



20th February , 2013

Captain Muhammad Junaid Younus,
Acting Managing Director,
Pakistan International Airlines,
Jinnah Terminal,
Karachi.

Subject: Shahid Khaqan Abbassi MNA, offered brand new aircraft at lease at half the price for five Airbus 320 being leased by PIA at \$36.8 million, with financing from Bank of China.

Dear Sir,

1. Transparency International Pakistan refers to the meeting held on 19th February 2013 of the special committee of the National Assembly, where Shahid Khaqan Abbassi MNA, offered brand new aircraft at lease at half the price for five Airbus 320 being leased by PIA at \$36.8 million, with financing from Bank of China.

Following are the exact details as reported in the newspapers;

- a) The committee was informed that the PIA would be getting five Airbus 320 at \$36.8 million, with financing from Bank of China.
 - b) The committee noted that the five planes which PIA intends to get on dry lease were costly than open market rates.
 - c) Shahid Khaqan Abbassi even offered brand new aircraft at lease to PIA at half the price. He was responding to a presentation made by PIA CFO Aftab Ahmed regarding business plan for revival of PIA.
 - d) Aftab explained that they had to abide by the PPRA rules and they were not in a position to negotiate.
2. If the above report is correct, TIP would like to suggest PIA to request MNA Mr. Shahid Khaqan Abbassi to provide 4 sets of 5 Airbus 320 new aircraft as reportedly offered by him in the Committee meeting, for 6 year dry lease immediately, at half the tendered price of \$ 36.8 million.
 3. Public Procurement Rules 2004, allows negotiated tendering under Rule No 42 (d) in certain cases.

42. Alternative methods of procurements.-

A procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely:-

(d) negotiated tendering.- A procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used when,-




(iii) *for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency:*

Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.

5. PIA has processed procurement of narrow body aircrafts in accordance with requirement of Public Procurement Rules 2004 from October 2012 to February 2013. As the lowest evaluated responsive bidder has offered five Airbus 320 being leased by PIA at \$36.8 million, which is stated by MNA Mr. Shahid Khaqan Abbassi as double to market prices, PIA may use Rule No 42 (d) (iii), for accepting the offer of MNA Mr. Shahid Khaqan Abbassi of providing 4 sets of 5 Airbus 320 or equivalent new aircraft on 6 year dry lease immediately, at half the lowest tendered price of \$ 36.8 million. The reason reasons of extreme urgency is due to failure of bidders to offer narrow body aircrafts at economical cost, which is causing loss to PIA of billions of rupees in loss of traffic.
6. PIA shall record the reason of using negotiated tendering under Rule No 42 (d) , and justifications for resorting to negotiated tendering, as stated in paragraph 5 above in writing and shall place the same on record.

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

With Regards,


Syed Adil Gilani
Adviser

Encl: News report

Copies forwarded for the information with respect to take action under the authority vested in their respective jurisdictions:

1. Chairman, Public Accounts Committee, Islamabad.
2. Registrar, Supreme Court of Pakistan, Islamabad.
3. Chairman, NAB, Islamabad.
4. Chairman, PIA, Islamabad
5. Auditor General, Islamabad.
6. Managing Director, PPRA, Islamabad -

NA body slams PIA for lack of vision

ISLAMABAD, Feb 19: A special committee of the National Assembly noted here on Thursday that losses suffered by the PIA were mainly due to mismanagement and lack of vision.

Chaired by the minister of state for Information, the committee termed PIA's financial restructuring plan a non-starter.

The committee was informed that the PIA would be getting five Airbus 320 at \$36.8 million, with financing from Bank of China.

The committee noted that the five planes which PIA intends to get on dry lease were costly than open market rates.

Shahid Khaqan Abbasi even offered brand new aircraft at lease to PIA at half the price.

He was responding to a presentation made by PIA CFO Aftab Ahmed regarding business plan for revival of PIA.

Aftab explained that they had to abide by the PPRA rules and they were not in a position to negotiate.

The members of the committee expressed dissatisfaction over the intended deal and said that PIA should go for a re-tendering or approach the PPRA with some realistic approach.

Aftab Ahmed said that PIA had calculated Rs108,000 for Haj travellers from North of the country and Rs94,000 for the travellers of South. However, the government approved Rs85,000 for North and Rs73,000 for the South.

Nosheen Saeed, of PML-Q and MQM's Sheikh Salahuddin criticised the services of PIA.

Samsan Bukhari said that airlines make profit during Haj operations whereas PIA made a colossal loss of Rs40 billion during Haj 2012 which was strange.

Shahid Khaqan Abbasi said that at this fare Shaheen Airlines made a profit of Rs150 million in the Haj operation last year. The committee recommended that PIA needed to bring aircraft at wet lease during Haj to save cost and make the whole operation profitable.

About the business plan submitted by the PIA, the committee members clearly ruled that the airline was heading for another failed venture as higher rates would be paid for aircraft.