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TI Pakistan urges CJP to take suo moto action against PIA for 'deliberate losses'

Transparency International Pakistan has requested the Chief Justice of Pakistan to initiate suo moto proceedings against Pakistan International Airlines for "deliberate losses being incurred by PIA at the cost of public money".

In a letter sent to Chief Justice Iftikhar Muhammad Chaudhry, on December 12, 2011, Transparency International Pakistan Adviser Syed Adil Gilani said that PIA is following in the footsteps of Pakistan Railways, and is minus Rs 144 billion and in deliberate default of payment on repairs, which has resulted in the grounding of 12 aircraft, and is fabricating excuse for buying 39 aircraft at an estimated cost of \$2.5 billion in violation of Public Procurement Regulatory Authority (PPRA) Ordinance 2002 and Public Procurement Rule (PPR) 2004.

PIA employees' associations--Pakistan Airline Pilots Association (PALPA), Society of Aircraft Engineers of Pakistan (SEAP), Aircraft Technologists Association of Pakistan (ATAP) and Flight Engineers National Association (FENA)--have also alleged that "deliberate losses are being incurred by PIA at the cost of public money."

The affairs of PIA are very strange, with contradictory statements given by PIA in National Assembly, which gives impression that nothing is right in PIA.

Following serious facts/irregularities have been brought to the knowledge of the Chief Justice:

That on February 24, 2011 Ahmed Mukhtar, Minister of Defence, informed the National Assembly (NA) that the national flag carrier, Pakistan International Airlines (PIA), was only operating in 27 countries out of more than 250.

"The reason for not operating in other countries is that it is not economically viable." He further said that PIA currently had a fleet of 40 aircraft, insured with the National Insurance Company Limited (NICL), which are in operational condition.

He said that although all the 40 aircraft are in operational condition; they are taken out of service for short durations for routine maintenance as per the maintenance schedule.

However, on December 7, 2011, PIA tendered for leasing of 39 aircraft, with 12 aircraft to be introduced in next 4 months.

The questions raised by Pakistan Airlines Pilots Association (PALPA), Society of Aircraft Engineers of Pakistan (SAEP), Aircraft Technologists Association of Pakistan (ATAP), and Flight Engineers National Association (FENA) is that there are no funds for purchase/lease of these planes, and also there is no need, as the Minister himself had declared that all 40 aircraft are operational.

The allegations made by them against PIA management are the current status of PIA cancellation of flights, long delays, non-payment of bills for firms repairing aircraft engines, viz.

JALCO Amman, where four PIA engines were repaired and are ready for delivery for last five months, and two PIA engines of A 310, which have been repaired and are ready for delivery for last five months.

But due to non-payment of dues, they have not been delivered.

Instead, two aircraft were leased during hajj on huge payment made more than the dues for the six engines, which would have made two A 310 and one B 747 operational.

Many more allegations of corruption have been made by Joint Action Committee of PIA Employees (JACPIAE) in its letter of November 15, 2011.

That the specifications and evaluation criteria tender documents for procurement of 39 aircraft are tailor-made for

using discretion by PIA in evaluating the tenders which are violation of Rule No 10 as Specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage, and Rule No 33, which prohibits PIA to introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

Evaluation of financial proposal is not based on the lowest offered cost, which is the basis of PPRA, World Bank, and Asian Development Bank Rules.

Likely delay in delivery schedule will carry revenue penalty, 75 percent seat factor of the seating configuration but limited to 143 seats.

For seats above 143, 15 percent of additional seats will be taken for revenue calculation on year round basis, Cargo revenue shall be calculated at 60 percent load factor for available capacity after accommodating passenger baggage, taking the payload into consideration.

Hence, the available seats/cargo capacity gets restricted, revenue shall be calculated on 75 percent of the available seats and cargo capacity, if available, Pax yield will be taken as 8.7 cts, Purchase Option Price, Benefit/Adjustment of any support package, considered of value by PIA.

Violations are of Rule No 8 & 9 as PIA proposed procurement is not available on PPRA website of the Annual Procurement Planning, Rule No 38 as instead of Pakistani Law, the Governing Law of the Lease Agreement by PIA shall be Law of United Kingdom.

That the former Managing Director of Pakistan International Air Lines Corporation (PIAC), Muhammad Aijaz Haroon, on September 26, 2010 told the Public Accounts Committee that PIA is suffering cumulative losses of Rs 144 billion. And National Assembly's Standing Committee on Defence on December 9, 2011 was informed by the present Managing Director, Nadeem Yusafzai, that financial losses of Pakistan International Airlines have swelled to approximately Rs 100 billion.

That such divergent and self-contradictory financial figures submitted by Chairmen to the National Assembly Committees needs to be seriously examined by the Chief Justice in the light of allegations made against the management for misguiding the nation as well as Parliament by the Pakistan Airlines Pilots Association (PALPA), Society of Aircraft Engineers of Pakistan (SAEP), Aircraft Technologists Association of Pakistan (ATAP), Flight Engineers National Association (FENA).

On October 27, 2011 it was reported in United News that the Pakistan International Airlines (PIA) had to reduced its flights by 23 percent because nine of its 39 aircraft had been grounded for want of spare parts, which are to be supplied by a Dubai-based US firm, Transworld, under a controversial multibillion-dollar agreement.

That it was reported in newspapers on November 6, 2011, that PIA had allegedly committed corruption in 2010 Hajj operation by giving bribe to Saudi Officials.

Adil said: It has also been reported in the press that PIA would be getting ten A321 aircraft and ten A320 aircraft in 2012.

In 2013, PIA would acquire as many as four ATR-72 and five 777-300ER aircraft while it would get six A321 planes in 2014.

The manner in which losses appear in PIA books reflect some foul play like Steel Mills (from plus Rs 12 billion to minus Rs 100 billion in 2011) and Pakistan Railways losses (Rs 56 billion loss in last 3 years), and similar Ministry of Water & Power case of RPP's in which LCs were mandatory, and daily rent was contracted to be paid whether the RPPs were operational or not (Loss of Rs 2.0 to Rs 2.5 billion monthly), KESC (illegal benefit of over Rs 50 billion per annum under amended agreement of 2009) and therefore needs a thorough probe into affairs of PIA as well to determine the factors causing loss to the national flag carrier which has a monopoly in Pakistan's skies and on face of it no one can say that this airline is running in huge loss.

Gilani said who is responsible for corruption, and who is benefiting from such corruption and corrupt practices cannot be determined unless the Supreme Court of Pakistan takes suo motu notice of the facts and circumstances so that the persons responsible be punished and money pocketed by them at the cost of national flag carrier be recovered