



Sui Southern Gas Company Limited

12 August 2013

Mr. Syed Adil Gilani
Transparency International Pakistan
Khayaban-e-Ittehad
Phase 8, DHA
Karachi

Dear Sir

Reference your letters dated 26 July, 27 July and 3 August 2013 on the subject matter, we were quite surprised to notice that you have not reviewed our letter or verified the project details with us before commenting thereon at the national level. In your latest letter you have managed to confuse the LNG Retro project with the LNG Integrated project. This is highly unprofessional and certainly not in the national interest for a credible institution to make such statements.

PPRA doesn't disallow a single bid which has emerged through the tender process. It provides guidelines for price comparison so that prudent decisions could be taken by the procuring agency.

Our comments on the contents of your letters are given below:

- 1) **Single Bid:** PPRA Rules 2004(Ref page 87) do not put any limit on number of tenders/bids received in response to tender notices. A single bid may be considered if it meets the evaluation criteria expressed in tender notice and is not in conflict with any other rules, regulations or policy of the Federal Government. Whenever a procuring agency is confronted with such a situation whereby the rate quoted by the single bidder cannot be compared so as to declare it as the lowest rate or otherwise it may make a prudent decision. While making a decision, the following factors may be kept in view:
 - (i) The comparison of price of the goods, works or services if procured during the current financial year.
 - (ii) Market price of the goods works and services to be procured.
 - (iii) In case abnormal increase in prices is observed, the procuring agency may like to re-advertise the procurement opportunity, if time permits.

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In view of the above, the pricing offered by the bidder can be bench marked for pricing parity against available information. Such data will be researched by SSGC and advised by independent LNG advisers currently working for SSGC from any of:

- Tariffs proposed for Pakistan in recent Integrated tenders
- Tariffs published in the Region
- Tariffs and cost assessments published by international consultancy organizations and governmental agencies

SSGC through its advisers may also carry out tariff calculations based on through-put, type (land based, floating), regas technology, year established, country risk, inflation etc.

Hence your contention that the project be re-tendered shows lack of understanding of the PPRA requirements, in sensitivity to the energy crisis prevailing in the country and the dynamics involved in projects of this nature and magnitude.

- 2) **Your Proposal:** Please be advised that PPRA requires minimum 30 days for international tendering. In fact, LNG projects are complex and require extra time to put together a comprehensive technical and commercial proposal. Additionally, technical assessment of the proposals is essential to establish bidders competence and cannot be ignored as very naively suggested by you. Each LNG site has its own dynamics which need to be evaluated in terms of solution presented by the bidder. Your suggestion to complete the entire process from invitation of bids to award in 39 days for setting up LNG terminal is technically and legally un-conceivable; which may only be good for purchasing tables and chairs certainly not for setting up of a LNG terminal.
- 3) This project is under a two stage bidding procedure and PPRA Rule 36 (c) is applicable. Again please get familiar with project details as you are confusing this project with the Integrated project.
- 4) The proposals were invited by SSGC LPG (Pvt.) Ltd, a 100% owned subsidiary of SSGCL and there is nothing illegal about this.
- 5) No bid security was required from bidders in first stage i.e. only technical proposals were invited. For the second stage, the bid security of US \$500,000 is due from short-listed/technically qualified bidders.
- 6) The bids in the second stage with commercial proposal were received on 21 December 2012 with 120 days validity and were subsequently extended up to 120 days which is in compliance with PPRA Rule 26 (3) quoted by you.
- 7) Consultant's initial concerns were discussed and addressed by Mr. Badar Villani and their latest statement to SSGC Board has confirmed that 4GasAsia meets the pre defined threshold criteria for their technical evaluation and QED is satisfied that they have the technical capability to deliver this project.

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Your biased opinion and unfair criticism of this project appears to be an attempt of safeguarding vested interests of some individuals/lobbies, and has created doubts on your intentions for which we would request Transparency International Secretariat, Berlin to depute someone to investigate the matter and reveal the factual position to Public.

Pakistan has been struggling to set up LNG import terminal since 2005. We would like to draw your attention to the economic cost of delay as the Country continues to suffer from energy crisis. The subject LNG project is of national importance and will save Pakistan in excess of \$1billion per year in addition to the GDP benefits.

We hope that the above clarifies the points raised by you.

Yours truly,



Usman Hasan
Project Manager LNG

1. Secretary to the Prime Minister, for information of the Prime Minister, Islamabad.
2. Minister of Petroleum & Natural Resources, Islamabad.
3. Minister of Finance, Islamabad.
4. Minister of Interior, Islamabad.
5. Secretary, Ministry of Petroleum & Natural Resources, Islamabad.
6. DG NAB (A & P), NAB, Islamabad.
7. Registrar, Supreme Court of Pakistan, Islamabad.
8. Chairman, SSGCL, Karachi.
9. MD, PPRA, Islamabad.
10. Chairman, TIP
11. Transparency International Secretariat, Berlin