



Oil and Gas Development Company Limited

Managing Director/CEO's Secretariat



NO. CE-01/2015

September 10, 2015

Mr. Sohail Muzaffar

Chairman

Transparency International Pakistan

5-C, Khayaban-e-Ittehad

Phase-VII, DHA, Karachi

Subject: **Complaint of Violation of Public Procurement Rules 2004 by OGDCL in Incorporating in Tender Collusive Condition to Eliminate Competitors in 3 Years Running Contractor for Linepipe as per Tender # PROC-FC/CB/PROD/RRC/VALVES-1528/ 2015**

Please refer to your letter dated September 4, 2015 on above subject. At the outset, we wish to record our protest on the language used by you and aspersions cast on OGDCL on the basis of your preconceived notions. Please note that OGDCL is a public listed Company and its shareholders include Government of Pakistan, local & foreign investors and foreign institutional investors. The Company is the largest listed entity at the stock exchanges in Pakistan. The GDSs of the Company are also traded at the London Stock Exchange (LSE). Being a listed entity, the Company operates under the close watch and scrutiny of regulators within and outside Pakistan besides oversight by its shareholders. Through consistent and sustainable growth, the Company continues to be the market leader in the Energy Sector surpassing all players in the public and private sector. We, therefore, take pride in the performance of our Company and the value which we are adding to the investment of our shareholders.

2. We strongly believe that the community needs to play a proactive role in promoting good governance, accountability, transparency and a corruption free society. These ideals are not exclusive to Transparency International Pakistan (TIP) and its ownership vests with the society and the community as a whole. At this juncture, we will exercise restraint and not make any comment on the working and reputation of TIP. It may be recalled that as a part of good governance and anti corruption initiatives launched by OGDCL, a memorandum of understanding was signed with the TIP on April 3, 2013. We earnestly believed that collaboration with TIP will add value and substance to OGDCL's good governance initiatives. We have, nevertheless, noted that the communications made by TIP during this period has largely focused on issues raised by disgruntled bidders or unsubstantiated allegations

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based on subjective interpretation of rules. We believe that TIP needs to review its working methodology as it should not be seen as a mouth piece for someone's commercial interests. This will tarnish TIP's image further. It would be proper under the circumstances for TIP to withdraw the negative comments about OGDCL mentioned in the aforesaid letter.

3. Needless to mention that Non Governmental Organizations can only succeed for the attainment of cherished goals through cooperation and advocacy and not through bullying and intimidation.

4. With regard to your observation on Rule No. 26 of Public Procurement Rules (PPRA), 2004, we are fully satisfied that the provision with regard to bid validity has not been violated and any extension which was allowed in the bid validity period was communicated to all bidders without exception. It may also be noted that your observation on the duration of validity period is not part of the rules and none of us have the mandate to twist rules to suit a particular group or to change outcome of a case. We would also like to draw your attention to the fact that prices quoted in the bid are final and no bidder is allowed to jack up the prices on any ground whatsoever. In the instant case, upon completion of technical evaluation phase the financial bids will be opened as per procedure in the presence of all the bidders. OGDCL is not in a position to comment on the quantum and adequacy on the financial bids at this stage. Final decision on the award of the contract or otherwise will be taken by abiding all PPRA Rules and in the best interest of the Company.

5. According to our record, you had earlier expressed reservation in the same case vide letter dated August 28, 2015 on the requirement of American Petroleum Institute (API) 5L certification. In that letter, you had not raised any issue with regard to bid validity. We believe that sufficient response from our side has been given on the bid validity issues and we present our response on the requirement of API certification as under;

- i. The petroleum industry's equipment and machinery are generally unique and sophisticated from an energy standpoint. Furthermore, considering the risks and costs related factors attached with the capital intensive petroleum industry, the Exploration and Production (E&P) companies all over the world apply American Petroleum Industry's stringent quality and product specifications, specifying for the oil and gas industry.

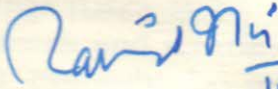
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- ii. Since OGDCL is required to procure equipment and material for oil exploration and production activities, therefore, in order to ensure minimum standards, specifications given in the API are followed. If minimum quality and technical standards are not given, the Company will end up with substandard equipment resulting in total loss of investment and delays in the operations.
 - iii. API certification as a matter of standard practice and is a requirement in all tenders as per OGDCL Master Tender Document. Except TIP, no other entity has ever raised any observation for following the API standards. We believe that oil & gas companies in Pakistan have a right to operate in accordance with international standards. Procurement of material and equipment without acceptable international standards will be imprudent.
6. We hope that information contained herein above adequately clarifies the issue. We also hope that TIP will take measures for constructive criticism and non-intrusive cooperation.

Regards,

Yours sincerely,


10/9/2015

(Zahid Mir)
Managing Director/CEO

Copy to:

1. Secretary to Prime Minister, Islamabad
2. Chairman NAB, Islamabad
3. Secretary, Ministry of Petroleum & NR, Islamabad
4. Chairman, Prime Minister's Inspection Commission, Islamabad
5. Registrar, Supreme Court of Pakistan, Islamabad
6. Managing Director, PPRA, Islamabad