



02<sup>nd</sup> October, 2012

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

**Subject: Complaint about violation of Public Procurement Rules 2004 by PIA in the bidding process of tender for Group Life Insurance.**

Dear Sir,

TI-Pakistan has received a complaint from M/S State Life Insurance Corporation of Pakistan about violation of Public Procurement Rules 2004 by PIA in the bidding process of tender for Group Life Insurance.

The complainant has alleged that:

- *The bid submitted by M/S EFU did not include cost of insurance for persons who were already retired. The omission had resulted in the declaration of M/S EFU's non-responsive bid as a responsive bid.*
- *PIA was not authorized to ask bidder for any clarification/rectification which would affect unfairly the competitive position of other bidders, and this act of PIA is an illegal action which makes the whole process illegal.*

It may also be noted that by considering the non-responsive bid of M/S EFU and asking EFU to clarify the prices, PIA has violated clause 25.2 of the bidding documents according to which a responsive bid is one which meets the eligibility criteria and confirms to all the terms, conditions and specifications of the bidding documents, without material deviation or reservation.

This alleged act of PIA is also in violation of Rule 2(h) and Rule 38 "Acceptance of Bids" of the Public Procurement Rules 2004. Rule 2(h) defines the "lowest evaluated bid" as:

- A bid most closely conforming to evaluation criteria and other conditions specified in the bidding document; and*
- Having lowest evaluated cost.*

It may also be noted by PIA that under Rule 48, PIA is bound to investigate and decide upon the complaint within fifteen days of the receipt of the complaint.

Transparency International Pakistan requests you to look into the matter and if found correct/genuine, re-invite the tenders in accordance with the Public Procurement Rules 2004.

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.
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.*
6. Complainant.



# STATE LIFE

Insurance Corporation of Pakistan

Group & Pension Division,  
State Life Building No. 9,  
Dr. Ziauddin Ahmed Road,  
Karachi - 75530  
Phone : 9202890  
Fax : 9202866  
UAN: 111 111 888 Ext.3274

Dated: September 27, 2012

Managing Director,  
Pakistan International Airlines,  
Karachi airport, PIA Head office,  
Karachi

**Subject: COMPLAINT AGAINST BIDDING PROCESS OF GROUP LIFE INSURANCE**

Dear Sir,

State Life Insurance Corporation of Pakistan would like to submit that it has following objections on the Tender handling process adopted by PIA in the Tender of Group Life Insurance opened on 25<sup>th</sup> July, 2012. Financial Proposals were opened on 24<sup>th</sup> September, 2012.

- i. That the Tender price of M/s EFU did not include cost of insurance for persons who were already retired. This omission has resulted in Tender of M/s EFU as non responsive, due to the reason that EFU prices were incomplete, it did not mention insurance cover for those PIA employees who had already retired. The bid of EFU for Life 4.59‰, ADB 1.47‰, PA & TD 0.42‰, P&TI 0.13‰ and T&D due to accident 0.01‰ total 6.62‰.
- ii. That the Tender of M/s EFU did not quote cost for post retirement benefits of already retired PIA employees.
- iii. That the Tender of M/s Jubilee Insurance was combined bid costing 5.37‰.
- iv. SLIC Bid is Life 3.75‰, ADB & PTD Accident 0.83‰, ND free of cost, post retirement 2.25‰ total 6.83‰ and aviation extra Rs. 1‰ for cockpit and cabin crew.
- v. That the shortcoming of post retirement benefit for already retired employees were not declared by M/s EFU in their Tender, which was noted at the time of Tender opening and our authorized representative had registered his objection on M/s EFU Tender.
- vi. The Tender of M/s Jubilee Insurance was rejected by PIA as they had not quoted separate cost and declared as non responsive.
- vii. That PIA is not authorized to ask bidder for any clarification/rectification, which rectification whereof would affect unfairly the competitive position of other bidder presenting substantially responsive bids.
- viii. That according to the PPRA regulation issued on 11<sup>th</sup> July 2008 vide SRO No. 805(I)/2008 has made use of standard form of bidding documents prescribed by the Pakistan Engineering Council constituted under the Pakistan Engineering Council Act, 1975(V of 1976) as mandatory, and PIA is required to follow procedures prescribed therein.

- ix. That for examination of bids and determination of responsiveness, sub clause 26.2 is the ruling procedure for PIA to observe, which states that a substantially responsive bid is one which (i) meets the eligibility criteria ;(ii) has been properly signed; (iii) is accompanied by the required bid security ; and (iv) conforms to all the terms, conditions and specifications of the bidding documents, without material deviation or reservation. A material deviation or reservation is one (i) which effect in any substantial way the scope, quality or performance of a the Works; (ii) which limits in any substantial way, inconsistent with the Bidding documents, the Employer's rights or the bidder's obligations under the Contract; (iii) adoption/rectification whereof would affect unfairly the competitive position of other bidders presenting substantially responsive bids.
- x. That when M/s EFU bid did not include the cost of insurance of PIA employees already retired, PIA had no right to ask for any clarification from M/s EFU, whether their quoted cost included the cost for already retired employees. This clarification sought by PIA was a deliberate attempt by PIA to allow M/s EFU to change its quoted cost, as they have very conveniently replied that their bid prices are inclusive the cost of insurance of already retired employees of over 60 years age.
- xi. That this clarification sought by PIA and rectification offered by M/s EFU has affected unfairly the competitive position of PIA bid, which is the lowest responsive bid.
- xii. That PIA under sub clause 25 no change in the price or substance of the bid shall be sought, offered or permitted except as required to confirm the correction of arithmetic errors discovered by the Employer in the evaluation of the bids. The sub clause states "To assist in the examination, evaluation and comparison of bids, the Employer may , at his discretion, ask any bidder for clarification of his bid, including breakdowns of unit rates. The request for clarification and the response shall be in writing but no change in the price or substance of the bid shall be sought, offered or permitted except as required to confirm the correction of arithmetic errors discovered by the Employer in the evaluation of the bids."
- xiii. That SLIC bid is the only responsive bid, and should be considered for contract award by PIA.
2. This complaint of SLIC may be registered by PIA under Public Procurement Rules 2004, Rule No. 48, to be redressed by PIA according to the procedures prescribed in the ordinance 2002, Public Procurement Rules 2004 and PPRA regulations issued from time to time.

Thanking you,

Yours Sincerely,

  
(Nadeem Bessey)

General Manager(G&P)

Copy to:

➤ Transparency International Pakistan