

GOVERNMENT OF PAKISTAN
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. M&S/ 150/D.E. Loco.

Islamabad, the 12th May, 2010.

Syed Adil Gilani,
Chairman,
Transparency International- Pakistan,
5-C, 2nd Floor, Khayaban-e-Ittehad, Phase-VII,
Defence Housing Authority,
Karachi.

Dear Gilani Sahib,

Reference your letter dated 12th May, 2010 on the subject mentioned above.

2. The Ministry has already submitted its clarification to Daily "Dawn" and the "Business Recorder" which was published by the Daily Dawn on 8.5.2010 and by Business Recorder on 11.5.2010. The Ministry's clarification and copies of these publications are enclosed for ready reference. I hope that most of the questions raised by you have been replied to in the clarification and would set-aside any concern expressed by your esteemed organization.

3. In addition replies to some specific allegations high lighted by you are given below in serial:-

- i) The Ministry has never repeat never favoured any single contract or supplier but has requested all the suppliers/ manufacturers in US for participation in the bid. The specifications are not confined to any one particular brand, name, model number, catalogue number etc. In view of the replacement programme of old US origin locomotives and availability of US EXIM Bank tied Loan, the tender has been floated for all the suppliers of USA. That too is subject to the approval of loan by the Government of Pakistan.

Mentioning the source country does not mean a single supplier. The PPRA rule No. 10 therefore is not violated.

- ii) The tender notice was published in five newspapers namely:
- 1) The News (RWP) 2.5.2010
 - 2) Jang (LHR) 1.5.2010
 - 3) Jang (KC) 1.5.2010
 - 4) Nawa-e-Waqaat (IBD) (1.5.2010)
 - 5) Aghaz (KC) 1.5.2010.

There is therefore, no violation of PPRA rule 12(1) as mentioned by you.

- iii) As mentioned above the advertisement published in five National Dailies and it is incorrect to say that it was given only in one newspaper.
- iv) The cost of the tender documents shown as 500,000/- is a typographical error which was meant to be 5000/- only. Necessary amendment is being issued to all the newspapers today.
- v) The relevant portion of our clarifications will further clarify this point.
 "It is on the advice of the Planning Commission that the locomotives are being procured on the non development side and not only development side. In an earlier case the Planning Commission advised that procurement of rolling stock and locomotives is a non development activity which should not be routed through CDWP and ECNEC by way of submitting PC-I. Therefore it is wrong to say that the Planning Commission is by passed".
- vi) The approval mechanism for such procurement is being strictly followed. The process has been initiated with the approval of the competent authority in Ministry of Railways. The tender will help the Railways in getting the competitive prices and final proposal will contain the realistic price to be approved by ECC. In any case the tender is subject to approval of loan by the Government of Pakistan as mentioned in the tender.
- vii) One more point raised in the TV programme was regarding the need for two envelope bidding process. In this connection it is clarified that in an earlier case PPRA advised Ministry of Railways to use two envelope system under section 36 (d) of PPRA Rules in such procurements. That is exactly what Ministry did.

4. In the end let me say with some regret that your remarks in the programme Entitled "Point blank" of Express TV Yesterday i.e. 11.5.2010 were one sided and without even giving a chance to the Ministry of Railways to present their point of view.

5. You will agree that it is the basic principle of journalism to at least verify the facts before making a story public. Please do not hesitate to contact the Ministry for any clarifications if required.

DA/as above.

(S. Shahid Ahmed)
 General Manager (M&S)
 Tele: 9258347

Copy forwarded for information (along with enclosures).

1. Chairman Public Accounts Committee, Islamabad.
2. Auditor General Pakistan, Islamabad.
3. Registrar Supreme Court of Pakistan, Islamabad.

CLARIFICATION

This is with reference to a news item appearing in your esteemed newspaper, alleging 40 billions loss to exchequer for purchase of 150 locomotives. The news is devoid of relevant facts, motivated by vested interest and scandalous in nature. It seems that your correspondent has either sketchy information or has been briefed by somebody, who is neither official spoke person of Ministry of Railways nor the name of the officer has been identified which makes the credibility of the news a suspect in reader's eyes.

With a view to inform readership of your newspaper and the worthy correspondent, facts of the case are given below:-

- i) Pakistan Railways presently, is in dire need of additional locomotives as only 250 fully fit locomotives are available for operation as against a demand of 500 locomotives to maintain the current operation and additional 300 locomotives to meet the targets set by Railways to lift at least 25% of the cargo available in the market.
- ii) With a view to meet this shortfall Pakistan Railways has started a replacement programme of old and condemned locomotives which were purchased more than 20 years ago. It may be mentioned that most of the old Locomotives available with Railways are of US origin.
- iii) It is on the advice of the Planning Commission that the locomotives are being procured on the non development side and not only development side. In an earlier case the Planning Commission advised that procurement of rolling stock and locomotives is a non development activity which should not be routed through CDWP and ECNEC by way of submitting PC-I. Therefore it is wrong to say that the Planning Commission is by passed.
- iv) As regards purchase of 75 Chinese locomotives, these were purchased primarily for lower initial price but become controversial due to their lesser performances as compared to the locomotive from USA. The haulage capacity, operational efficiency reliability and durability of US manufactured

locomotives are world renowned and have proven to be better locomotives on the basis of average life cycle. In any case in the instant case the locomotives required had to be US origin under replacement programme.

- v) Nevertheless, Pakistan Railways plan to have a mix of locomotives instead of relying only on one source which obviously include US as well as Chinese. In the recent past 75 locomotives have been purchased from China.
- vi) Moreover, Pakistan Railways plan to induct new locomotives considering the total financial packages and demand of Railway operation along with their pay back capacity which obviously would be from the earnings of new inductions. The US origin locomotives have better pay back with any other comparable locomotives.
- vii) Most importantly, with a view to maintain transparency, Pakistan Railways has gone to tender only with the reason to buy the most competitive US origin locomotives amongst the suppliers from US without any discrimination or favour which is in line and requirement of PPRA Rules.
- viii) The item appearing in your newspaper gives an impression that the specifications are being made to suite GE locomotives only which is false, frivolous and mischievous. The specifications for additional demand are generic in substance and not tailor made for any specific supplier. The worthy correspondent needs to update his information in this regard.
- ix) As regards the commercial credit, Ministry of Railways has repeatedly requested Ministry of Finance and Economic Affairs Division that it is for the Government of Pakistan to accept or reject the terms and conditions of EXIM Bank Loan. The loan in any case has not been finalized by Ministry of Railways as stated in the news. The Ministry of Railways have never repeat never finalized any US EXIM Bank credit. The credits are finalized by EAD and Ministry of Finance, which has not been done.
- x) One wonders as to how the correspondent got this wrong information that price is being negotiated with G.E. It is again incorrect as no price has been agreed to with G.E. The final decision if the credit terms are approved by the

Government will only be made after receipt of the bids within the frame work of the tender published by Pakistan Railways.

- xi) It will not be out of plan to mention the procurement could have been made under Rule No. 42 (c) as the alternate method of procurement due to very nature of locomotive that of Pakistan Railways but even then the procurements are being made under Rule No. 36 (d) to ensure larger participation of perspective bidders.
- xii) In the end it is reiterated that the replacement programme presently is for US origin locomotive only. That is why US origin locomotives are to be purchased. Also, according to the PPRA Rules the time allowed for international bidding is 30 days whereas Ministry of Railways has given more time. Similarly the tender has also been placed on the web site of PPRA and so far no observation has been received from PPRA, because tender is compatible with the PPRA Rules. The tender is to ascertain the price through international competitive bidding (ICB).

It is hoped that the above mentioned facts will enable you to either issue a clarification or contradiction in your newspaper.

4. MD, PPRA, Islamabad.
5. Chairman NAB, Islamabad.
6. Editor Daily Express with the request to publish the clarification.
7. T.V. Channel, "Express" (Attention Mr. Mubashir Luqman) to please give Ministry of Railways point of view in the programme - In case he wants to talk to some body from Railways, he is most welcome to do that.