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Capt. Muhammad Junaid Yunus,
Managing Director,
Pakistan International Airlines,
Karachi

**Subject: Collusive practice by previous supplier/contractor of PIA, and delay in
award of Contracts, causing loss of billions of rupees.**

Dear Sir,

TI-Pakistan has been participating in PIA Tenders from October 2012 on the request of PIA as observers to ensure compliance of Public Procurement Rules 2004. Till date hundreds of tender opening were observed by TIP experts.

In most of the cases, it has been noticed that in past PIA has been awarding many Contracts to same suppliers/contractors for 10 to 22 years continuously. Like Edible Oil Supply to PIA from 2000 to 2004 was only Dalda Oil (Liver Brother, agent Mr. Hanif), and when Liver Brother sold Dalda in 2004, PIA switched from Dalda to Rafhan Oi, and has been buying on single tender basis since then (Unilever Pakistan agent Mr. Hanif).

TIP in 2013 advised PIA to send the tenders to all Oil Manufacturers also, for fair competition. Three bids were received in January 2013, in which one bid was non-responsive, the lowest bidder Pakistan Oil Mills quoted Rs 21,868,035 and Unilever Pakistan quoted Rs 25,565,960. PIA got advantage of **Rs 3,697,925** i.e. 17% lower than Unilever Pakistan.

But the Food department delayed the reports, on one pretext or other, raising unsubstantiated objections on the quality. This was reported that the PIA is buying Pakistan Oil Mills for Airport Hotel since many years, and the same oil is also supplied in Hotel Sheraton. Mr. Hanif Rana GM Food has been raising false objections. On TIP intervention and complaint finally on 28 March 2013 PIA Awarded the Contract to the lowest evaluated responsive bidder M/s Pakistan Oil Mills and PIA has been **saved from loss of Rs 3,697,925**.

Similar is the case of Juices, and PIA has been buying juices in past only from M/s Shezan. In competitive tendering in January 2013, M/s Popular Food quoted Rs 44,128,670 and M/s Shezan quoted Rs 53,906,080. Lowest bidder was Rs 9,777,410 lower i.e. 22% saving. In this procurement also Mr. Hanif Rana GM Food objected on quality and other issues, without documentary evidence. On 28 March 2013 the Contract was awarded to the lowest evaluated responsive bidder M/s Popular Food **and saved Rs 9,777,410**.

One other case is of the food supplier at Air Hostes Hostel, Karachi, where the current supplier is supplying continuously for 22 years. When in 2013 the tendering, other supplier quoted lower rate, the supplier got letter of recommendation to PIA from 48 Airhostesses to award the Contract to old suppliers as he is supplying good food since 22 years. And when PIA delayed the award the contract to the lowest bidder, the old supplier got a stay order.



Another case is of the Tender for Hiring of Transport rental Services for PIA Cabin Crew ISB/LHR/KHI. Same company M/s ALS has been PIA Contractors since 7 years, with old Vans. M/s ALS has been awarded the contracts since last 17 years, is ISL/LHA/KAR. Tenders were opened on 13 February 2013.

In Feb 2013 tender, for Lahore and Islamabad, 20 buses each, M/s Shani Travels, quoted Rs 332,560,000, and M/s ALS quoted Rs 394,560,000. Thus PIA is saving **Rs 72,000,000**, which is **21.6%** lower than the second bidder. A number of objections have been made by PIA user department on the new supplier under pressure for 17 years old supplier. The Contract is still not awarded, and is reported to be sent to PIA Board for approval in its meeting scheduled for 4 April 2013. Kindly make sure that the Contract is awarded to the lowest bidder, who will supply brand new Vans as per Tender requirement.

TIP request the MD to kindly institute an inquiry on these three tenders, where carores of rupee savings were at stake due to hurdles created by old supplier in collusion with PIA user department.

These three are cases to be dealt against suppliers and users under Rule No 2 (f), "corrupt and fraudulent practices" includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition.

Similarly, hundreds of other tenders are resulting in substantial saving and participation in the bidding by new parties, which was not possible earlier, due to cartels in PIA.

TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

Regards,



Syed Adil Gilani
Adviser

Copies forwarded for the information of:

1. Chairman, NAB, Islamabad.
2. Registrar, Supreme Court of Pakistan, Islamabad, in Human Right Case No 49143 – S/2011
3. Secretary, Ministry of Defense, , Islamabad
4. MD, PPRA, Islamabad