

SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON COMMUNICATIONS

ON

“THE SUBJECT MATTER OF SUPPLEMENTARY QUESTION, ASKED BY SENATOR NAUMAN WAZIR KHATTAK TO STARRED QUESTION NO.130 ASKED BY SENATOR MUHAMMAD TALHA MEHMOOD ON 26-01-2018, REGARDING SUKKUR-MULTAN (M-5) MOTORWAY”.

REPORT NO.1 OF 2019

Presented by
(SENATOR HIDAYAT ULLAH)
(CHAIRMAN COMMITTEE)

SENATE SECRETARIAT

REPORT OF THE STANDING COMMITTEE ON COMMUNICATIONS ON THE SUBJECT MATTER OF SUPPLEMENTARY QUESTION ASKED BY SENATOR NAUMAN WAZIR KHATTAK IN CONNECTION WITH STARRED QUESTION NO.130, ASKED BY SENATOR MUHAMMAD TALHA MEHMOOD ON 26TH JANUARY, 2018 REGARDING SUKKUR-MULTAN (M-5) MOTORWAY.

I, Senator Hidayatullah, Chairman of the Standing Committee on Communications have the honour to present, on behalf of the Committee, this report on the subject matter of Supplementary Question asked by Senator Nauman Wazir Khattak in connection with Starred Question No.130 asked by Senator Muhammad Talha Mehmood on 26th January, 2018 regarding Sukkur-Multan (M-5) Motorway, and referred to the Standing Committee on Communications for consideration and report.

2. Following is the composition of the Committee:-

(i)	Senator Hidayat Ullah	Chairman
(ii)	Senator Agha Shahzaib Khan Durrani	Member
(iii)	Senator Ahmed Khan	Member
(iv)	Senator Dr. Jehanzeb Jamaladini	Member
(v)	Senator Mir Muhammad Yousaf Badini	Member
(vi)	Senator Syed Muhammad Sabir Shah	Member
(vii)	Senator Dr. Ashok Kumar	Member
(viii)	Senator Muhammad Usman Khan Kakar	Member
(ix)	Senator Bahramand Khan Tangi	Member
(x)	Senator Islamuddin Shaikh	Member
(xi)	Senator Liaqat Khan Tarakai	Member
(xii)	Senator Fida Muhammad	Member
(xiii)	Senator Molana Abdul Ghafoor Haideri	Member
(xiv)	Minister for Communications	Ex-Officio Member

3. The Standing Committee discussed the matter in its meetings held on 07-08-2018, 06-09-2018, 24-09-2018, 25-10-2018 and 12-12-2018. The Committee was granted 05 extensions in the time period for presentation of Report of the Committee on the said matter from the House and Chairman Senate respectively. The last extension of 30 working days was from 21-12-2018 to 31-01-2019.

4. During meeting of the Standing Committee held on 07-08-2018, the Chairman NHA informed the Committee as under:-

- (i) Framework of agreement was signed between Government of People's Republic of China and Government of Islamic Republic of Pakistan on 20th April, 2015. The scope of agreement included Sukkur-Multan Motorway project.



- (ii) The project envisaged construction of 392 Km 6-lane motorway between Sukkur and Multan including all earthworks, pavement works, structural works including bridges interchanges, culverts, cattle walk and etc., drainage & erosion protection works, ancillary works, electromechanical works and landscaping / greening works as described in the bidding document on EPC / Turnkey basis.
 - (iii) The procurement of said project was conducted in a most transparent manner as per Framework agreement and in line with PPRA Rule-5 by obtaining ECC approval. The procurement process was planned on single stage two envelope bidding procedure.
 - (iv) Economic & Commercial Counselor, Embassy of China, Islamabad vide letter dated June 3, 2015 communicated that based on the consensus reached between Government of China and the Government of Pakistan, following Chinese companies are nominated for the construction of project Sukkur to Multan Section (392 Km):-
 - a. M/S China State Construction Engineering Corporation
 - b. M/S China Civil Engineering Construction Corporation
 - c. M/S Sinohydro Corporation Limited
 - (v) On the date for submission of bids i.e. August 6, 2015, all the three nominated firms submitted their bids. It is also clarified that neither M/S Redco was nominated nor any bid was received from this firm.
 - (vi) Subsequent to opening of technical bids on August 6, 2015, these were evaluated. As a result, all the three firms were technically qualified. Subsequently, the price bids were opened. After detailed evaluation, the bid of M/S China State Construction Engineering Corporation was declared as lowest evaluated bid.
 - (vii) The original bid of M/S China State Construction Engineering Corporation amounted to Rs.406.332 billion. However, after hectic deliberations on the technical parameters, the finalized price was Rs.294.352 billion. In this manner, a total saving to the national exchequer of Rs.111.98 billion was achieved. These deliberations were conducted in line with bidding provisions without compromising the functionality of motorway or the Employer's requirements.
 - (viii) During the deliberations, a reduction in the bid price of Rs.19.047 billion was obtained from the successful bidder on account of exemption from custom duties / taxes on equipment and construction material (to be imported and used for this project only). Any amount over and above of the indicated benefit (Rs.19.047 billion) will be borne by the contractor. In this manner, the national interest has been fully safeguarded. The revised PC-I of Rs. 298.008 billion envisaging such an exemption was approved by ECNEC on December 19, 2015. The contract agreement was signed on December 22, 2015.
5. Senator Nauman Wazir Khattak, Special Invitee, made following observations on Multan-Sukkur Motorway Project:-
- (i) All of the road infrastructure under CPEC is being executed without any data from Chinese of the projected Chinese traffic on it and its subsequent design. Nor has the Chinese guaranteed minimum traffic.
 - (ii) Capacity charges (as in thermal projects) has not been finalized with the Chinese government irrespective of the traffic so as to ensure loan repayment to the Chinese Axim bank.



- (iii) NHA board failed to identify the violation of the PPRA rule 5 and the inflated project cost as per CSR rates and the norm being practiced in other projects of NHA. NHA doesn't have a standard model / format for EPC bidding.
- (iv) Toll on the vehicles plying has not been finalized. Even if 5% of the Invoice value is charged it will take 46 years to pay back the loan (assuming 300 TEU enter Gwadar every day).
- (v) In 2014 engineering estimates were made amounting to Rs.240 billion subsequently PC1 was made amounting to Rs.259 billion. In 2015 the project was awarded to China Estate Engineering at Rs.294 billion after negotiation and changes as per original engineering estimate / PC1. After deleting some conditions from the project then cost should have been less than Rs.259 billion.
- (vi) NO EPC contract should be awarded without finalizing the plan alignment and detailed designing which would in normal practice be completed in 1 year. NHA to evaluate both the EPC models and the standard project implementation which includes escalation. NHA to recommend to the Government as to which model is of National Interest. Government officials signing contract with any Foreign Government or contractor cannot be in violation of prevalent laws of Pakistan. Any official accepting / signing such agreement will be held responsible individually and collectively for it and would be liable for prosecution as per laws of Pakistan.

6. The M/O Communications stated that the concept of EPC (Engineer, Procure and Construct) mode is different than the traditional contract. In the traditional contract, the employer is responsible for design of project, as a result a very detailed Bill of Quantities (BOQ) is devised. Subsequently bidding is conducted on this basis. However under EPC Mode, bidding is carried out on the basis of employers requirements which lists down the broad parameters of the infrastructure facility i.e. to be constructed. The bidder carry out their own preliminary decision that meets the employers requirements and submit their bids as per their own BOQ based on their design. Secondly under the traditional contracting mode, the contract price is not fixed and is adjustable depending upon variation in measured quantities and price escalation. On the other hand, under EPC mode, as the contractor is responsible for design so the price is locked and cannot be changed during the currency of contract due to change in quantities or price escalation. Chairman NHA further informed the Committee that Toll Tax will be charged as per notified rate of Motorway which is Rs.1.5 per k.m. The Secretary, Communications stated that in Government to Government agreements, there is exemption of PEPPRA Rule, 5. Senator Muhammad Usman Khan Kakar stated that we should demand many times more toll tax from China, because we are making this road for China. Secretary, M/O Communications was of the view that this is a Government to Government agreement and all Ministries of the Government are bound to act on this frame work agreement of which implementation part is the responsibility of M/O Communications. He further stated



that National honour is prime for all of us. The points/questions raised by Senator Nauman Wazir Khattak were provided to the M/O Communications, Chairman NHA and representatives of the Finance Division and Planning, Development and Reforms Division.

7. The Deputy Chief (T&C), M/O Planning, Development & Reforms informed the Committee that the processing of PC-I of the projects is done by the Planning, Development and Reforms Division. He further stated that initial cost of Sukkur-Multan Motorway Section was Rs.259 billion which was revised to Rs.298 billion.

8. The Joint Secretary, Economic Affairs Division gave following details to the Committee regarding Sukkur-Multan Motorway Section:-

- (i) The Commercial Agreement signed between NHA and M/S China State Construction Engineering Corporation Limited on 22-12-2015. The main components of the Project includes provision of construction of 135 bridges, 11 interchanges, 10 flyovers, 32 services & rest areas, 22 toll plazas, 1,148 culverts, 426 underpasses / subways / cattle creep, nallahs and other allied structures etc.
- (ii) 392 KM long, 6 lanes Sukkur-Multan Section of Karachi Lahore Motorway (1,148 km) located in Punjab and Sindh provinces.
- (iii) Rs.259,353.00 million with FEC Rs.233,418 Original cost
- (iv) Rs.314,977.280 million including FEC of Rs.294,352.080 million Revised cost
- (v) Approved by the ECNEC on 3rd July, 2014, Original
- (vi) Approved by the ECNEC on 19th December, 2015 Revised Original PC-1 was prepared on the basis of feasibility study conducted by a Chinese firm. Due to security reasons, the deployment of Chinese firm was restricted and alignment details were finalized with the help of satellite imagery and google maps. The PC-I was revised on the basis of the final EPC bid cost i.e. Rs.294,352,075,474/-
- (vii) Type of financing/terms of loan / financing:-
 - (a) Government Concessional Loan (GCL) RMB 4800 million
 - (b) Preferential Buyer Credit (PBC) US\$ 1790.113 million
 - (c) Buyers Credit (BC) US\$ 361.224 million

9. Senator Nauman Wazir Khattak, Mover raised questions over transparency in the construction of Sukkur – Multan Motorway Project by the National Highways Authority (NHA). According to him only three Chinese Companies were shortlisted for the project and these companies submitted their bids / feasibilities mentioning the cost of the project from Rs.240 billion to Rs.245 billion. He further stated that later a local company was asked to submit its feasibility to counter check the cost of the project. This local company mentioned the same range of the cost of the project, however the project was awarded for Rs.440 billion.



10. Senator Nauman Wazir alleged embezzlement of Rs.137 billion of public money in the said project. He raised following questions to be answered by NHA in detail:-

Q No.1: Why only three nominated contractors by China were approved by NHA board?

Was requalification carried out by the NHA management and then recommended to the board for the approval or otherwise? Was NHA forced by the political Government to carry out this doctored bidding in which all three bidders were in collusion with each other and have shared the work among themselves?

Q No.2: Was the PC1 made in 2014 amounting Rs. 240 billion correct or the final award Rs.314 billion in which the BOQs were even further reduced by 110 billion. And also both Chinese companies namely Chinese State Construction Company and Syno Hydro submitted feasibility studies amounting to Rs. 240 and 242 billion. Is it not correct that if original PC1 of Rs. 240 billion is changed and BOQs reduced by 110 billion then the actual tendering should have been at Rs.130 billion whereas it has been awarded at Rs.314 billion? Thus causing a loss of Rs.184 billion to our motherland.

Q No.3: Has NHA initiated any proceedings against NHA staff or against the Chinese companies by black listing them who indulged in this massive corruption? Is it right that Mr. Javed Sadiq the commission agent for BCS has received 6% commission and Chinese State Construction Company and China Power (Syno Hydro) have the patronage of Mr. Shahbaz Sharif, Ex CM Punjab through Mr. Javed Sadiq and Mr. Nawaz Sharif, Ex. PM Pakistan through Saifurahman?

Q No.4: Is it right that Lahore-Abdul Hakim Motorway was constructed at a cost of 64 Crore/Km and the said Multan-Sukkur Motorway has been constructed at Rs.103 Crore/Km? Kindly provide the comparative analysis of both BOQs rates and quantity.

11. The Secretary, M/O Communications informed the Committee that on the observations / points raised by Senator Nauman Wazir Khattak during last meeting of the Standing Committee held on 25th October, 2018, a meeting was held in the Ministry of Communications of all the stake holders / concerned Ministries and consensus replies have been made, which are at Annexure-A. Response of M/O Planning, Development and Reforms is at Annexure-B. During meeting of the Standing Committee held on 03-01-2019, the NHA provided the projected traffic count on Sukkur-Multan Motorway as desired by Senator Nauman Wazir Khattak which is at Annexure-C.

12. After thorough consideration the Standing Committee unanimously made following observations / recommendations:-

- (i) The construction of Sukkur-Multan Motorway project (392 Km, 6-lane) is included in the Framework Agreement signed between the Government of People's Republic of China and the Government of Islamic Republic of Pakistan on 20-04-2015. Under the said Agreement, the Chinese companies shall be responsible for engineering, design, procurement and construction (EPC) and supervision work of the projects. The Chinese side will provide a name list of recommended Chinese companies by relevant associations.

- (ii) Pakistani companies should be allowed to participate in the tendering process for fair competition.
- (iii) No EPC contract should be awarded without finalizing the plan alignment and detailed designing. NHA may evaluate both EPC models and the standard project implementation which includes escalation and recommend to the Government as to which model is in the national interest.

13. The Standing Committee in its meeting held on 03-01-2019 unanimously adopted the report of the Committee. The meeting was attended by the following members:-

(i) Senator Hidayat Ullah	Chairman
(ii) Senator Molana Abdul Ghafoor Haideri	Member
(iii) Senator Ahmed Khan	Member
(iv) Senator Dr. Jehanzeb Jamaldini	Member
(v) Senator Mir Muhammad Yousaf Badini	Member
(vi) Senator Syed Muhammad Sabir Shah	Member
(vii) Senator Dr. Ashok Kumar	Member
(viii) Senator Muhammad Usman Khan Kakar	Member
(ix) Senator Liaqat Khan Tarakai	Member
(x) Senator Agha Shahzaib Durrani	Member
(xi) Senator Fida Muhammad	Member



(SHAUKAT JAVAID)

Joint Secretary/Secretary Committee



(SENATOR HIDAYAT ULLAH)

Chairman Standing Committee on
Communications

