



23<sup>rd</sup> November, 2016

TL16/2311/3A

Senator Hasil Khan Bizenjo,  
Federal Minister for Ports and Shipping,  
Pakistan Secretariat,  
Block D,  
Islamabad.

Sub: Mis-Use of PPRA Rule 42. (c)(i) By PQA, PNSC and KPT.

Dear Sir

Transparency International Pakistan has received complaints that three organizations under your ministry, Port Qasim Authority, Pakistan National Shipping Corporation and Karachi Port Trust are not following Rule 42(c)(i), which has caused millions of rupees losses to exchequer during last many years.

The complainant has made the following allegations;

That,

1. In procuring spare parts of marine crafts, three Public Sector Enterprises. Viz. Port Qasim Authority, Pakistan National Shipping Corporation and Karachi Port Trust are using their favorite agents to supply spare parts depicting as authorized agents of **original equipment manufacturer (OEM)** of the respective craft for which spares are procured.
2. The agents of original manufacturers are treated as OEM, and procurement from such single source agent are made at highly inflated and non-competitive costs. which is not allowed in PPRA Rules.
3. In order to save the precious exchequer funds. we demand that this illegal practice shall be stopped.

The complaint has been examined threadbare by Transparency International Pakistan.

The Public Procurement Rules 2004, provides direct contracting. which in case of procurement of spare parts is Rule 42 (c)(i). quoted below.

*42 (c) direct contracting.-*

*A procuring agency shall only engage in direct contracting if the following conditions exist, namely:-*

*(i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources;*



It is to be noted that the **original equipment manufacturer (OEM)** is a company that makes a part or subsystem that is used in another company's end product. For example, if Acme Manufacturing Co. makes power cords that are used on IBM computers, Acme is an OEM, and not IBM.

The supplier mentioned in Rule No 42 (c)(i) is defined in PPRA Rule No 2 (k) , which states:

*“supplier” means a person, consultant, firm, company or an organization who undertakes to supply goods, services or work.*

Recommendations of Transparency International Pakistan:

According to two PPRA Rules, i.e. Rule No 2 (k) and Rule No 42 (c) (i), PQA, PNSC and KPT cannot procure spare parts under direct contracting from any agent, except from the “OEM” or the “Supplier” of the marine craft to them, and that also if the spare parts are not available from alternative sources.

The Minister is requested to examine the allegations and order to stop such illegal acts, of mis-procurement of spare parts by PQA, PNSC and KPT from the agents, which prima facie is to be treated as Mis-Procurement under PPRA Rule 50, which is a crime under NAO 1999.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar  
Chairman

Copies forwarded for the action under rules to:

1. Secretary to Prime Minister, Islamabad
2. DG, NAB, Karachi.
3. Secretary, Ports and Shipping, Islamabad.
4. Chairman PQA, and all members of Board of Director PQA, Karachi.
5. Chairman PNSC, and all members of Board of Director PNSC, Karachi.
6. Chairman KPT, and all members of Board of Trustee KPT, Karachi.
7. MD, PPRA, Islamabad.
8. Registrar Supreme Court Pakistan, Islamabad.