



8th October, 2012

Captain Muhammad Junaid Yunus,
Acting Managing Director,
Pakistan International Airlines,
Karachi.

Subject: Human Right Case No 49143 – S/2011, converted to Suo Moto case by the Chief Justice, on application from Transparency International Pakistan
Latest Complaint of irregularity in procurement of Old GE Engine Parts at about US \$ 2.6 million by misguiding PIA Management expected loss of US \$ 1 Million (40%)

Dear Sir,

TI-Pakistan refer PIA to the following news report published on 13th September 2012

“Taking suo motu notice over Transparency International Pakistan’s (TIP) allegations regarding financial irregularities in deals of Pakistan International Airlines (PIA), the Supreme Court issued summons to the airline’s Chairman Rao Qamar Suleman and fixed the hearing for the second week of October. Heading the hearing, Chief Justice Iftikhar Muhammad Chaudhry converted the application of TIP as a petition under article 184 (3) of the Constitution.”

A very serious complaint is received which is quoted below, and if it is a true complaint, it will confirm that PIA is continuing blatant violation of Public Procurement Rules 2004, and causing huge loss to exchequer.

1. That PPRA rules and regulations are being completely violated in Purchasing of GE Engine used/overhauled Engine Parts at 40% higher cost, \$ 2.6 million. This time this is done on behest of Director Engineering and Purchases Mr Babar Kamal Director Engineering & Maintenance, Procurement, and IT.
2. That Mr Babar Kamal was Engineering & Maintenance, but has recently been given charges of two more directors, Director Procurement, Engineering and IT, and is responsible for this irregular procurement.
3. These parts are required for 2 GE Engines, and has been procured not from M/s GE Aviation who are the original manufacturer who have proprietary rights. But these parts are not new and are purchased on unsolicited basis, from GE Asset Management Services Inc, who supplies used/overhauled Engine Parts.
4. That GE Asset Management Services Inc, GEAMS, are not manufactures, and was Previously Memphis group, and was taken over by M/s GE Aviation.
5. That there are many other suppliers in market and many are already approved in PIA but no one was contacted in procurement of these parts.
6. That as these parts are not new, and are available in market from many suppliers, it is reported that PIA has paid over 40% price, from the market cost, as such parts are taken pout from old engines and are overhauled if needed, and supplied to Airlines.
7. That these are old spares parts, even proved from the PIA Minutes dated 20 September 2012, wherein it has been stated that “GE quoted prices are even less than the PIA previous purchase”.(Annex-A). **The new parts can not be cheaper than one year prices.**
8. That later on 4th Oct 2012, Mr Babar Kamal Director Engineering & Maintenance, Procurement, and IT has got approved purchase order from Atg. MD, on one time approval for the non AVL supplier, so that Director Engineering is absolved of irregularity being committed for not inviting tenders, and also not calling quotations from the approved AVL suppliers. (Annex-B).




9. That GE Asset Management Services Inc was previously Memphis group is a surplus subsidiary of GE Aviation who is involving in tearing down Different Engines. GEAMS is still non approved in PIA and current all business awarded to them on one time approval basis from Higher Management which was totally misguided by Mr Babar Kamal that GE AMS is Actual OEM of GE Engine Parts while it is only a surplus source under umbrella of GE since 2006. He misguided the management to believe that these are new parts, by using AOG (Aircraft on Ground) Situation of Aircraft, showing previous prices of GE and Prorata Prices with Immediate delivery.
10. That PIA is using GE Engines in its airbus fleet and can contact GE Aviation in context of purchasing Engine Material if they are in need of any new part of the engine. There are a number of surplus vendors in aviation world who are involving in tearing down the engines and selling used and overhauled parts with approvals of GE and all other related certificates on cheaper prices.
11. That PIA has on many previous occasions have procured GE Engine used parts from other vendors, but always on Open Bidding as per PPRA Rules.
12. There are about 450 Approved Vendors in PIA approved Vendor List (AVL) but none was contacted to procure this material. These Orders were awarded to GEAMS soon after meeting of Mr Babar Kamal with Representative of GE Material in Pakistan.

Transparency International Pakistan requests the Acting Managing Director, to examine above 12 issues pointed out by the complainant, and if found correct/genuine, re-invite the tenders in accordance with the Public Procurement Rules 2004, and take administrative action against the officers responsible for these violations for across the board accountability.

This is to remind the Actg. Managing Director that PIA is not for loot, and it is tax payers money which is being pumped into PIA which has so far caused over Rs 120 billion losses due to alleged corruption.

TI Pakistan is striving to have **Rule of Law** in Pakistan which is the only way of eliminating corruption.

With Regards,


Syed Adil Gilani
Adviser

Copies forward for the information of and necessary action under the Law:

1. Chairman, Public Accounts Committee, Islamabad.
2. Chairman, NAB, Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad, with reference to HRC No 49143 – S/2011
4. Auditor General, Islamabad.
5. Managing Director, PPRA, Islamabad - *with a request to take an action under section 5(2)(a) " monitor application of the laws, rules, regulations, policies and procedures in respect of, or relating to, procurement' and under section (5)(2)(i) of PPRA Ordinance 2002.*

Diary No. 2095
26 SEP 2012
MANAGING DIR

10098
G.M. (PRO) PL&F SECTT.

Engineering, Maintenance Operation Centre

Ref : HO/ENGG/4630/MOC/MM/12
Date : September 19, 2012

Diary No. 7627
Date 24/09/2012
Director Engg MOC
Chief Financial Officer Sect
Pakistan International Air
Diary No. 25635

Minute -

Subject: Indenting/Procurement of CF6-80C2 LLPs for ESN 695-399

Date: 20/09/12.

Background:

Presently, there are two A-310s aircraft (with CF6-80C2 Engines) grounded. Out of these two aircraft, one (AP-BEQ) is grounded for want of CF6-80C2 Engines which are held up in EOH shop, owing to non-availability of LLPs

There is also an arising of three more CF6-80C2 engines, during next 60 days.

The same issue was recently discussed in a high-level meeting between DMD Engg., Director (E&M/I.T/P&L) and senior GE leadership. GE leadership assured the availability of LLPs on urgent basis. Local GE Representative, who, after coordination with GE Aircraft Material organization (GEAM), advised the availability and provided the quotes for the required LLPs along with remaining life. (Flag A)

FACTS/FINDINGS:

1. Comparison of the GE and PIA's last procurement prices reveal that GE's quoted prices are even less than the PIA's previous purchases, despite that, LLP prices escalate every year (Flag B, Avg Price vs Quote Price Variance Column).
2. Similarly, the comparison of GE quoted prices with GE catalog prices, on prorata basis, for the remaining life, also indicated that the GE proposed prices are good. (Flag B, Saving US\$ Cat vs GE Offered Column)
3. Complete back to birth traceability is available for each LLP. (Flag C)

CONCLUSIONS:

1. The subject Indenting/Procurement shall ensure early and economical build up of One CF680C2 engine. Approval case for remaining four engines shall be initiated separately.
2. Since the LLPs are to be installed on the engine for which there is an AOG situation and the Indenting/Procurement is being made from OEM, so Market Research is not required.
3. It shall result in saving of US\$ 333,862/- approximately. (Flag B)
4. Total cost of the required LLPs is around US\$ 1,265,043 and thus requires approval of Chairman/CEO

Submitted for approval.

DY. No. 167
25 SEP 2012
DMD (ENGG.) SECTT. PIA

Syed Jawaid H. Shah
Dy. Chief Engineer
Material Management

C.E (M.O.C) [Signature]

C.E (E.O.H) [Signature] 19/8/2012. M2
Budget available [Signature] 19/9.

DGM Finance (Tech. Services)

GM P&L [Signature] 20/9/12

Director (E&M/I.T/P&L) [Signature] *Strong recommendation, OEM certified with savings.*
[Signature] 19/9

Chief Financial Officer

DMD (Engineering) [Signature] 20/9
Recommended. [Signature]

Ref: MPT / P&L / AOG/CRITICAL/ENGINE/2012
 Date: 04TH October, 2012

Minute-1

SUBJECT: - REQUEST FOR ONE TIME APPROVAL FOR NON AVL SUPPLIER.


This refers to the Following CRITICAL/AOG Indent Order for the procurement of the following Part Nos.

S/NO	INDENT NUMBER	PART NUMBER	KEYWORD	QTY
1.	E18N250299	1999M84P03	DISC S	01EA
2.	E18N250300	1856M71P02	FAN SP	01EA
3.	E18N250301	1277M75G10	FAN F/	01EA
4.	E18N250302	1855M57G01	FAN SH	01EA
5.	E18N250303	1862M48P02	FAN MI	01EA
6.	E18N250304	9380M27P03	HPC DI	01EA
7.	E18N250305	9380M27P08	DISK S	01EA
8.	E18N250306	1531M21G01	11-14S	01EA
9.	E18N250307	1531M21G04	SPOOL1	01EA
10.	E18N250308	1347M31P01	CDP SE	01EA
11.	E18N250309	9373M51P03	LPTR S	01EA
12.	E18N250310	9373M52P04	LPT DI	01EA
13.	E18N250311	9373M53P05	LPT DI	01EA
14.	E18N250312	9373M54P06	LPTR S	01EA
15.	E18N250313	9373M54P04	LPT DI	01EA
16.	E18N250314	9373M55P06	LPTR S	01EA
17.	E18N250315	9373M55P04	LPT DI	01EA
18.	E18N250316	9382M59P05	LPTR S	01EA
19.	E18N250317	9382M59P08	LPTR S	01EA
20.	E18N250318	1999M84P03	DISC S	01EA
21.	E18N250319	1856M71P02	FAN SP	01EA
22.	E18N250320	1862M48P02	FAN MI	01EA
23.	E18N250321	1347M31P01	CDP SE	01EA
24.	E18N250322	9373M51P03	LPTR S	01EA
25.	E18N250323	9373M52P04	LPT DI	01EA
26.	E18N250324	9373M53P05	LPT DI	01EA

Poss. System Indent was raised in favour of M/S G.E.AVIATION MATERIAL LP.

The Vendor is not available on NEW PIA AVL. Therefore it is requested that One Time Approval may be granted in favour of M/S G.E.AVIATION MATERIAL LP Cage Code C5545 for clearance of Purchase Orders material.

Submitted for approval, please.


MANAGER PURCHASES (TECHNICAL) 09 X

24/10/12

~~DGM PURCHASE TECHNICAL~~

GENERAL MANAGER (PTNL)

DIRECTOR (E&M/P&L/IT)

CHIEF ENGINEER QUALITY ASSURANCE

This is G.B. & absidely, the vendor codes
in POSS for this company is not correct.
copy attached. Corrective required.
One time approval. ALL previous
in on this order may be granted.

/Bakht
4/12