



23rd February, 2012

Capt. Nadeem Khan Yousufzai
Managing Director,
Pakistan International Airlines,
Quaid-e-Azam International Airport,
Karachi 75200.

Mr. W. James McNerney, Jr.
Chairman, President and Chief Executive
Officer,
The Boeing Company
100 North Riverside
Chicago, Illinois 60606

Sub: Procurement of 5 New Boeing ER 777-300, US \$ 1.5 billion on unsolicited basis
and PIA statement that proper tendering was conducted and PPRA vetted PIA case

Dear Sirs,

Transparency International Pakistan refers to its letter dated 21st February 2012, and the news published in Daily Jang of 21 Feb. 2012, which states that PIA has placed orders for the procurement of 5 new Boeing ER 777-300, US \$ 1.5 billion, and that TIP has noted that no tenders was issued for this procurement, which is a gross violation of Public Procurement Rules 2004.

The news published in Express Tribune of 21 February 2012 has stated that the Contract is signed on Monday 20th February 2012, by Captain Nadeem Yousufzai, Managing Director of PIA and said Miguel Santos, Director International Sales of Boeing Commercial Airplanes.

In Daily News of 23rd February 2012, following statement of PIA spokesman is published;

PIA spokesman Syed Sultan Hasan, however, denied the TIP's claim and insisted that the five new Boeing ER 777-300 worth US\$1.5 billion were being purchased from the Boeing company only after following proper tendering procedure and with the knowledge of the Public Procurement Regulatory Authority (PPRA). "The PPRA vetted our case," the PIA spokesman said.

This is to inform PIA and Boeing that TIP has confirmed from PIA and PPRA websites, and this procurement of 5 New Boeing ER 777-300, (380-400 passenger seater) wide body long haul planes is/was never advertised on PIA and PPRA website. The Tender invited for narrow body 39 aircrafts by PIA and opened on 23rd January 2012 was following;

Pakistan International Airline (PIA) invites "sealed bids" from interested parties for the Dry Lease of same type of thirty nine (39) narrow body jet aircraft with seating capacity of around 140 passenger seats for ten (10) year lease period. PIA will prefer new aircraft.

TIP has also received a complaint on this deal. This is reported by a complainant that PIA does not need wide body long haul planes, as 9 planes are already flying, at only 10 hours per day, whereas international standard is for 15-16 hours per day flying these planes. This allegation if



true proves that PIA is underusing the existing fleet of 9 wide body aircrafts as there is not enough traffic on PIA long routes and that PIA has also reported to have closed Houston routes and decided to close Chicago route for lack of traffic.

In case these planes are procured through unsolicited proposal, under Rule No 50, the US \$ 1.50 Billion Contract is deemed to be treated as mis-procurement.

Second issue about this unsolicited deal is at the exorbitant price of US \$ 300 million/plane which is more than 50% higher than the current market price. The complainant has reported that Mr. Saleem Sayani DMD PIA in a meeting held in last week of January 2012 informed about PIA plans to procure wide body 5 New Boeing ER 777-300, at estimated cost of less than US \$ 200 million each, which was vehemently opposed by Aziz Suharwardy, flight Engineers National Association (FENA), Capt. Sohail Baloch President Pakistan Airline Pilots Association (PALPA), Shaukat Jamshaid President Society of Aircraft Engineers of Pakistan (SAEP) President Najeeb ur Rehman Aircraft Technologists Association of Pakistan (ATAP).

If this is correct, then the Exchequer is losing US \$ 100 million per plane, which is US \$ 500 million.

The Complainant has also reported that one Boeing ER777-300 was also sold in similar clandestine manner by Boeing to M/S TAAG Angola Airlines in June 2011, and the cost was US \$ 256 Million only.

In case the allegations are found to be true, this procurement is to be examined under Public Procurement Rules 2004, Rule No 2(f) "corrupt and fraudulent practices", 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.

Accordingly, under Rule 7, Integrity Pact, 10 times fine is to be recovered from the contractor, along with action under the NAO 1999. Transparency International Pakistan also request the Managing Director to kindly provide the copies of the Evaluation Report and Contract Agreement under Rule 48.

Regards,


Syed Adil Gilani
Adviser

Copy forwarded for the information and action under the law to;

1. Chairman Public Accounts Committee, Islamabad
2. Minister of Defence, Government of Pakistan, Islamabad
3. Chairman, NAB, Islamabad
4. Auditor General Pakistan, Islamabad
5. Registrar, Supreme Court of Pakistan, Islamabad
6. MD, PPRA, Islamabad

THE EXPRESS
TRIBUNE
WITH THE *International Herald Tribune*

21 February 2012

KARACHI:

Boeing and Pakistan International Airlines (PIA) on Monday announced a firm order for five 777-300ER (extended range) airplanes valued at nearly \$1.5 billion at list prices.

The order also includes purchase rights to PIA for five additional 777-300ERs, says a press release issued by Boeing.

The deal is part of PIA's long-haul fleet renewable programme aimed at accommodating increased demand for air travel as well as introducing new routes.

"With passenger traffic in our region accelerating, the new 777-300ER airplanes will continue to deliver the highest standards of technology and passenger comfort," said Captain Nadeem Yousufzai, Managing Director of PIA.

"The 777-300ER is a perfect fit for PIA as it will generate more revenue and carry additional payload, while extending range capability," said Miguel Santos, Director International Sales of Boeing Commercial Airplanes.

With this order, PIA's 777 fleet will grow to 14.

Published in The Express Tribune, February 21st, 2012

TAAG Angola Airlines purchases Boeing 777-300ER jet

Jun 12, 2011

WASHINGTON - The national flag carrier of Angola, TAAG Angola Airlines (Linhas Aereas de Angola) is purchasing Boeing 777-300ER aircraft with GE90 engines assisted by an approximately \$256 million long-term loan guarantee from the Export-Import Bank of the United States (Ex-Im Bank). The aircraft will be used to expand TAAG's intercontinental service provided through its all-Boeing fleet.

The guaranteed lender is the Private Export Funding Corporation (PEFCO) in New York, N.Y. HSBC Bank PLC in London, U.K., is the arranger.

A ceremonial signing took place today at Ex-Im Bank headquarters in Washington, D.C. Participants were Ex-Im Bank Chairman Fred P. Hochberg, TAAG Angola Airlines Chairman Dr. Pimentel Araujo and PEFCO Senior Vice President Richard Youtz. Also signing were Matinho Codo, charge d'Affaires of the Republic of Angola to the United States; Miguel Santos, director of International Sales for Boeing Commercial Airplanes; and Richard Hodder, director, Sub-Saharan Africa, Project and Export Finance, HSBC.

"Ex-Im Bank is pleased to add this transaction to our support for Boeing sales to TAAG Angola Airlines. Our loan guarantees have helped the airline to access affordable financing and build its fleet in order to provide expanded air service for Angola. The U.S. aerospace exports financed by this transaction also will support jobs at Boeing and its hundreds of suppliers across the United States," said Ex-Im Bank Chairman Fred P. Hochberg.

"This transaction also adds to Ex-Im Bank's significantly increased support for U.S. exports to sub-Saharan Africa in fiscal year 2011, which has more than doubled over the previous record set last year," Hochberg added.

"Ex-Im Bank's financing support of our acquisition of 777-300ER aircraft is critical to TAAG's success in achieving a strongly competitive position in the Africa-to-Europe marketplace," said Dr. Pimentel Araujo, chairman of TAAG Angola Airlines.

The transaction is structured as an asset-backed finance lease in which Ex-Im Bank retains a first-priority security interest in the financed aircraft. Ex-Im Bank's guarantee is supported by a sovereign guarantee from the Angolan government.

Ex-Im Bank previously provided approximately \$338.5 million in loan guarantees in 2006 to assist TAAG Angola Airlines in its purchase of B737-700 and B777-200ER aircraft.

TAAG Angola Airlines was founded in 1938 and is based in Luanda, Angola's capital. The state-owned airline has operated flights both domestically and internationally and primarily serves the major cities of Angola and cities in Europe and South America