



TRANSPARENCY INTERNATIONAL-PAKISTAN

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Mr. Shahid Ashraf Tarar,
Chairman,
National Highway Authority,
NHA HQ, 27, Mauve Area, G-9/1,
Islamabad.

Sub: Allegation of collusion in the Award of Karachi Lahore Motorway Project to M/s China Railway 20 Bureau and ZKB of Pakistan at a cost of Rs148.654bn causing loss of Rs 14 Billion

Dear Sir,

Transparency International Pakistan refers to the NHA clarifications dated 7.1.2016 on TIP observations on the allegations of violation of PPRA Rules of the illegal Award of a 230-kilometre section of the Karachi-Lahore Motorway Project to M/s China Railway 20 Bureau and ZKB of Pakistan at a cost of Rs148.654bn, causing loss to exchequer of about Rs 24 Billion. **Annex-A.**

The clarifications of NHA has failed to give reason to disqualify FWO on the grounds of experience of less than Rs 91 billion, despite submitting the e lowest bid of Rs134bn. And the clarification of not submitting Bid Security by JV, which is mandatory under PPRFA Rules as well as PEC Rules, and therefore NHA has committed an illegal act of accepting it. Under PPRA and PEC, JV members are jointly and severely responsible for the contract, and therefore only Bid Security from JV is allowed. .

Another complainant has ent a complaint comprising of allegations of serious collusion on this project.

The main allegations of the complainant are detailed as under.

That;

1. M/s China Railway 20 Bureau has never completed one single PKR 91 Billion project, and does not pass the qualifying criteria, similar to FWO .
2. M/s China Railway 20 Bureau & ZKB has misrepresented their experience to NHA by using the experience of their mother company, and included in its experience the project of the mother company China Railway Construction Corporation Limited.
3. In the pre-bidding process, bidders were clearly told not to reduce quantities or the level of profile (thicknesses) of the road, and also not to compromise on minimum material requirements. But M/s China Railway 20 Bureau & ZKB have submitted an undertaking that they will increase quantities during the progress of the project. (which entitles the bidder to extra payment on increased quantities).



4. M/s. FWO has been awarded many unsolicited projects in past by NHA, but in this case under NHA pressure FWO has to issue the following press release to justify that under PPRA Rules unsolicited Contracts are illegal. **Annex-B.**

"It is clarified that FWO does not have any reservation on tendering process of NHA because FWO did not participate in the bidding process due to none fulfilling the pre-requisites. However after the opening of bid, FWO offered unsolicited proposal which NHA could not entertain due to PAPRA rules and procedures

5. M/s FWO has a proven track record of successfully delivering Projects for the Government of Pakistan. To this end FWO has completed the (i) Karakorum Highway, which is one of the most difficult highway projects in the history of Pakistan (ii) Coastal Highway (800 Km in length). Currently, is executing the overlay of 375 KM long Motorway M-2 from Islamabad to Lahore costing Rs. 40 Billion and the expansion of the M9 motorway at a cost of Rs. 36 Billion.
6. It is capricious on behalf of NHA to award the project to a contractor (who has no prior experience on Rs 912 billion Road Contract) whereas FWO (which is a disciplined military operated institution and has proven expertise and capabilities) has offered 134 Billion PKR for the same project and thus causing a loss of Rs. 14 Billion to the national exchequer.
7. Defective Bid Security

Four bidders submitted bids (both technical and financial) on August 10, 2015 in single stage two envelope system. According to the provision of the bid as per Instructions to Bidders Clause 15.1 of the bid documents it was mandatory for all bidder participating in JV to submit the Bid Security in the name of Joint Venture. The said clause states:

"Each Bidder shall furnish, as part of his Bid, a Bid Security of an amount not less than Rs. 500 million in Pak Rupees or an equivalent amount in any freely convertible currency. In case of a joint venture, bid security shall be submitted with name of proposed JV accordingly". Clause 9.1(e) clearly states that a bid security furnished in accordance with Clause 15 of the Instructions to Bidders shall be a part of the bid.

However, in violation of this mandatory clause China Railway 20 Bureau ZKB has submitted Bid Security in two parts with two different names (70% of the bid security amount is submitted in the company's own name i.e. China Railway 20 Bureau ZKB and not in the name of the joint venture) which is clear violation of mandatory clause.

Any deviation / violation from the instructions to bidder clause 15.4 of the Instructions to Bidders, which stipulates that any bid not accompanied by the proper bid security is non-responsive. Financial bid of such bidder should have



been returned unopened. But in utter disregard of the bidding criteria, NHA proceeded to technically evaluate China Railway 20 Bureau ZKB.

8. Tampered and Lowered Quantities Submitted by China Railway

Following is a table reflecting how China Railway 20 Bureau ZKB has tampered, tweaked and lowered its bid by reducing quantities and work materials. Such a reduction should have led to the rejection of China Railway 20 Bureau ZKB's bid for being totally non-responsive and fictitious.

STATEMENT SHOWING LOWERED QUANTITY BY CR-20 ZKB JV

Pay Item	Item Description	Unit	Quantity as per NHA's Requirement	CR20-ZKBJV Quantities	Difference in Quantity	*Price Quoted by CR20-ZKBJV	PRICE that effect the Total Bid	
108r	Formation of Embankment from Borrow Excavation in Common Material	CM	51,859,057	37,859,057	14,000,000	742.48	10,394,720,000.00	
201	Granular Sub-base	CM	1,996,186	1,800,790	195,396	2,592.70	506,603,209.20	
203a	Asphalt Base Course Plant Mix (Class A)	CM	736,043	678,457	57,586	23,724.45	1,366,196,177.70	
202	Aggregate Base Course	CM	3,793,478	3,639,323	154,155	4,354.32	671,240,199.60	
305a	Asphalt Wearing Course Plant Mix (Class A)	CM	704,551	694,974	9,577	24,679.48	236,355,379.96	
Bill No.9	INTELLIGENT TRANSPORTATION SYSTEM	Not Quoted						10,000,000,000.00
— The bid should have been rejected on this score alone.								
							23,175,114,966.46	

9. The Project Quantity as per Employer's Preliminary / Concept Design were much higher than those quoted by M/s China Railway 20 Bureau & ZKB, and BOQ 9 Item of estimated cost of Rs 10 Billion was not quoted. This bid of M/s China Railway 20 Bureau & ZKB, is a non responsive bid. And all other bidders would have quoted at least Rs.10 Billion on an average for this bill No 9, but have been knocked out due to the nepotism and favoritism that NHA staff have for M/s China Railway 20 Bureau & ZKB. This disclosure of confidential information by the NHA staff in favour of China Railway 20 Bureau ZKB is clearly a corrupt and fraudulent practice whereby the individuals from NHA and the contractor have clearly colluded which if remains unchecked will no doubt cause loss to the national exchequer.

10. The Bid of M/s China Railway 20 Bureau & ZKB can not be made responsive in view Tender Clause 24.1 (c)(vii) and Clause 24.3 of the Instructions to Bidders on the basis of illegal Bid Security and no quoting Bill No9 of about Rs 10 billion.

11. Another PPRA Violation is M/s China Railway 20 Bureau ZKB's bid was actually Rs. 159 Billion. During the bidding process NHA staff took a discount from China Railway 20 Bureau ZKB. This discount was taken without actually looking into the item prices that China Railway 20 Bureau ZKB had given in its bid. This discount has not been reflected on the technical and financial evaluation sheet. Further, none of the other bidders were taken on board and allowed to offer a



discount. NHA staff only allowed China Railway 20 Bureau ZKB to give a discount and that too secretly and without giving an opportunity to the rest of the bidders. This discount when juxtaposed with the undertaking given by China Railway 20 Bureau ZKB leaves no doubt that the bid is polluted and requires intervention as a matter of public importance. It would have been more cost effective for NHA to award the Project to FWO, which without any negotiation instantly saves and reduces cost by Rs.24 Billion.

12. According to PPPRA Rules no price negotiations are allowed.
13. A very high political personality is behind this Chinese Group and NHA has bulldozed the PPRA Rules under pressure.

The Chairman, NHA is requested to examine the allegations which amounts to collusive bidding under PPRA Rule 2(f) "corrupt and fraudulent practices" collusive practices among bidders (prior to or after bid submission). An early action by NHA will be much appreciated.

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 information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, PMIC, Islamabad.
4. DG, NAB, Karachi
5. Registrar, Supreme Court of Pakistan, Islamabad.
6. Managing Director, PPRA, Islamabad.