

06.12.21

**The Secretary to the Treasury
Through the Insurance Corporation of Sri Lanka Ltd
Ministry of Finance**

Dear Sir,

REQUESTING AN INDEPENDENT INQUIRY -ALLEGATIONS MADE BY THE CURRENT CHAIRMAN OF LITRO GAS LANKA AGAINST THE FORMER CHAIRMAN AND THE REFERENCES TO AN 'IMAGINARY' LPG MAFIA ON A PRESS CONFERENCE-05.12.21

I write with great concern caused to me personally as the former Chairman of Litro Gas Lanka Ltd and, to other stakeholders, the customers and the staff of Litro Gas Lanka and to the people of Sri Lanka by the irresponsible and unsubstantiated comments made by the current Chairman of Litro Gas Lanka Ltd Mr Theshara Jayasinghe during a press conference held at the Litro Gas Lanka Head Office.

As you are aware, you represent the Government interests on the boards of the Sri Lanka Insurance Corporation Ltd (SLIC) and Litro Gas Lanka, which is fully owned by SLIC.

The baseless allegations made by the current Chairman of Litro Gas Lanka Ltd has caused great pain of mind to me personally while bringing into disrepute the period during which I functioned as the Chairman/CEO of the Company, which was from December 27th 2020 to July 15th 2021.

The outgoing CEO/MD at the time was Muditha Peiris – I took over from him on 25th January 2020.

I would like to formally request you to conduct an independent inquiry into the said allegations to ascertain the truth – taking into consideration the fact that such allegations not only tarnish my image but also that of Litro Gas Lanka Ltd and its brand name and reputation carefully cultivated as the national LPG provider since inception in 2011.

Such atrocious allegations also insult the customers of Litro Gas Lanka Ltd and the people of Sri Lanka.

Accordingly, I would like to place the following facts before you, concerning the contract the allegations refer to.

- The Agreement which I signed on behalf of the Company was done with Board approval and as per the Cabinet Paper No 20/0280/204/019 dated 31st January 2020
(Annexure 01)

- The standard and established Government procurement process to was followed with due diligence done, as clearly specified in the Procurement Process of the Company.
(Annexure 02)
- As per the conditions stipulated in the Agreement, either party could exit with 01 months' notice given, if any of the conditions are not met adequately.
- During my time, I informed the Treasury and took the necessary steps to re-tender for a period of another 02 years as is the norm ie: until February 2022.
- We have followed the stringent requirements stipulated by the Government tender process which normally takes around 06 months to progress.
- It must be reiterated that both parties signatory to the agreement reserve the right to exit the agreement if the required obligations are not fulfilled by either party.
- The clearly set procedure and protocols of the agreement do not allow any manoeuvring or strong arm tactics as alleged by the current Chairman and CEO of Litro Gas Lanka Ltd ; rather, it affirms that such allegations are not only baseless but also malicious and deliberately misleading the consumers, the public and other stakeholders of the industry.
- It must be stressed upon that as per the agreement, the supplier is required to meet all the conditions as deemed fit by Litro Gas Lanka Ltd. If such conditions were not met as alleged, then the Company reserved the right to exit the agreement ; which nullifies the said allegations of a mafia and extortions.
- The Rs 10 billion loss he refers to mentioning an imaginary 'mafia' styled operation seems to exist only in his mind and that of those trying to bring disrepute to the great institution that Litro Gas Lanka is – it even seems to be an effort to cause harm to its good name as a well-managed SOE.

As a State Owned Enterprise accountable to the Government and the general public, Litro Gas Lanka must be able to take into account the interests of the economy, the people and the current industry conditions.

Failure to do so can only reflect the inability of the office of Chairman and CEO Mr Theshara Jayasinghe to give right direction and guidance to the Company to fulfil such obligations required of the national LPG provider.

Given the fact that as clearly indicted above, nothing illegal or unethical has taken place during my period as Chairman/CEO of the Company, I would strongly like to request for an independent inquiry to be held into such allegations and the findings made available within a period of 01 month to clear my good name and that of the Government.

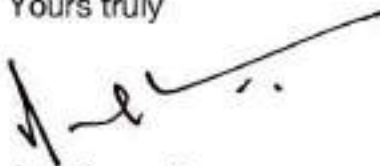
It must be noted that making such baseless allegations brings disrepute to the Government, the Company, its employees and the customers who have placed their trust in the brand name carefully nurtured over the years.

If I may recall, during my time as Chairman/CEO of Litro Gas Lanka, I believe I was able to fulfil the national mandate required of the Company ; we ensured there was no shortage of LPG even during the pandemic, meeting exacting customer needs. We were also able to provide LPG at Rs 1,493.00 for a 12.5 kg cylinder, ensuring an economic benefit to the consumers.

It must also be stated that none of the shortcomings faced by the Company in the current scenario would have taken place, if the Chairman and CEO of Litro Gas Lanka while enjoying the perks of office, had succeeded in giving leadership and guidance to the management and the staff in ensuring the stipulated duties are carried out with efficiency and effectiveness as demanded by the unprecedented commercial environment we are faced currently.

As a member of the public myself and a consumer of LPG, I would like to place the facts before you and humbly request you to set the record straight not only for me personally but also for the interests of the Government, the people and the customers.

I remain
Yours truly



Anil Koswatte
Director SLIC/ Former Chairman & CEO Litro Gas

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Action by: **My/Finance, Economy and Policy Development** - copy of the Report of the Procurement Appeal Board annexed.

Copied to: **Secretary to the President** - copy each of relevant documents annexed.
Secretary to the Prime Minister - copy each of relevant documents annexed.
Chairman, Procurement Appeal Board - copy of Memorandum annexed.



S. Amaraselara
Secretary to the Cabinet of Ministers



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MINISTRY OF FINANCE, ECONOMY AND POLICY DEVELOPMENT

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The Secretariat, Colombo 01,
 Sri Lanka.

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 Date }

CABINET MEMORANDUM

**Awarding the Contract regarding the Supply of Liquefied Petroleum Gas for year 2020/2022,
 Litro Gas Lanka Ltd**

I. Background

- 1.1. Litro Gas Lanka Ltd (Litro) was formed in November 2010 as a government owned company which engaged in importing, storing, filling, marketing and selling Liquefied Petroleum Gas (LPG) throughout the Island. Since November 2018, Litro comes under the purview of Ministry of Finance, Economy & Policy Development.
- 1.2. The Litro Gas Lanka Ltd (Litro) is the largest LPG supplier of the country which has 75% market share of the Sri Lanka's LPG user's market. Litro is sourcing LPG from the international market at the CP (Contract Price) which is decided based on the Saudi Aramco Price Index.
- 1.3. The current volume requirement for a year is approximately 370,000 MT. This is a cumulative growth of 97% from the year 2014 which was only 171,000 MT per annum. (Double from 2014). It is pertinent to mentioned that with the 97% un-precedented growth storage capacity of the Company has not increased. As a result currently the Company average storage is only for four days requirement of the country. Even though there is 8000MT storage capacity, since the ship sizes that can be berth in the Central Buoy Mooring (CBM) of the Company is less than 4000MT, as such at any given time the maximum storage that Company can hold is the requirement for four days.
- 1.4. Since the Litro Company was acquired by the GOSL in 2010, M/s Oman Trading International Ltd supplied LPG to the Litro Company till the year 2015, an agreement for two years was signed during the period 1st June 2013 to 31st May 2015 with this supplier and the freight paid in 2014 was USD 135 per MT. In the year 2015/16 the Litro Company floated an International Tender and price was brought down to 106 per MT. Since 2016/17 the Company followed Government Procurement Guidelines according to the provision provided in the 19th Amendment of the Constitution and able to bring down the price up to 58 USD, 48 USD, 48 USD, and 68 USD respectively from year 2016 to 2019.

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2. Procurement Procedure

- 2.1. Litro Gas Lanka Ltd has followed Government Procurement Guidelines 2006, Manual and Supplements to Guidelines. It was referred to the Standing Cabinet Appointed Procurement Committee (SCAPC) and Technical Evaluation Committee (TEC) which were appointed by Department of Public Finance.
- 2.2. Bids were invited by following International Competitive Bidding procedure by advertising in national newspapers. The single stage two envelope bidding procedure was followed.
- 2.3. Accordingly 10 institutions have collected the bidding documents and out from them the following bidders had submitted bids.
 - ✓ M/s Vitol Asia PTE Ltd
 - ✓ M/s Slogal Energy DMCC
 - ✓ M/s Iwon International FZE
 - ✓ M/s Oman Trading International Ltd
- 2.4. The opening of the technical bids was taken place on 4th December 2019. As per the evaluation carried out by the Technical Evaluation Committee (TEC) only M/s Oman Trading International Ltd complied with all technical requirements. The other three bidders were disqualified due to following reasons.
 - ✓ M/s Iwon International FZE has not submitted a Bid Security as per the requirement of bid document
 - ✓ M/s Vitol Asia PTE Ltd has submitted a conditional bid.
 - ✓ M/s Slogal Energy DMCC does not meet the eligibility requirements as per the bid document as it was 100% owned by the competitor Laughs PLC.Accordingly SCAPC approved to open the financial proposal of M/s Oman Trading International Ltd on 26th December 2019 as per the SCAPC decision dated 23rd December 2019.
- 2.5. Having carefully studied the recommendations of the TEC, the SCAPC recommended to award the contract of supply of LPG 2020/2022 to M/s Oman Trading International Ltd being the substantially responsive lowest evaluated bidder. SCAPC recommended price negotiation with M/s Oman Trading International Ltd to get competitive price. Accordingly, SCAPC meeting for negotiation & final decision for above procurement was held on 2nd January 2020 at Ministry of Finance, Economy & Policy Development.
- 2.6. Negotiation Committee inquired the reason for the increase from M/s Oman Trading International, & as per the supplier, below mentioned were stated for same.
 - International Maritime Organization (IMO) imposed a condition to increase fuel bunker sulfur quality; accordingly all bunker fuel sulfur quality should be reduced from current level 3.5% to 0.5% starting from 1st January 2020. Therefore price of the bunker fuel increased approximately 100%.
 - Additional War Risk Premium was imposed due to the attacks on oil tankers & Saudi Oil Facilities since third quarter 2019. This increased the cost of insurance per tanker significantly.

3. Justification

- 3.1. SCAPC has recommended to award the contract on 2nd January 2020 for the supply of LPG 2020/22 to M/S Oman Trading International Ltd who is the lowest evaluated substantially responsive bidder to purchase 740,000 (+/-10%) MT (Metric Ton) of LPG at the price of SACP + USD 105.40/MT.
- 3.2. Furthermore, Litro Gas Lanka Ltd has to pay demurrage charges in the event of delays in unloading LPG at Colombo or Hambantota ports as follows.
 - ✓ Shipments up to 3000 MT USD 8,500 per day per vessel.
 - ✓ Shipments of 3001 – 4500 MT USD 9,500 per day per vessel
 - ✓ Shipments above 4501 MT USD 12,000 per day per vessel.
- 3.3. As per the Government Procurement Guidelines 2006 Section 8.3, this Ministry has notified the above SCAPC procurement recommendation to the three unsuccessful bidders on 03rd January 2020 and informed them to make their representation, if any, to the Procurement Appeal Board (PAB) within a week. The Secretary of the Procurement Appeal Board has informed by the letter no. PAB/2020/01 and dated 08th January 2020, that one appeal has been submitted in this regard. After completion of appeal process, the Secretary to the Procurement Appeal Board by his letter has informed that the board does not see any merit in the appeal and had decided to dismiss the appeal
- 3.4. It is important to note, since the process has followed, the award is recommended to nominate the quantities for next month. As currently due to the time taken to follow the procedure, the March 2020 supply has not been secured. The Company envisages the delay and requested an extension for a current contract. However SCAPC declined the request stating that, Litro will be able to award it on time to have uninterrupted supply in the Market.

4. Approval sought

- a) To award the contract for the **Supply of Liquefied Petroleum Gas for year 2020/2022 to M/s Oman Trading International Ltd, (Current Supplier & supplier of year 2011 to 2015)** for a period of two years commencing from 1st March 2020 to purchase 740,000 (+/-10%) MT (Metric Ton) of LPG at the price of Saudi Aramco Contract Price (SACP) + USD 105.40/MT and,
- b) To pay demurrage by the Litro Gas Lanka Ltd in the event of delays in unloading LPG at the Colombo or Hambantota ports as mentioned in paragraph 3.2 above and
- c) To issue the Letter of Acceptance & communicate LPG nomination for the month of March 2020 before 10th of February 2020 for recommended bidder *M/s Oman Trading International Ltd.*

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Mahinda Rajapaksa, M.P.
Minister of Finance, Economy and Policy Development