad as a follow up of July 8th meeting. Managing Director and Project Director KUTC, officials from Ministry of Railways, Economic Affairs Division, Finance Division, Government of Sindh and Karachi Metropolitan Corporation (KMC) were present during the meeting. Minutes of Meeting were confirmed / accepted by JICA Headquarters, Tokyo on August 13, 2014. According to the MoM confirmed by JICA, JICA will inform KUTC of the result of the confirmation by MOFA on:
 - a) Letter of Comfort on KCR
 - b) No-Objection Letter on Domestic Plan
 - c) Dispatching Japanese experts on RFP preparation.

(Only incase conditions are cleared: availability of Japanese consulting firm and security restriction made by MOFA/JICA)
- It was also decided that after confirming the reply on the above (a & b) from JICA, KUTC will obtain the approval from higher authorities (MoR, etc) on the contents of MoM and start procurement process of HSE Consultant. The same was sent to Ministry of Railways, Islamabad.

10. Memorandum of Understanding (MoU) With CRCCI

A Memorandum of Understanding (MoU) was signed between Government of Sindh and China Railway Construction Corporation (International) Limited on August 27, 2014 for Karachi Circular Railway and development of two Light Rail Track (LRT) Lines. Karachi Urban Transport Corporation which is the vehicle for the implementation of the KCR Project and Ministry of Railways being the 60% shareholder of the project was not taken into confidence and got the information of signing of the said MoU only through print and electronic media.

A letter to this effect a letter was sent to Government of Sindh vide No. 16/KUTC/2014/191 dated September 16, 2014 showing strong reservation that Revival of KCR Project is managed under the ambit of Karachi Urban Transport Corporation but Ministry of Railways, Government of Pakistan and KUTC was not taken on board and it was regretted that there is no mention of KUTC in the MoU signed between Government of Sindh and China Railway Construction Corporation on August 27, 2014.

- At the same time Managing Director KUTC informed Ministry of Railways, Islamabad vide KUTC letter 19/KUTC/2014/192 dated September 16, 2014 that MoU signed by GoS without taking Ministry of Railways, Government of Pakistan and KUTC on board and requested that the issue may kindly be taken up at a appropriate level.

11. Chief Minister Sindh on KCR Project

Chief Minister Sindh wrote a letter Federal Railway Minister vide letter No. PSO/P.SECY/CMS/2014/154 dated 25-11-2014 proposing to utilize the PR main line for the KCR Project. The CM Sindh suggested formation of steering committee to develop a proposal and feasibility involving PPP Unit of GoS and potential engagement of PRACS.

- Divisional Superintendent Pakistan Railways, Karachi vide letter No. DS/Misc/2014 dated December 1, 2014 informed that the Chief Minister Sindh's proposal is not viable as main line tracks are already occupied to run passenger as well as freight trains.
- Chief Minister Sindh also wrote a letter (No. PSO/P.SECY/CMS/14/178 dated November 28, 2014) to Honorable Prime Minister of Pakistan seeking strong support from Federal Government to implement the KCR Project and inclusion of the project in the China-Pakistan Economic Corridor and handover the control to the Sindh Government.
- Secretary/Chairperson Railways informed Secretary to Prime Minister vide U.O No. 23(12)PL-2002(Vol XII) dated 26-2-2015 that since Government of Sindh has shown interest in implementing KCR Project, the Ministry of Railways has conveyed its willingness to:
 - Handover the project to the Government of Sindh and KMC, Karachi.
 - Offers its land for the KCR project including Right of Way in lieu of which the Government of Sindh shall hand over equal value land to Pakistan Railways.
 - Provide Technical support to the Government of Sindh for implementing and operation of the project.
 - This plan is under consideration with Government of Pakistan and Government of Sindh. Decision is awaited.

12. It is added here that after the removal of its name from a litigation case, Japan International Cooperation Agency (JICA) is willing to finance the project and accordingly requested Economic Affairs Division (EAD) Islamabad in the month of March'15 for a joint meeting of all the stakeholders of KCR Project from Federal and Sindh Governments.

13. Meeting was held at EAD Islamabad on May 27, 2015 to discuss the update on Revival of KCR Project. Secretary EAD chaired the meeting and later chaired by Additional Secretary EAD. Joint Secretary EAD, Secretary Transport and Mass Transit Department Government of Sindh, Director General (Planning) Ministry of Railways, GoP, Managing Director and Project Director Karachi Urban Transport Corporation (KUTC) were present in the meeting. Later officials from JICA and Embassy of Japan also participated in the meeting.

14. Additional Secretary EAD briefed the Japanese side that the KCR project is to be transferred to Sindh Government on the same terms and conditions agreed. The Japanese side said that since this is a material change we have to

consult JICA Headquarter Tokyo for this change. Additional Secretary EAD after consultation, fixed June 15, 2015 as the date for the next meeting.

15. Meeting held at EAD Islamabad on June 15, 2015 in which all the stakeholders were present including high level JICA Mission from Tokyo, Japan. JICA presented its steps for the clearance of the KCR Right of Way (RoW) from illegal encroachers/squatters:
 - i. Updating the Resettlement Action Plan (RAP) with resetting cut-off date.
 - ii. Consultants assigned by JICA to ensure consistency between Domestic Plan and JICA's guidelines.
 - iii. Due Diligence Report to inform any gap between guidelines and action taken before the JICA's guidelines.
 - iv. Appropriate order for implementation of the Domestic Plan.

JICA had pointed out that JICA does not have any mandate to decide for the provision of Yen loan as they require approval from Japanese government. Till the internal approval at JICA, JICA presented two versions of timeline.

17. It was decided that Government of Sindh will furnish their comments and decision to EAD on the timeline presented by JICA for the KCR Project as well as the status of the Domestic Plan.
18. On September 7, 2015, meeting held under the Chairmanship of Additional Chief Secretary (ACS Dev) GoS to discuss the issues facing the KCR Project. Mission from JICA Pakistan Office Islamabad, MD, PD KUTC and concerned officials from KMC also participated in the meeting.
19. Decision from Sindh Government to take over the project is still awaited.
20. On October 12, 2015, Federal Minister Planning, Development & Reform Ahsan Iqbal chaired a review meeting on Revival of KCR Project. It was decided in the meeting that JICA will provide clear consent /commitment for undertaking the project along with road map / implementation Timelines within one week for executing the project without further delay otherwise the option suggested by the GoS for undertaking the project through proposed Chinese funding will be considered.
21. Meeting was held under the chairmanship Mr. Tariq Bajwa Secretary Economic Affairs Division (EAD) at Islamabad on 17-12-2015 to review updated position of KCR Project. JICA Mission from Tokyo headed by Director General South Asia Division also attended the meeting. Project Director KUTC presented updated position of the project concluded with remarks that reply from JICA as decided in the October 12, 2015 meeting is still awaited. It was decided in the meeting that JICA will furnish reply on 21-12-2015 about clear timeline and commitment for the loan.
22. Director General South Asia Department JICA, Tokyo furnished reply on December 21, 2015 explaining JICA's current position:
 - Pakistan to re-implement the Census survey for providing appropriate compensation to PAHs in compliance with JICA's Guidelines for Social and Environmental Consideration, Shifting of existing railway tracks and construction of boundary wall.
 - Handing over KUTC to provincial government, JICA is concerned whether this will cause any delay in project implementation, changes in decision making process of KUTC, budget allocation by the local government, pre-

confirmed conditions such as tax exemption and on-lending terms and conditions and handing over process by MoR.

- JICA gave two timelines i.e. from Dec. 2015 to June 2016 and March 2016 to Jan. 2017 for the internal approval by JICA and sending Appraisal Mission subject to the consent by the Government of Japan.
 - Further JICA will carefully examine the latest demand forecast and operational mechanism to confirm if the project is sustainable. JICA will also monitor stable macro-economic situation and security condition in Karachi.
 - Pakistan needs to understand JICA's stance for the clearance of above issues which will be the prerequisite for the consideration of Japanese ODA loan and will make way to consult with Japanese Government for the project formulation of KCR. JICA is waiting for the written consent on their stance from EAD.
23. Meeting was held on December 31, 2015 under the chairmanship of Chief Secretary Sindh and co-chaired by Federal Secretary EAD to review projects being implemented in Sindh province. During the meeting, Karachi Circular Railway project was also discussed. Secretary EAD said that terms and conditions of JICA loan for the KCR project are very soft and is on 0.1% markup basis. It was decided that stakeholders on our side need to have another meeting soon to finalize all issues relating to KCR project.
24. KUTC Board of Directors meeting held on February 17, 2016. MD KUTC presented Domestic Plan-II which entails restoration of Karachi Circular Railway. It was resolved that a committee be formed to look into the proposal of Domestic Plan-II, meet and discuss for making TOR and Scope of Work. It was further resolved that Census Survey of the KCR encroached areas be carried out by KUTC.
25. Terms of Reference (TOR) for the KCR Census Survey and Scope of Work sent to JICA on August 30, 2016. Feedback on the same is awaited.
26. **Way Forward if KCR Project is funded by JICA:**
- i. Dispatch of JICA Appraisal Mission.
 - ii. Initiation and Completion of Loan Negotiation.
 - iii. Signing of Loan Agreement.
 - iv. Commencement and completion of Project on Fast Track.
27. On December 7, 2016, the Prime Minister of Pakistan approved in principle the following in response to CM Sindh's letter dated December 3, 2016:
- i. Inclusion of KCR Project in the China-Pakistan Economic Corridor.
 - ii. Handing over the control of KUTCL to the Government of Sindh for the construction and management of KCR.
28. On 19-12-2016, Government of Pakistan decided to include Revival of KCR Project in CPEC. The decision was taken in a meeting presided over by Prime Minister Muhammad Nawaz Sharif at the PM Office Islamabad. Prime Minister directed that KCR Project must be taken up at the next Joint Cooperation Committee (JCC).
29. On December 29, 2016 Joint Cooperation Committee (JCC) meeting was held in Beijing China where KCR Project was included in CPEC.

30. Meeting under Chairmanship of Chief Minister Sindh held on February 15, 2017 at CM House. This meeting was held to formulate strategy for the removal of encroachments along the Right of Way of KCR. It was decided that only those names will be considered for compensation whose names are in the JICA survey of 2009 and 2013, Commissioner Karachi to start encroachment removal process, similarly Police will assist the removal process. Further arrangements of funds to be made for fencing the RoW of KCR when encroachments are removed.
31. A meeting of the Committee formed having representation from Ministry of Railways, Ministry of Planning Development & Reforms GoP constituted to prepare workable options for taking final decision on transfer of land/ROW to Government of Sindh, was held on 08th May, 2017 at 11:00 am in the Committee Room of P&D Department, Government of Sindh under the co-chairmanship of Malik Ahmed Khan Member (Infrastructure and Regional Connectivity), Planning Commission and Chairman, Planning & Development Board, Government of Sindh. It was decided that facts/figures of the KCR Model Stations will be discussed in the next meeting.
32. Another meeting of the Committee formed on KCR was held on May 08, 2017 Co-Chaired by Malik Ahmed Khan Member (Infrastructure and Regional Connectivity), Planning Commission GOP and Chairman, Planning & Development Board, Government of Sindh. It was decided that PPP Unit of GOS (Mr. Shahnawaz Nadir) will come up with proposal considering legal matters regarding procedure for transfer of KUTC to GOS.
33. Based on Feasibility by GoS, the PC-1 of the project was approved by ECNEC at a project cost USD 1.97 billion in July 2017. As per PC-1, the funding from Chinese lenders will be at 2.4% markup repayable in 20 years.
34. The feasibility study has been shared with Pakistan Railways which is under scrutiny. Some details / clarifications are being sort from Sindh Government.
35. The decision of according permission of laying track of KCR along existing ML-1 (from Karachi City to Drigh Road, 14 Kms) is subject to finalization of preliminary design of up-gradation of ML-1 under CPEC.
36. The land for the right of way (RoW) of remaining 29 Kms (falling on old KCR route) is proposed to hand over to Sindh Government on mutually agreed terms & conditions.
37. Pakistan Railways will provide technical support to Government of Sindh for implementation and operation of the project.
38. A committee comprising officers from Pakistan Railways and Sindh Government has been formed to sort out the issues in order to implement the project.
39. Presently Chinese Consultant nominated by GOS is coordinating with Consultant of ML-1 to finalize the alignment of KCR keeping in view the additional requirement of Pakistan Railways.
39. Chief Minister Sindh fixed December 25, 2017 as the date for the ground breaking of KCR Project. Due to various administrative and technical reasons, the ground breaking of KCR Project was not carried out by GoS.

PRESENT STATUS OF KCR

40. The Supreme of Pakistan on November 10, 2018 at Karachi Registry passed an order interalia mentioning that, *"The honorable Chair also noted with deep concern about non availability of public transport in the city of Karachi.*

It was noted that there already existed Circular Railway as well as local railway in Karachi but for decades there operation has been stopped for no apparent reason and it is high time that Pakistan Railways should immediately seek to revive both Circular Railway and Local Railway with further extension in the network of Railways in the city of Karachi. The encroachments around railway tracks of Circular Railway and Local Railway should be removed”.

41. In compliance to the above orders, local administration in association with P.R. has started removal of soft encroachments along KCR route.