



9th March, 2017

TL17/0903/8A

Mr. Shahid Ashraf Tarar,
Chairman,
National Highway Authority,
Islamabad.

Sub: Allegation of Collusion in the Award of Karachi-Lahore Motor-way Project to M/S China Railway 20 Bureau & ZKB at a Cost of Rs 148.654 bn Causing Loss of Rs 14 Billion.
Ref: NHA Letter No 2//GM (P&CA)/NHA/2017/362 dated 8th March 2017

Dear Sir,

Transparency International Pakistan refers to the NHA letter No 2//GM (P&CA)/NHA /2017/362 dated 8th March 2017 on the clarifications of NHA dated 15.6.2016, on the complaint in respect to the Award of Karachi-Lahore Motor-way Project, forwarded vide its letter dated 29th April 2016, on which further the deliberations were held between Advisor TIP and NHA management at your office on 6.3.2017.

Following two issues reported to NHA by Transparency International Pakistan on 29.4.2016 were further clarified by NHA Management during the discussions held in the office of Chairman NHA on 6.3.2017.

NHA Clarified as under,

1. Objection: Tempered and Lower Quantities Submitted by China Railways:

- a. The NHA clarified that the BOQ quantities indicated in the NHA Tender were approximate, and estimated for the Formation of Embankment of Borrow Excavation in Common Material, Granular Sub-base, Asphalt Base Course Plant Mix (Class-A), Aggregate Base Course, Asphalt wearing Course Plant Mix (Class-A), and Bill No 9, providing of Intelligent Transportation System is the mandatory requirement of the Project.
- b. This is an EPC Contract, and is not based on BOQ quantities or quoted rates, and is a Lump Sum Contract for all works to be carried out according to the approved design within the contracted cost.
- c. The estimated quantities in the NHA bidding document were based on the profile to maintain minimum clearance of 5.5 meters height, and were rightly quoted by the all the bidders.
- d. M/s FWO, besides being not shortlisted due to failure to meet experience requirement, in their unsolicited bid had quoted the price of Rs. 134 billion, which was based on the profile to maintain minimum clearance of 3.5 meters



height for road alignment instead of 5.5 meters height, and when quantities were reworked for the 5.5 meters height, FWO cost worked over Rs. 180 billion.

- e. The cost of Bill No.9-“Intelligent Transformation System” which is estimated to cost Rs. 10 billion is part and parcel of the contract, and the contractor China Railways 20 Bureau & ZKB will provide the Intelligent Transportation system under the overall quoted lump sum EPC contracted price.

2. Objection: According to PPRA Rules, no price negotiation is allowed:

NHA, has not negotiated the tendered price with the bidder, and complied with PPRA Rules. Only the technical negotiations were held on the design etc, and the quoted prices by the bidder were based on EPC design submitted by the bidder remains unchanged.

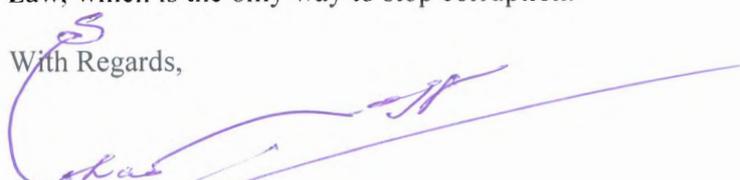
The position on the above quoted two objections 1&2 was deliberated. It was confirmed by NHA that the Contracted Project Cost includes all works to comply with the Specifications of NHA, including the supply, installation and operations of Intelligent Transportation System, and that the PPRA Rules of negotiation were fully complied with by NHA.

Transparency International Pakistan is given to understand that the FWO’s unsolicited quoted price of Rs 134 bn was for reduced scope of work, which is in fact over Rs 180 bn for complete scope of work., and that the contractor M/s China Railway 20 Bureau & ZKB will carry out all motorway works including the supply & installation of the complete Intelligent Transportation Intelligent Transportation system worth over Rs. 10 billion, within the quoted price.

In the view of clarification of NHA, and the assurance of Chairman NHA, Transparency International Pakistan is of the view that the allegations pointed by the complainant against this tender were not based on facts.

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 of

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.