



# TRANSPARENCY INTERNATIONAL-PAKISTAN

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21<sup>st</sup> September, 2013

Mr. Agha Jan Akhtar,  
Chairman,  
Port Qasim Authority,  
port Qasim,  
Karachi.

Sub: Violation of Transparent Rules by FOTCO for asking PQA permission to use of the  
Terminal for handling LNG

Dear Sir,

Transparency International Pakistan has received a complaint that Fauji Oil Terminal and Distribution Company Limited has requested PQA to allow FOTCO to use its existing Oil Terminal for handling LNG.

The observations of the complainant are detailed as under.

1. That PQA has been given a proposal for additional use of FOTCO "Oil Terminal" for installation of a new LNG unloading arm at FOTCO terminal's existing loading platform, storage of unloaded LNG in a Floating Storage and Regasification (FSRU) vessel moored at a distance of 400 metres, connecting the FSRU with QP-1 through a cryogenic pipeline on a suitable access trestle. And that PQA/FOTCO will widen the relevant section of the navigational channel to 250-300 meters,

2. That more than a dozen private sector terminals set up in PQA, or licensed to be set up in PQA, are on BOT basis only, for a Specified Time Period only, for "Specified Cargo" only and for remaining within the "Specified Project Scope".

FOTCO Implementation Agreement with PQA was signed on 8<sup>th</sup> December 1992, for 30 years period, to be handed over to PQA in December 2022, and the Terminal defined in definitions page 11, quoted below.

*"Terminal means Oil Terminal-----.*

In the Specified Project Scope, the terminal is allowed to be used for handling of only "Oil". Therefore FOTCO can not be given NOC by PQA.

3. That a Continuer Terminal was awarded by PQA is QICT on 25 July 1995. In this terminal cargo allowed is also only "Containers", and not Bulk, Coal, Liquid etc.

4. That a Terminal for handling of "liquid chemical" was setup by M/S Engro Vopak Terminal Limited in PQA in 1995 on BOT Basis, and the Specified Project Scope in that Terminal is defined in Schedule 3,

5. That a Coal and Clinker Terminal has been awarded to M/s Pakistan International Bulk Terminal Ltd on 6<sup>th</sup> November 2012. This terminal is also not allowed to handle any other cargo except, **Coal and Clinker**.



### Recommendation's of Transparency International Pakistan

Transparency International Pakistan requests the Chairman not to allow any existing Terminal to **'Change the use of Terminal for Cargo other than for Cargo allowed in the Implementation Agreement'**.

Any such change allowed by PQA amounts to illegal facilitating terminal operators. There are many Supreme Court of Pakistan decisions on contracts declared as **void ab initio** when the Terms Offered to bidders at the time of Tendering, were changed after the tender were opened, e.g. RPPS and Pakistan Steel Mills Privatization. Any Contract awarded on any such amended terms as the Scope of Project, is non Transparent, , and PQA would have attracted more bidders, had they knew that such additional facility will also be allowed in future by PQA.

In view these legal aspects, M/s Engro Vopak Terminal Limited also wanted to handle LNG at Port Qasim, but according to the terms of the Implementation Agreement, they are not allowed to handle any other cargo at their existing terminal. M/s Engro Vopak Terminal Limited applied and were awarded by PQA an LNG Terminal on BOT basis in 2011. According to the Implementation Agreement of EVTL, following is the Scope of Project.

*The Project concept pertains to the establishment of LNG, LPG & NGL Terminal on Khiprianwala Island port Muhammad Bin Qasim. The Terminal shall be built on a 30 years Build, Operate & Transfer (BOT) Basis, extendable for another period of 30 years, subject to terms and conditions of Implementation Agreement of the Project. The Terminal will be designed to handle LNG in step 1 and shall eventually comprise of state-of-the-art Facility for handling LNG, LPG & NGL. Further expansion will take place as demand grows.*

For handling LNG at the Port , PQA has also awarded LNG Terminals to 3 other parties, viz. M/s SSGCL, M/s Gas Port and M/s Global. M/s FOTCO has also applied for such LNG Terminal as have been awarded to 4 others by PQA, and it is recommended that they may be awarded a contract to set up an independent LNG Terminal as has also been awarded to M/s Engro Vopak Terminal Limited in 2011.

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

Copies forwarded for the action under rules, and information of:

1. Secretary to the Prime Minister, Islamabad
2. Federal Minister for Ports & Shipping, Islamabad,
3. Federal Minister for Petroleum and natural Resources, Islamabad
4. DG (A&P) , NAB, Islamabad.
5. Registrar SC, Islamabad.
6. Chairman, PAC, Islamabad
7. MD, PPRA, Islamabad.