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*9/5/17*

REPUBLIC OF KENYA



*for the Hon. Alan Kenyan*  
*on 9/5/17*  
*2017*

NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION

Directorate of Committee Services

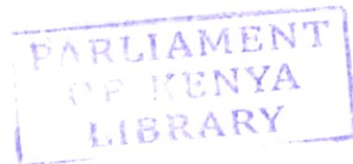
PUBLIC INVESTMENTS COMMITTEE

REPORT ON THE PUBLIC INVESTMENTS COMMITTEE INSPECTION  
TOUR OF THE KENYA PIPELINE COMPANY LINE 1 (CAPACITY  
ENHANCEMENT) PROJECT:

MOMBASA- NAIROBI PIPELINE

UNDERTAKEN BETWEEN 2<sup>ND</sup> – 3<sup>RD</sup> FEBRUARY, 2017

MAY 2017



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## ABBREVIATIONS/ACRONYMS

EOT	Extension of Time
FDIC	International Federation of Consulting Engineers
FOC	Fibre Optic Cable
IFC	Issued for Construction
JV	Joint Venture of SLECC & Kurrent Technologies
KPC	Kenya Pipeline Company
LC	Letter of Credit
NCA	National Construction Authority
PS	Pump Station
ROW	Right of Way
SLECC	Shengli Engineering & Consulting Company Limited
ZIC	Zakhem International Construction Limited



## **1.0 PREFACE**

The Public Investments Committee is a Select Committee established under Standing Order No. 206 and is responsible for the examination of the working of public investments.

### **1.1 Mandate of the Committee**

The Committee is mandated to: -

- (a) Examine the reports and accounts of the public investments;
- (b) Examine the reports, if any, of the Auditor General on the public investments;
- (c) Examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

The Committee shall however not examine: -

- (a) Matters of major Government policy as distinct from business or commercial functions of the public investments;
- (b) Matters of day-to-day administration; and
- (c) Matters for the consideration of which machinery is established by any special statute under which a particular public investment is established.

The procedure of a Select Committee and other related matters thereto is covered under Standing Order No. 173–203. The Committee has power, under the provisions of the Constitution, National Assembly (Powers and Privileges) Act (Cap. 6), the State Corporations Act (Cap. 446) and the Public Audit Act (Cap. 412), to summon witnesses, examine them on oath and receive evidence.

### **1.2 Committee Membership**

The Committee comprises of the following Members: -

1. Hon. Adan Wehliye Keynan, CBS, MP - **Chairperson**
2. Hon. Anthony Ichung'wah Kimani, MP - **Vice Chairperson**
3. Hon. Francis Mwanzia Nyenze, EGH, MP
4. Hon. Dr. Oburu Oginga, MGH, MP

5. Hon. (CPA) Thomas Ludindi Mwadeghu, CBS, MP
6. Hon. Adan Mohammed Nooru, MP
7. Hon. Franklin Mithika Linturi, MP
8. Hon. Wafula Wamunyinyi, MP
9. Hon. Elias Bare Shill, MP
10. Hon. Sammy Silas Komen Mwaita, MP
11. Hon. John Olago Aluoch, MP
12. Hon. (Dr.) Paul Nyongesa Otuoma, EGH, MP
13. Hon. (Eng). John Kiragu, MP
14. Hon. Dorcas Kedogo, MP
15. Hon. Abdullswamad Sheriff Nassir, MP
16. Hon. Beatrice Nkatha Nyaga, HSC, MP
17. Hon. Bernard Munywoki Kitungi, MP
18. Hon. (Dr.) Chrisanthus Wamalwa Wakhungu, CBS, MP
19. Hon. Cornelly Serem, MP
20. Hon. Eng. Stephen Ngare, MP
21. Hon. Irungu Kang'ata, MP
22. Hon. Johana Kipyegon Ngeno, MP
23. Hon. John Muchiri Nyaga, HSC, MP
24. Hon. John Ogutu Omondi, MP
25. Hon. Korei Ole Lemein, MP
26. Hon. Mary Sally Keraa, MP
27. Hon. Onesmus Muthomi Njuki, MP

### **1.3 Objectives of the Inspection Visit**

Pursuant to Standing Order 206 7(c), the Committee in its 26<sup>th</sup> sitting held on 5<sup>th</sup> April, 2016

resolved to undertake an inspection visit of the Kenya Pipeline Company Line 1 Pipeline Replacement Project from Nairobi to Mombasa with the objective of ascertaining the project's implementation status; particularly the extent to which the Committee's recommendations as contained in its *Special Report on the Procurement Process of the Kenya Pipeline Company Ltd Line 1 Capacity Enhancement Project (Mombasa – Nairobi)* tabled in the House in February, 2015, were taken into account, for successful implementation and timely completion of the Project.

The Committee has been consistent in advocating for efficiency, cost effectiveness and timely completion of the Project.

#### **1.4 Delegation**

The fact-finding visit was undertaken on 2<sup>nd</sup> and 3<sup>rd</sup> February, 2017 by the following Committee members: -

1. Hon. Adan Wehliye Keynan, CBS, MP - **Chairperson**
2. Hon. Anthony Ichung'wah Kimani, MP - **Vice Chairperson**
3. Hon. Dr. Oburu Oginga, MGH, MP
4. Hon. (CPA) Thomas Ludindi Mwadeghu, CBS, MP
5. Hon. Wafula Wamunyinyi, MP
6. Hon. John Olago Aluoch, MP
7. Hon. (Dr.) Paul Nyongesa Otuoma, EGH, MP
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10. Hon. Bernard Munywoki Kitungi, MP
11. Hon. (Dr.) Chrisanthus Wamalwa Wakhungu, CBS, MP
12. Hon. John Ogutu Omondi, MP
13. Hon. Korei Ole Lemein, MP
14. Hon. Mary Sally Keraa, MP
15. Hon. Onesmus Muthomi Njuki, MP

## 1.5 Stations Visited

The visit commenced on 2<sup>nd</sup> February 2017 at the Kenya Pipeline Company headquarters in Nairobi where the project terminates at Pump Station 10 (KM 448).

The Committee was given a presentation on the status of Project, by the KPC Senior Management team led by the Managing Director, Mr. Joe Sang, Eng. James Mwangi representing the Consortium of Consultants namely Shengli Engineering & Consulting Company Limited (SLECC)/Kurrent JV Technologies and representatives of the Project's Main Contractor Zakhem International Construction Limited (ZIC).

Thereafter, the Committee toured and inspected selected sites with key installations and facilities along the pipeline Right-of-Way including Section KM 441 – 442 within Jomo Kenyatta International Airport, Pump Station (PS) 5 in Mtito Andei, Pump Station (PS) 3 in Maungu and Pump Station (PS) 1 in Changamwe and Kipevu Pump Station (PS) 1.

A detailed description of the sites visited and committee observations are captured in section 4.0 of this Report.

## 1.6 COMMITTEE GENERAL OBSERVATIONS

**The Committee made the following observations following the two-day tour of the Pipeline –**

- (i) The project was not completed as per the original contract duration, the Project was expected to be completed by 30<sup>th</sup> September, 2016; however, the completion date was extended to 9<sup>th</sup> February, 2017 and a further extension to 28<sup>th</sup> April, 2017.
- (ii) The project implementation status as at February 2017 was 75.71% with the following payments having been made:
  - (a) **Consultancy:**        **US\$ 5,857,279.02** inclusive of VAT – **76% of contract sum**
  - (b) **Construction:**    **US\$ 335,623,802.46** (inclusive of VAT) – **69% of contract sum**
  - (c) A further payment of **US\$ 13,191,202.45** representing work done between 21<sup>st</sup> October and 20<sup>th</sup> November, 2016, was being processed.
- (iii) The Kenya Pipeline Line 1 Capacity Enhancement Project is a Vision 2030 project. Upon completion, the project will enhance the supply of petroleum products to various parts of the country, Uganda, Rwanda, Burundi and parts of the Democratic Republic of Congo.
- (iv) Upon completion of the project, the projected demand of petroleum products in Kenya and in the Eastern Africa region up to year 2044 will be met. This will reduce



shortages of fuel for the domestic and export market occasioned by leakages and pipe bursts of the old pipeline and reduce road damage and environmental pollution caused by road tankers.

- (v) There is an apparent conflict of interest between the Contractor, ZIC Ltd, and the Project Consultant, Shengli Engineering & Consulting Company Limited. SLECC is owned by SINOPEC, one of the failed bidders of the contract but ended up being awarded the consultancy contract for the project. The alleged intentional delay in submitting drawings issued for construction on October 2014 to the contractor by three and half (3 ½) months after the expected date of commencement of the project among other claims of sabotage by the Contractor may therefore be true.
- (vi) The progress of works has been adversely affected by poor working relationship among the three parties; the Employer (KPC), Contractor (ZIC) and Consultant (JV of SLECC/Kurrent Technologies). For example, the Contractor avers among others, that SLECC has never had sufficient supervisory staff to inspect and certify the works. On the other hand, the Consultant claimed that the Engineer's construction supervision personnel were deployed along the pipeline's ROW based on the contractor's construction program and work fronts. KPC has blamed the Contractor, for among others, low uptake of funds by the Contractor due to numerous discrepancies in documentation for both payments through Letter of Credit and outside LC and the delayed delivery of already manufactured equipment;
- (vii) The independence of the Consultant as appertains to the Project is in question, owing to the unusual arrangement of the Project Engineer being the Chief Manager (Technical), KPC, contrary to best practice whereby the Project Engineer is the contracted Project Consultant with full authority over the Project.

#### **1.7 COMMITTEE GENERAL RECOMMENDATIONS**

**The Committee makes the following general recommendations:**

- (i) Kenya Pipeline Company fast-tracks the implementation of Line 1 Capacity Enhancement Project and at the same time ensure that the Project is constructed as per the letter and spirit of the Contract and according to the required engineering standards, design and specifications.**
- (ii) The Company should ensure that there is no further delay and extension of time for completion of the Project.**
- (iii) The Contractor strictly follows the specifications/procedures to meet welding process requirements for the pipeline works and other installation works to ensure the delivery of quality product to the employer and by extension, the Kenyan taxpayers.**
- (iv) The three parties in the contract must address and resolve the challenges facing the project attributed to each of them. As such, the Contractor should supply**



equipment and sufficient workforce while the Consultant should expedite review and approval of Contractor's design, materials and certify documentations for payments without delay. KPC is expected to make payments for certified works to the contractor and the consultants without undue delay.

- (v) The Project Contractor and Consultant should comply with the contract requirements, work in harmony, demonstrate good will and intention to ensure successful and timely completion and delivery of the project as per the new completion schedule of 28<sup>th</sup> April 2017 agreed upon by the parties.
- (vi) Kenya Pipeline Company should in future conduct due diligence before the award of contracts to avert possible conflict of interest and poor working relationship similar to the one facing SLECC and ZIC in the implementation of Line 1 Capacity Enhancement Project.
- (vii) Kenya Pipeline Company should focus on developing the key infrastructure required to store and move the petroleum products to markets within and outside the country since Kenya is set to join the league of oil producing nations with ongoing explorations and the discovery of oil in several parts of the country. Kenya's profile as an oil producer is likely to rise, therefore, the Company should consider full-scale pipeline development to connect areas with commercially viable oil reserves.

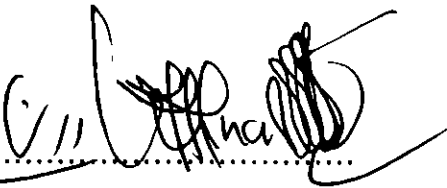
### **Acknowledgement**

The Committee wishes to record its appreciation to the Office of the Speaker and the Clerk of the National Assembly for facilitation in fulfilment of its mandate. The Committee is also grateful to the Kenya Pipeline Company, the Project Contractor Zakhem International Construction Ltd, and Staff of Consultants Consortium for Shengli Engineering & Consulting Company Limited and Current JV Technologies who adduced evidence before it and guided the Committee during the visit. The Committee would also like to appreciate the National Police Service for providing adequate security to the Committee throughout the visit.

Further, the Committee is grateful to the staff of the National Assembly, Office of the Auditor-General, the Inspectorate of State Corporations and the National Treasury for the services they rendered to the Committee. It is their commitment and dedication to duty that made the work of the Committee and production of this Report possible.

On behalf of the Members of the Public Investments Committee, I beg to table the Committee's Report on Fact-Finding Tour inspection visit of the Kenya Pipeline Company

Line 1 Pipeline Replacement Project

Sign:  .....

Date: 4-5-2017 .....

HON. ADAN W. KEYNAN, CBS, MP

CHAIRPERSON, PUBLIC INVESTMENTS COMMITTEE

## **2.0 PROJECT BACKGROUND**

### **2.1 Company Information**

The Kenya Pipeline Company (KPC) Limited is a State Corporation established on 6<sup>th</sup> September, 1973 under the Companies Act (Cap 486) of the Laws of Kenya. The company's operations are also governed by relevant legislations and regulations such as the Public Procurement and Disposal Regulations, 2006.

The main objective of setting up the company was to provide efficient, reliable, safe and cost effective means of transporting petroleum products from Mombasa to the hinterland. In pursuit of this objective, the company constructed pipeline network, storage and loading facilities for transportation, storage and distribution of petroleum products.

KPC started its operations in 1978 after installing a 14-inch diameter underground pipeline from Mombasa to Nairobi. The pipeline is approximately 450 km long.

The Company is currently constructing a new pipeline from Mombasa to Nairobi to replace the existing Line-1. The project is strategic not only for the long-term financial stability of the company but also for ensuring reliable and adequate supply of petroleum products to western Kenya and the land-locked countries including Rwanda, Burundi and Democratic Republic of Congo among others.

### **2.2 Description of the Line 1 Replacement Project**

The purpose of the pipeline is to transport refined petroleum products from Mombasa to the hinterlands for local use and further transfer to neighboring countries of Uganda, Democratic Republic of Congo, Rwanda, Burundi, Northern Tanzania and Southern Sudan by road. The pipeline operates with eight pump stations located along the pipeline and each pump station has two pumps rated at 440M<sup>3</sup>/h. It is operated by running either one or two pump sets per station, depending on the demand for the product.

The Mombasa to Nairobi Pipeline was designed with a flow rate of 880M<sup>3</sup>/h, which had been projected to meet the product demand up to 2018 and beyond.

While the original pipeline had reached its ultimate capacity, the demand continued to



increase, especially for export products. The export trucks were allowed to transport products, thus exposing the road network to the very risk and damage that the initial intention of installation of the petroleum pipeline network was meant to address.

Between 2005 and early 2009 Line 1 capacity was enhanced by building four new stations between Mombasa and Nairobi in order to improve on the initial installed capacity of 440M<sup>3</sup>/h to the ultimate capacity of 880 M<sup>3</sup>/h. Four stations of PS2- Taru, PS4-Manyani, PS6-Makindu and PS8-Konza were commissioned on 26<sup>th</sup> November, 2008 to meet the demand that is projected by Vision 2030.

Kenya and the region at large has been experiencing a sustained economic growth and as a result, demand for petroleum products for the last three decades increased, thereby necessitating improvement of the initial capacities provided by the first pipeline networks.

### **2.3 Project Scope**

The scope of the project is to supply, deliver, construct and commission a suited pipeline size 20-inch diameter pipeline including laying of Fibre Optic Cable (FOC) within the KPC's ROW (Right of Way) from Mombasa to Nairobi, optimize the use of existing stations including the associated works and augment the system to allow for new facilities in the existing stations, including four pump stations (PS1, PS3, PS5, PS7), four terminals (PS9, PS10, PS12 and PS14, and four future pump stations (PS2, PS4, PS6, PS8). In addition, the project includes the upgrade of existing firefighting systems in existing stations and design of new firefighting systems for the new stations. The multi-product pipeline is to be laid alongside the existing 450km line from Mombasa to Nairobi.

### **2.4 The Consultancy Contract – KPC Vs SLECC/Kurrent Technologies**

In October 2011, KPC announced a call for tenders for a consultant to carry out detailed engineering design, prepare tender documents, and supervise implementation of the pipeline replacement project from Mombasa to Nairobi.

The consultancy contract for the works was awarded to a consortium comprising of Shengli Engineering & Consulting Company Limited (SLECC) and Kurrent JV Technologies on 7<sup>th</sup> June 2012 at a cost of Kshs. 351, 595, 280.08 (US\$ 7,706,946.08).

Curiously, SLECC is a Chinese Engineering Company owned by SINOPEC, one of the bidders of the project who challenged the contract award to Zakhem International Construction Ltd.

The scope of consultancy services comprised of the following: -

- Design for the replacement of the pipeline;
- Assess the existing firefighting system along Line 1, PS 12, PS 9 and Nairobi terminal;
- Design a Fibre Optic Cable (FOC) to connect all existing terminal equipment in all stations;
- Environmental Impact Assessment (EIA);
- Tender documentation;
- Tender evaluation;
- Construction Supervision; and
- Provide training for KPC staff.

The Consultant designed a replacement pipeline, optimizing the use of the existing pipeline facilities to meet the growing demand. The Consultant also carried out a technical and financial evaluation to determine the optimal pipe size, considering the demand for petroleum products in the region. The pipeline shall be tied into four new pumping stations and subsequently decommission the existing pipeline.

On 9<sup>th</sup> September, 2014, the Kenya Pipeline Company wrote to the Consultant to communicate delegation of authority to the Engineer's representative. The details of delated authority are captured in the letter appended to this Report as **Annex. 1**.

## **2.5 The Construction Contract – KPC Vs ZIC**

The contract is governed by the 1987 FIDIC Conditions of Contract for Civil Engineering Construction Part I (reprinted in 1992) supplemented with Special Conditions Part II. FIDIC Conditions of Contract for Works of Civil Engineering Construction provides for the employer to carry out engineering design and issue drawings to the contractor for procurement and construction at start of the contract.

The contract for procurement, construction, testing and commissioning of the 20-inch pipeline for approximately 450 km (Contract No. SU/QT/032N/13) was signed between Kenya Pipeline Company Limited as the employer and Zakhem International Limited as the



contractor with commencement date of 1<sup>st</sup> July, 2014 and completion period of 18 months from the commencement date. The contract amount was US\$ 484,502,886.40 (approximately KES 43 billion).

### **KPC Responsibilities**

1. To provide ZIC complete Design and Engineering document for the entire Project on Contract signature date i.e. 1st July 2014. The Project Design and Engineering is the responsibility of SLECC under the provisions of a separate Contract between SLECC & KPC.
2. To issue a LC in favour of ZIC for the amount of approx. US\$ 168 million by latest September 2014, to facilitate the material procurement by ZIC in a timely manner based on the completed Design and Engineering criteria and the Contract program of works.

### **ZIC Responsibilities**

1. To mobilize adequate plant and machinery for the purposes of completing and commissioning the project within a period of 18 months from date of Contract Signature.
2. To procure all materials required for the project construction and commissioning, inclusive of the pipeline material, pump station plants, equipment and all electromechanical equipment, in strict compliance with IFC (Issued for Construction) Design and Engineering document.
3. To construct the pipeline and pump stations and commission, in compliance with the Design and Engineering requirement provided by SLECC for and on behalf of KPC pursuant to a separate Contract between KPC & SLECC. Upon contract signing and taking into account contractual provision for notice of commencement of fourteen (14 days), ZIC was given the notice to commence on 11<sup>th</sup> August 2014, for a construction period of 18 months with expected completion date of 9<sup>th</sup> February 2016.

## **2.6 Project Performance**

### **2.6.1 ZIC Submission**

Contrary to Contract requirements between KPC/ZIC, KPC did not deliver to ZIC the Project Design and Engineering requirements on 1st July 2014. Instead, KPC through SLECC issued the IFC documents on October 14, 2014, incurring 3½ months delay.

Upon receiving the documents, ZIC noted that they were incorrect and non-compliant with the BOQ (Bill of Quantities) that regulate the Contract between KPC & ZIC. The gross shortcomings and anomalies in the documents were reported to KPC and addressed in

several tripartite meetings between KPC, ZIC and SLECC. Despite ZIC's repeated requests, KPC/SLECC persisted in delaying the submission of correct design and specifications. As a result, delays in project performance featured at the very early days of Contract signature. On several occasions, ZIC reminded KPC verbally and in writing about the progress delays attributed to late design submission by SLECC.

As a consequence of the delay in the submission of IFC documents by SLECC, ZIC was unable to neither start work effectively nor arrange for material procurement requirements. Further, KPC contractual undertaking included the provision of establishing a Letter of Credit (LC) in favour of ZIC to facilitate the Project plant and equipment procurement in timely manner. KPC did not process the LC in September 2014.

Instead, KPC proposed to split the LC amounting to USD 168 million into two LCs. One was confirmed in March 2015 amounting to US\$ 105 million whereas the second LC amounting US\$ 63 million was confirmed in September 2015. The untimely submission of IFC by SLECC and the very late issuance of LC by KPC caused delays to the Project construction and procurement requirements.

Despite the above, ZIC hastened to arrange self-finance for the pipe supply of approx. USD 78 million in order to expedite the pipe delivery to site. In fact, through ZIC self-finance, the 1st pipe shipment landed in Mombasa in January 2015, long before KPC established the above mentioned LC. By so doing, ZIC demonstrated good will and intention, beside the professional integrity to ensure timely completion of the project.

Regrettably and despite ZIC expeditious arrangements and reminders to KPC and SLECC, work could not proceed as planned in the Contract. SLECC continued to frustrate the progress by delaying the correct IFC documents. SLECC has always been determined to frustrate, undermine and delay ZIC performance. *(SLECC is a Chinese Engineering company owned by SINOPEC, one of the Contractors who challenged the Contract Award to ZIC. Obviously, SLECC delay in submitting the long overdue IFC is intentional to compromise ZIC timely performance.)*

Finally, in late March 2015, i.e. 9 months after Contract signature, ZIC were able to commence the construction works on pipeline and pump stations. At that time, and after several meetings and complaints by ZIC, KPC resolved the issue of NCA (National Construction Authority) who then granted permission to ZIC to start work. At the same time, SLECC and KPC agreed on the pump stations alignment and pipeline route. Only then ZIC were able to commence work on the pipeline and stations. Thereafter and to date several design revisions have been introduced on account of SLECC poor and inferior design.

The above documented delays caused solely by SLECC intentional disruptive measures and KPC delays in establishing the LC and resolving the NCA issue, prompted ZIC to request for extension of time (EOT 1) with costs since the causes of delays are attributed solely to KPC and the Engineering and Design Company (SLECC) shortcomings.



## **Committee Observations**

The Committee observed that:-

- (i) Construction works on the Pipeline began in March 2015, nine months after contract signing. The Contractor attributed the delays to late submission of project design and engineering requirements by the Kenya Pipeline Company and the Consultant. The delays were also attributed to late submission of IFC documents by the Project Consultant.
- (ii) SLECC, one of the partners in the Joint Venture for Project Consultancy is a Chinese Engineering company owned by SINOPEC, one of the Contractors who challenged the Contract award to ZIC. This may pose a possible conflict of interest in the working arrangement between ZIC and SLECC and may explain some of the delays experienced in project implementation.

### **2.6.2 SLECC/Kurrent JV Submission**

The project activities of procurement, construction and testing proceeded on until 22<sup>nd</sup> January 2016 when the contractor submitted his request for extension of time (EOT) Claim No.1 vide ZIC letter ref: ZIC-KPC/0044/16/LR/AA dated 12<sup>th</sup> January 2016. The supporting details were submitted on 22<sup>nd</sup> January 2016.

Upon receiving and reviewing the EOT No.1 claim, the Engineer's representative requested for additional information to enable an informed analysis on the contractor request. This was followed by correspondences by the involved parties and by the lapse time of the original contract period the cumulative progress of the project stood at 36.59%.

The EOT Claim No.1 analysis on cost and time was yet to be concluded as at that time. The Engineer, with due consideration of the contractual risks involved on the Project and given the internal approval processes, opted to grant a 7 months' provisional extension on time only, based on the contractor's own assessment, to enable time for subsequent submission of detailed particulars and determination of Extension of time Claim No.1. The approval clearly stated that the extension was without costs.

There have been ongoing correspondences on extension of time claim No.1 with several requests/reminders for the contractor to submit detailed particulars with the recent batch being received by the Engineer's representative on 12<sup>th</sup> August 2016.

It should be stated that the JV is not the Engineer for this project. The JV is the Engineer's

representative with delegated authority by the Engineer. In this project, the Engineer is the Chief Manager (Technical), Kenya Pipeline Company.

### **Committee Observations**

The Committee observed the unusual arrangement of the Project Engineer being the Chief Manager Technical, Kenya Pipeline Company. This is contrary to best practice whereby the Project Engineer is the contracted Project Consultant with full authority. The independence of the Consultant as appertains to the Project is thus in question.

#### **2.7 Extension of Time and Claims**

The Contractor applied twice for two extensions of time (EOT No.1 & EOT No.2) to complete the Project. The first EOT was submitted on 12<sup>th</sup> January 2016. (**Annex. 2**) The second EOT was submitted on 15<sup>th</sup> July 2016 (**Annex. 3**) and a further reminder on 3<sup>rd</sup> September 2016. (**Annex. 4**)

The Engineer's representative reviewed the two EOTs in time and submitted the official reports to the Engineer dated September 2016. (**Annex. 5**).

The Engineer's representative's recommendation on the contractor's two EOT request was considerate of the fact that, all of the purchase orders needed to have been released to the vendors/manufacturers by the contractor. It is quite hard to track the procurement issues with the vendors/manufacturers when there was no schedule/program from the contractor. The Engineer's representative rejected the contractor's claims for prolongation and profit due to reasons arising from project delays as they failed to demonstrate that the delays were attributable to other parties other than themselves. The lack of a detailed approved program with a critical path also made it difficult to demonstrate the impact of any delays to the completion date. The onus is on the contractor making any claim to prove to the Engineer that the claim is justifiable. The contract has clear requirements on management of claims. Only additional works other than items in BOQ of the contract were considered based on the actual work quantities and approved rates.

Extension of time was granted to the Contractor up to 28<sup>th</sup> April, 2017 pending determination of costs and damages. The Project Consultants evaluated claims of Kshs. 11 million for extension of time 1 (EOT 1) and extension of time 2 (EOT 2) and made a presentation to the Engineer for determination. These are under review by the KPC Projects

Team which is in the process of preparing counter claims for delays attributed to the Contractor and shall be presented to KPC Management for consideration.

### **ZIC's Reasons for Extension of Time with costs**

The main reasons for time extensions 1 & 2 with costs as follows: -

- i. Very late submission of complete IFC package by SLECC;
- ii. IFC multiple errors, revisions and discrepancies that caused the progress to be on hold frequently and for a considerable time on pipeline and pump stations;
- iii. Late approval by NCA for ZIC to enter the site;
- iv. Unreasonably withheld approvals by SLECC for vendor requisitions and design that caused indefinite delay existing to date for procurement; and
- v. KPC delayed issuance of LC for material and equipment procurement.

### **2.8 Payments made as at 2<sup>nd</sup> February, 2017**

Payments made as at 31<sup>st</sup> January, 2017 are as follows:

**For Consultancy:** US\$ 5,857,279.02 inclusive of VAT (equivalent to KES 267,212,413.44 – **76% of contract sum**)

**For Construction:** LC 1: US\$ 121,018,858.99

LC 2: US\$ 49,498,766.61

Outside LC: US\$ 165,106,176.86

**Total Payments: US\$ 335,623,802.46** (inclusive of VAT) (equivalent to KES 263 Million exclusive of VAT – **69% of contract sum**)

*Payments in progress: payment of US\$ 13,191,202.45 representing work done between 21<sup>st</sup> October and 20<sup>th</sup> November, 2017.*

### **2.9 Challenges affecting the Project**

#### **2.9.1 Employer's Challenges**

KPC presented the following challenges: -

1. Low uptake of funds by the Contractor due to numerous discrepancies in documentation for both payments through LC and outside LC;
2. Delayed delivery of already manufactured equipment;
3. Apparent reduced equipment and workforce in all the sites; and



4. Apparent go-slow by the HDD personnel at Nairobi Road crossing.

### 2.9.2 Consultant's Challenges:

The Consultant presented the following challenges:

1. The Contractor's work program is impractical because he did not dedicate/deploy commensurate manpower and equipment to achieve the program. The lack of a detailed program approved by the Engineer has also made it difficult to track the progress of the project and also to track the resource allocation by the contractor;
2. Equipment and material delivery/deployment were delayed due to, among other reasons, the mismanagement of vendor activities such as delayed submission of vendors' final design documents etc.
3. PS14 Tanks tie-in – The Contractor started the tie-in works to the tanks at PS14 very late due to delayed delivery of tank tie-in materials i.e. DBB-Valves and reinforcement plates, the exercise is partially done and is up to date hampered by missing tie-fittings.
4. In all the stations works to date, i.e. Mechanical, Electrical, I&C and Fire Fighting installation works are yet to comprehensively commence due to delayed delivery of key equipment/material.
5. Delayed Auger Boring, Horizontal Directional Drilling and other crossing Works: to date the subcontractor for HDD has downed tools due to lack of financial facilitation by the contractor.
6. Delays in issuance of vendor information for finalization of IFC drawings. This affected and resulted in the delayed completion of the Engineer's representative's IFC design drawings. This has been a very thorny issue. The contract and specifications required the contractor to submit detailed vendor/equipment information. The contractor signed the contract which clearly spelt this. The contractor has continued to have a different and incorrect interpretation of the contract, thereby significantly delaying the project.
7. Delays in vendor design approvals attributable to the vendor's designs not conforming to specifications and data sheets, hence lengthy deliberation on clarifications and sometimes the contractor changed from one vendor to another despite approvals.
8. Management of Sub-Contractors – Lapses in supervision and facilitation (mainly prolonged delay in payments) of subcontractors especially in all the pump stations including, PS 1, PS 3, PS 5, PS 7, PS9, PS10 and PS 14 sites. Furthermore, the works at many of the said stations started very late. An example is the steel plates of firefighting tanks. The contractor has failed to supervise the subcontractor to provide Mill certificates for steel plates; this caused the material to be rejected by the Engineer's representative and the client and ultimately new plates acquired have to be tested at KEBS before approval.

9. Low rate of mainline construction progress: The low rate of construction progress on mainline pipe was mainly as a result of equipment breakdown, insufficient joint coaters, insufficient repair welders, slow NDT works and tie-ins crews, lack of empowerment of construction managers, poor planning, and resource management as well as inadequate working time management.
10. The Contractor at times changed the project specifications without consent and approval by the Engineer and his representative, causing length deliberations to resolve the issues e.g. specifications for mainline pumps.
11. Construction works were stopped by the numerous strikes of subcontractors' staff due to the contractor's failure to enable timely payment of their salaries and allowances. This continues to plague the progress of works to date.
12. No detailed procurement program was ever submitted by the contractor and therefore, there has been no schedule as to when the contractor will submit the vendor design information, when the equipment will be manufactured, tested and shipped. The contractor only gave periodic updates, many of which have not been kept.
13. Unacceptable delays, such as lack of construction materials like steel bars for buildings and no fuel for construction equipment. Tools not being ready or available when starting of the works in the morning has been experiences severally. This points to inadequate planning by the contractor.
14. Lacking/Poor quality management by contractor caused many repair works making the work efficiency very low, e.g. joint coating.

The root cause of project delay is the contractor's lack of adequate capacity to execute this project, including inadequate management/support structures. They can be further summarized as follows:

- (i) the apparent lack of effective delegation of authority to key staff;
- (ii) the Contractor's project management needs to be improved;
- (iii) Lack of a detailed approved program of works complete with a critical path has led to inadequate tracking of progress and resources;
- (iv) The Contractor's workers resourcing lack proper and adequate planning;
- (v) Delayed and insufficient vendor information delayed completion of IFC design drawings;
- (vi) The Contractor does not have enough manpower and equipment for construction works as required for a Project of this magnitude and sensitivity;
- (vii) The contractor did not adequately supervise and control their subcontractors to meet the project's requirement and timelines;
- (viii) There seems to exist communication gaps between ZIC management and staff on



site; and

- (ix) Submission of numerous letters by the contractor containing many allegations most of which were unsubstantiated and lacked adequate supporting documents, has at times been a time-consuming distraction.

The above mentioned issues need to be addressed by the Contractor as a matter of urgency, given the importance of this Project. The Engineer and Engineer's representative continue to supervise the works despite the challenges and have remained focused in ensuring quality and also ensuring payment is made for works done that meets the requirements. This is a measurement contract and all works are being measured before any payment certificate is approved. To date only 75.71% overall project progress has been achieved. It is worth noting that the last remaining 25% of project works is critical and a lot of effort is required due to outstanding materials/equipment that have not been delivered to site, pre-commissioning and many punch lists that must be closed.

### **2.9.3 Contractor's Challenges**

ZIC presented the following challenges: -

1. Never ending design changes and revisions by SLECC that caused and continue to cause progress disruptions.
2. Contractor's inability to proceed until the quality related actions were fulfilled by SLECC. These include: -
  - a) IFC specification documents were received late and incomplete;
  - b) Approval for vendors was delayed by SLECC, affecting the whole procurement process by more than a year. In fact, approval is still being awaited from SLECC for procurement of certain items;
  - c) Approval for vendor design were excessively delayed by SLECC as confirmed in ZIC numerous reminders to KPC;
  - d) SLECC inadequate delayed site inspection which caused delays to progress;
  - e) Changes in civil design drawings and multiple revisions to quantities in cable, valves, affected and continue to affect the progress well in 2017. Therefore, as a consequence of several and outdated revisions in the IFC drawings, the progress of works and procurement program suffered and continue to suffer from delays, which prompted ZIC to request for the second time extension (EOT 2); and
  - f) SLECC supervisory staff has never been sufficient to cater for timely works approval as required under the Contract. ZIC suffered and continue to suffer from lack of SLECC competent supervisors to certify and inspect the works in

time and manner. Much time has been lost waiting for SLECC supervisor to report to site.

3. The following are the main challenges attributed to the Client which adversely affected and continue to affect the progress: -
- a) Late release of IFC documents by SLECC;
  - b) Late approval for commencing of construction works by NCA;
  - c) Late approval of vendors supply of material and equipment and vendors design by SLECC;
  - d) KPC/SLECC failure to provide operating and control philosophy for the instrumentation and control system;
  - e) Inaccurate and incomplete IFC documents and drawings by SLECC;
  - f) Wrong pipeline profile attributed to SLECC;
  - g) Inadequate supervision staff by SLECC;
  - h) Numerous late design changes by SLECC; and
  - i) KPC delay in confirmation of LC disrupted the program for material procurement.
  - j) KPC delay in issuing variation orders related to works completed more than a year ago still await the relative variation orders to include in the progress certificates. To date those variation orders amount to approximately US\$ 30 million still withheld by KPC for several months on account of SLECC intentional delay in confirming the works.

To date, the progress is approximately 90% on completion and as yet ZIC continues to suffer from very late design revisions by SLECC. If these design revisions persist, ZIC will find it difficult to complete the works by end April 2017.

Despite the challenges, ZIC committed to complete the works currently approx. at 90% completion by the close of April 2017, provided that the constraints highlighted in ZIC letter dated February 23, 2017 (**Annex. 6**) are satisfied, and / or before February 28, 2017 as promised by KPC. Further, ZIC does not foresee additional extensions of time as long as KPC addresses the issues raised and resolves the payment and engineering issues before the end of February 2017.

### **Committee Observations**

The Committee observed that: -

- (i) Requests by the Contractor for extension of time (EOT) for completion of the projection was granted twice, i.e., up to 9<sup>th</sup> February, 2017 and 28<sup>th</sup> April, 2017.



- (ii) KPC Project Engineer is in the process of preparing counter claims for the delays attributed to the Contractor.
- (iii) The challenges enumerated by the three parties: KPC (Employer), the Contractor and the Consultant ought to be urgently addressed, to ensure that the new completion timelines are adhered to without further requests for extension of time. Further, the Contractor is obligated to strictly follow the specifications/procedures to meet welding process requirements for the pipeline works and other installation works to ensure that he delivers a quality product to the client, and by extension the Kenyan taxpayers.

### **3.0 PROJECT INSPECTION**

The visit commenced on 2<sup>nd</sup> February 2017 at the Kenya Pipeline Company headquarters in Nairobi, where the project terminates at Pump Station 10 (KM 448).

#### **3.1 Pre-Inspection Briefing**

The Committee was given a presentation on the status of Project, by the KPC Senior Management team led by the Managing Director, Mr. Joe Sang, Eng. James Mwangi representing the Consortium of Consultants namely Shengli Engineering & Consulting Company Limited (SLECC)/Kurrent JV Technologies and representatives of the Project's Main Contractor Zakhem International Construction Limited (ZIC).

Thereafter, the Committee was briefed as follows: -

The construction of the 20-inch pipeline and a 96 core Fibre Optic Cable (FOC) along the Right of Way (ROW) of KPC from Mombasa to Nairobi involves the following:

- (i) Site preparation and civil works, including buildings, pump shelters, equipment support in the pump stations and reinstatement works on services which might be affected by the project such as fencing, gates, roads, paths, drainage, water supply etc.
- (ii) Construction of four new pump stations at PS1 (Changamwe), PS3 (Maungu), PS5 (Mtito Andei) and PS7 (Sultan Hamud) and two booster pumps at PS14 (Kipevu). Each pump station will have two pumps, one pump in operation and one on standby.
- (iii) Upgrade of firefighting facilities at PS12 (Moi International Airport), PS9 (Jomo Kenyatta International Airport), PS10 (Nairobi Terminal) and PS14 (Kipevu Oil Storage Facility).
- (iv) Construction of fire-fighting systems for the new pump station at PS1, PS3, PS5 and PS7.
- (v) Erection of outdoor high voltage power substation switchyards together with provision of on-site electrical distribution systems at medium and low voltage, cabling, standby



diesel engine generators, lighting and small power.

- (vi) Installation of automatic control system and field instrumentation systems for pipeline automatic operation.
- (vii) KPC signed a Sh35 billion loan agreement with a consortium of six local and international banks to finance 70% of the pipeline project which includes CFC Stanbic Bank, Citibank N.A (Kenya), Commercial Bank of Africa, Co-operative Bank, Rand Merchant Bank and Standard Chartered Bank.

### 3.1.1 Overall Project status as 2<sup>nd</sup> February, 2017

The Committee was informed as follows:

- (i) On the mainline construction most of pipe welding, trenching, NDT and lowering is complete;
- (ii) The remaining construction works are mainly pipeline tie-ins, road and railway crossings, valve chambers and fiber optic cable (FOC), permanent cathodic protection (CP) and hydrostatic test.
- (iii) Pump station works, covering civil works construction and firefighting tanks installation are in progress.
- (iv) the progress for lowering the pipe is 95.17% complete, back filling is 93.33% complete and the Valve Chambers 36.36% complete. The outstanding works include some HDD (Horizontal Directional Drilling), some Auger boring, and Hydrostatic Testing for the pipeline.
- (v) The civil works is about 85% complete for all the pump stations.
- (vi) The control room buildings at PS1, PS3 and PS5 are approximately 75% complete and 60% complete at PS7. The Contractor projected to complete PS1, PS3 and PS5 buildings by end of February 2017 and PS7 at the end of March 2017.
- (vii) At PS1, PS3, PS5 and PS7, the equipment foundations are ready to receive equipment/process pipes. Mechanical works are yet to commence due to delay in delivery of fittings for station pipes.

The overall project progress is listed in the table below as follows:

Department	Weighting	Actual Progress as at February 2017	Total Actual Progress
Preliminary & General	9.56%	0.09%	8.53%
Procurement	44.7%	0.14%	37.97%
Construction	45.66%	1.23%	29.21%

TOTAL	100%	1.46%	75.71%
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### 3.1.2 Mainline Construction Progress as at 25<sup>th</sup> January, 2017

	Activity Description	Progress		Remarks
		Quantity Done (KM)	Percentage completed	
1.	Delivery of pipes	453.17	100%	No issue
2.	ROW Clearance	453.17	100%	No issue
3.	Pipe Stringing	453.17	100%	No issue
4.	Welding	450.93	99.5%	<ul style="list-style-type: none"> <li>• Manual welding between PS14 and PS in progress;</li> <li>• Contractor has tie-in teams at KM 332/331, 421,406, 313 and 348;</li> <li>• Repair teams are at KM315.</li> </ul>
5.	NDT Welds	450.93	99.5%	No outstanding issues
6.	Joint Coating	449.25	99.13%	This activity is no longer a bottleneck. In progress at KM335/336
7.	Trench Excavation	447.17	98.67	Trenching works outstanding between KM434 and KM439 and within Mitchell Cotts and Reliance Industries adjacent to JKIA
8.	Pipe Lowering	445.00	98.19	Ongoing between KM441 and 442, 329 and 330 and between KM 0.084 and 1.2
9.	FOC Conduit laying	445.00	98.19%	
10.	Trench backfilling	444.00	97.97%	
11.	HDD Crossings (3 No.)	2	67%	<ul style="list-style-type: none"> <li>• Ongoing at Nairobi Rd Syokimau.</li> <li>• FOC casing done and pulled back</li> <li>• Main pipeline pullback in progress</li> </ul>
12.	Auger Bore crossings (60 No.)	47	78.33%	<ul style="list-style-type: none"> <li>• 31 no. completed with tie-in</li> <li>• 16 no. completed without tie-in</li> <li>• 13 pending (2 no. ongoing at KM448 and KM447)</li> </ul>

	Activity Description	Progress		Remarks
		Quantity Done (KM)	Percentage completed	
13.	Hydrotest	0	0%	Preparation works at KM160 for section between PS3(KM109) and PS4 (KM172.45)
14.	FOC cable testing	4	0.008%	Commenced on 9 <sup>th</sup> January, 2017 at PS2 towards PS3
15.	Valve and pig signaler chamber	9	32.14%	<ul style="list-style-type: none"> <li>• Construction of 9 out of 28 valve chambers completed</li> <li>• Construction in progress at KM 208.3/406/429/430.</li> </ul>

The total project progress calculated by the Engineer's representative is 75.71%. However, the overall project progress calculated by the contractor is about 79.2%. There is a difference between the Engineer's representative's and the contractor's reported project progress. This is mainly from the mainline trench excavation. The main reason is the difference between the Engineer's representative and the contractor assessment of the bill of quantity's item covering trench excavation.

The contractor has a different interpretation of the item and has claimed additional funds. The Consultant's engineer has rejected this claim and the item is now in dispute between the contractor and the Engineer's representative/employer. The second reason is the different understanding for the weight proportion of excavation but this cannot change the fact that the project progress is far behind the scheduled progress.

The Committee inspected the following stations:

### 3.2 Tour of Pump Station 10 (KM 448)

Pump Station 10 is located inside the KPC Headquarters.

Progress of works as at 2<sup>nd</sup> February, 2017 was as follows:

- (i) Switch gear building- Main ring beam and roof slab casted. Plaster, windows, doors, finishes, floor, slab casting pending - 65% complete;
- (ii) Process area sleepers –All sleepers done - 90% sleepers work complete;
- (iii) Platforms excavation & blinding work ongoing - 60% complete;



- (iv) Road subgrade compaction ongoing - 35% complete;
- (v) Firefighting supports foundation works ongoing - 30% complete;

#### **Committee Observations**

The Committee observed that:

- (i) There is an apparent reduced equipment and workforce at the site possibly owing to the allegations of go-slow by the sub-contractors due to the delay in payment by the contractor, which puts the Project's completion period at stake.
- (ii) Mr. Ibrahim Zakhem, Managing Director, Zakhem International Construction Ltd, once again failed to avail himself before the Committee for the inspection tour, citing health reasons. This is in contempt of the Committee and contrary to Art. 125 of the Constitution of Kenya.

#### **3.3 Tour of Pipeline Lowering and Backfilling at JKIA (KM 442 to 441)**

The Committee observed trenching work, pipe lowering and back filling ongoing between KM 441 and KM 442 within Jomo Kenyatta International Airport.

#### **Committee Observations**

The Committee observed that the progress of works is slow as the Contractor has only mobilized minimal staff and machineries on the site.

#### **3.4 Tour of Pump Station 5 (PS 5) - Mtito Andei**

Progress works on the site as at 2<sup>nd</sup> February, 2017 was as follows:

- (i) Control building - Shuttering, Steel fixing and Casting of cable trenches are 100% complete;
- (ii) Dump and Sump Tank-Excavation and rock breaking ongoing - 90% complete;
- (iii) Drainage and road works ongoing-70% complete
- (iv) Erection of outdoor high voltage power substation switchyards together with provision of on-site electrical distribution systems at medium and low voltage, cabling, standby diesel engine generators, lighting and small power is ongoing with civil works complete; and
- (v) Installation of automatic control system and field instrumentation systems for pipeline automatic operation is ongoing.

#### **Committee Observation**

The Committee observed that the equipment foundations are ready to receive equipment and process pipes. Mechanical works are yet to commence, due to delay in delivery of fittings for stations. However, pumps have been delivered to the site and are ready for installation.

### **3.5 Tour of Pump Station 3 (PS 3) - Maungu**

Progress of works on the site at 3<sup>rd</sup> February, 2017 was as follows:

- (i) Construction of the control room outer wall and installation of roof purlins are ongoing. About 70% of casting ground floor has been completed;
- (ii) Installation of purlins for main pump shelter and fire water pump shelter are ongoing;
- (iii) Culvert and outer cable trench have been casted and are about 80% complete;
- (iv) The pump station construction is under progress and civil works are approximately 80% complete;
- (v) Erection of outdoor high voltage power substation switchyards together with provision of on-site electrical distribution systems at medium and low voltage, cabling, standby diesel engine generators, lighting and small power is ongoing with civil works complete; and
- (vi) Installation of automatic control system and field instrumentation systems for pipeline automatic operation is ongoing.

### **3.6 Tour of Pump Station 14 (PS14) – Changamwe**

Petroleum products from Kenya Oil Storage Facility (KOSF) or at the Kenya Petroleum Refineries Limited (KPRIL) are introduced into Mombasa – Nairobi pipeline via Pump Station No. 14 at Changamwe. The products are then pumped through the system.

Progress of works on the site as at 3<sup>rd</sup> February was as follows:

- (i) Switchgear superstructure and ground slab construction is ongoing. Columns are complete;
- (ii) Excavation of booster pump pits is complete, and all scaffolding has been removed;
- (iii) Excavation works in the tank farm foundations for sleepers are complete, base casting is at about 95% complete;
- (iv) Formwork and scaffolding for the pump shelter walls is ongoing;
- (v) Formwork and scaffolding for the switchgear building columns is ongoing;
- (vi) Steel fixing and formwork for the main drain is ongoing;
- (vii) Steel fixing and formwork for the main transformer is ongoing;
- (viii) PS14 tank tie-ins: four tanks 14-TK-601, 14-TK-503; 14-TK-502 and 14-TK-202 have been completed. 14-TK-301 was availed to the contractor on 20<sup>th</sup> January, 2017.

### **3.7 Tour of Pump Station 1 (PS1) – Kipevu**

Progress of works on the site as at 3<sup>rd</sup> February was as follows:

- (i) Control Room roof work: concrete slab casted, formwork and slab filling ongoing – 75% complete;
- (ii) Equipment foundation is ready to receive equipment/process pipes. Mechanical works are yet to commence owing to delay in delivery of fittings for station pipes.
- (iii) Kenya Power Ltd substation works are at 90% complete;

#### **Committee Observation**

The Committee observed with great concern that land in PS1 in Kipevu has been invaded by squatters who pose a security threat to the Station.

#### **4.0 COMMITTEE GENERAL OBSERVATIONS**

**The Committee made the following observations following the two-day tour of the Pipeline –**

- (viii) The project was not completed as per the original contract duration, the Project was expected to be completed by 30<sup>th</sup> September, 2016; however, the completion date was extended to 9<sup>th</sup> February, 2017 and a further extension to 28<sup>th</sup> April, 2017.
- (ix) The project implementation status as at February 2017 was 75.71% with the following payments having been made:
  - (d) Consultancy:        **US\$ 5,857,279.02** inclusive of VAT– **76% of contract sum**
  - (e) Construction:       **US\$ 335,623,802.46** (inclusive of VAT) – **69% of contract sum**
  - (f) A further payment of **US\$ 13,191,202.45** representing work done between 21<sup>st</sup> October and 20<sup>th</sup> November, 2016, was being processed.
- (x) The Kenya Pipeline Line 1 Capacity Enhancement Project is a Vision 2030 project. Upon completion, the project will enhance the supply of petroleum products to various parts of the country, Uganda, Rwanda, Burundi and parts of the Democratic Republic of Congo.
- (xi) Upon completion of the project, the projected demand of petroleum products in Kenya and in the Eastern Africa region up to year 2044 will be met. This will reduce shortages of fuel for the domestic and export market occasioned by leakages and pipe bursts of the old pipeline and reduce road damage and environmental pollution caused by road tankers.
- (xii) There is an apparent conflict of interest between the Contractor, ZIC Ltd, and the Project Consultant, SLECC. SLECC is owned by SINOPEC, one of the failed bidders of the contract but ended up being awarded the consultancy contract for the project. The alleged intentional delay in submitting drawings issued for construction on October 2014 to the contractor by three and half (3 ½) months after the expected date



of commencement of the project among other claims of sabotage by the Contractor may therefore be true.

- (xiii) The progress of works has been adversely affected by poor working relationship among the three parties; the Employer (KPC), Contractor (ZIC) and Consultant (JV of Shengli Engineering & Consulting Company Limited/Kurrent Technologies). For example, the Contractor avers among others, that SLECC has never had sufficient supervisory staff to inspect and certify the works. On the other hand, the Consultant claimed that the Engineer's construction supervision personnel were deployed along the pipeline's ROW based on the contractor's construction program and work fronts. KPC has blamed the Contractor, for among others, low uptake of funds by the Contractor due to numerous discrepancies in documentation for both payments through Letter of Credit and outside LC and the delayed delivery of already manufactured equipment;
- (xiv) The independence of the Consultant as appertains to the Project is in question, owing to the unusual arrangement of the Project Engineer being the Chief Manager (Technical), KPC, contrary to best practice whereby the Project Engineer is the contracted Project Consultant with full authority over the Project.

## **5.0 COMMITTEE GENERAL RECOMMENDATIONS**

The Committee makes the following general recommendations: -

- (i) Kenya Pipeline Company fast-tracks the implementation of Line 1 Capacity Enhancement Project and at the same time ensure that the Project is constructed as per the letter and spirit of the Contract and according to the required engineering standards, design and specifications.
- (ii) The Company should ensure that there is no further delay and extension of time for completion of the Project.
- (iii) The Contractor strictly follows the specifications/procedures to meet welding process requirements for the pipeline works and other installation works to ensure the delivery of quality product to the employer and by extension, the Kenyan taxpayers.
- (iv) The three parties in the contract must address and resolve the challenges facing the project attributed to each of them. As such, the Contractor should supply equipment and sufficient workforce while the Consultant should expedite review and approval of Contractor's design, materials and certify documentations for payments without delay. KPC is expected to make payments for certified works to the contractor and the consultants without undue delay.
- (v) The Project Contractor and Consultant should comply with the contract requirements, work in harmony, demonstrate good will and intention to ensure successful and timely completion and delivery of the project as per the new completion schedule of 28<sup>th</sup> April 2017 agreed upon by the parties.

- (vi) Kenya Pipeline Company should in future conduct due diligence before the award of contracts to avert possible conflict of interest and poor working relationship similar to the one facing SLECC and ZIC in the implementation of Line 1 Capacity Enhancement Project.
- (vii) Kenya Pipeline Company should focus on developing the key infrastructure required to store and move the petroleum products to markets within and outside the country since Kenya is set to join the league of oil producing nations with ongoing explorations and the discovery of oil in several parts of the country. Kenya's profile as an oil producer is likely to rise, therefore, the Company should consider full-scale pipeline development to connect areas with commercially viable oil reserves.

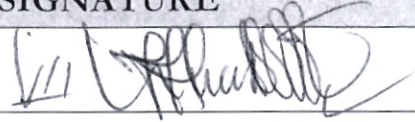
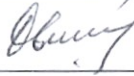
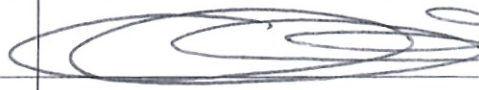
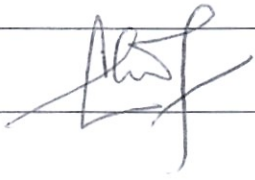

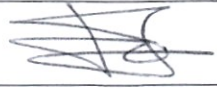
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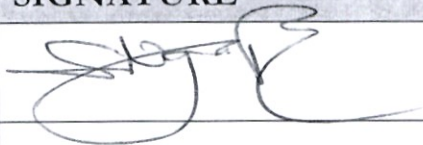


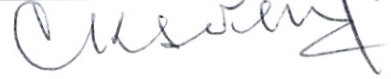

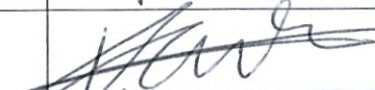
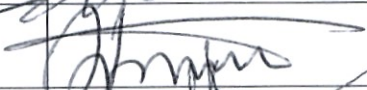


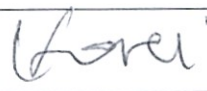
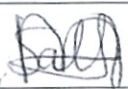
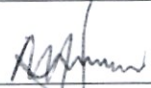
REPORT ON INSPECTION VISIT TO THE KENYA PIPELINE COMPANY LINE 1 (CAPACITY ENHANCEMENT) PROJECT: MOMBASA- NAIROBI PIPELINE UNDERTAKEN BETWEEN 2<sup>ND</sup> - 3<sup>RD</sup> FEBRUARY, 2017

We, the undersigned, hereby affix our signatures to this Report to affirm our approval:

DATE: 4<sup>TH</sup> MAY, 2017

	NAME	SIGNATURE
1.	Hon. Adan Wehliye Keynan, CBS, MP	
2.	Hon. Anthony Kimani Ichung'wah, MP	
3.	Hon. Francis Mwanzia Nyenze, EGH, MP	
4.	Hon. (Dr.) Oburu Oginga, MGH, MP	
5.	Hon. (CPA) Thomas Ludindi Mwadeghu, CBS, MP	
6.	Hon. Adan Mohammed Nooru, MP	
7.	Hon. Franklin Linturi Mithika, MP	
8.	Hon. Athanas Wafula Wamunyinyi, MP	
9.	Hon. Elias Bare Shill, MP	
10.	Hon. Sammy Silas Komen Mwaita, MP	
11.	Hon. John Olago Aluoch, MP	
12.	Hon. (Dr.) Paul Nyongesa Otuoma, EGH, MP	
13.	Hon. (Eng.) John Kiragu, MP	



	NAME	SIGNATURE
14.	Hon. (Eng.) Stephen Ngare, MP	
15.	Hon. Abdullswamad Sheriff Nassir, MP	
16.	Hon. Beatrice Nkatha Nyaga, HSC, MP	
17.	Hon. Bernard Munywoki Kitungi, MP	
18.	Hon. Chrisanthus Wamalwa, CBS, MP	
19.	Hon. Cornelly Serem, MP	
20.	Hon. Dorcas Kedogo, MP	
21.	Hon. Irungu Kang'ata, MP	
22.	Hon. Johana Kipyegon Ng'eno, MP	
23.	Hon. John Muchiri Nyaga, HSC, MP	
24.	Hon. John Ogutu Omondi, MP	
25.	Hon. Korei Ole Lemein, MP	
26.	Hon. Mary Sally Keraa, MP	
27.	Hon. Onesmus Muthomi Njuki, MP	

## KENYA PIPELINE COMPANY LIMITED



KENPIPE PLAZA,  
SEKONDI ROAD,  
OFF NANYUKI ROAD,  
INDUSTRIAL AREA,  
NAIROBI, KENYA.  
P.O.Box 73442 - 00200,  
TELEPHONE: 254-20-532244  
TELEFAX: 254-20-530384/65043  
E-mail: Info@kpc.co.ke

Ref: EN/PR/29/4/81

9<sup>th</sup> September 2014

Shengli Engineering & Consulting Company  
Limited/Kurrent Technologies Ltd JV  
49 Jinan Road, Dongying City, Shandong Province,  
China  
Fax: +86-546-8793466 **Attention Mr. Xiang Yang**

Dear Sir,

**RE: LINE I REPLACEMENT PROJECT:**

**DELEGATION OF AUTHORITY OF THE ENGINEER TO  
THE ENGINEER'S REPRESENTATIVE**

The contract for construction of Line 1 Replacement project has been awarded to Zakhem International Construction Ltd (the Contractor). Construction is now about to start and in accordance with the scope of services in your consultancy contract with KPC, you are required to supervise the construction and related works up to completion and attend to issues arising during the defects liability period. The construction supervision activities in your contract are:

- a) Contract management and administration- to ensure work plans adopted recognize the fact that the existing facilities must continue delivery of service without undue interruptions during the construction period.
- b) Organize weekly meetings and monthly progress reporting.
- c) Construction inspection.
- d) Compliance with permit conditions and mitigation measures.
- e) Coordination of testing services, inspections and project quality assurance reviews.
- f) Coordination of progress payments.
- g) Progress schedule reporting and documentation.
- h) Claims analysis.
- i) Photographic documentation.
- j) Project close-out and other construction management-related tasks not specifically identified above.

In the contract between Zakhem International Construction Ltd and Kenya Pipeline Company Limited, SLECC/Kurrent JV is defined in Clause 1.1(v) of the conditions of contract Part II (conditions of particular application) as the Engineer's



Representative. These conditions of contract in Parts I and II defines the role of the Engineer during the project implementation stage up to contract closure.

By this letter the Engineer delegates the duties and authorities, vested on him in this contract to supervise construction of the project with the limitations given below.

**Clause 7(1) Supplementary Drawings and Instructions:**

You are authorized to issue the drawings after getting approval of the Engineer and the limitations described under Clause 51 below shall apply.

**Clause 12(2) Not Foreseeable Obstructions or Physical Conditions:**

Carry out the determinations provided in this clause with the approval of the Engineer and in accordance with the limitations described under Clause 51 below.

**Clause 14(2) Revised Programme:**

Request contractor if it becomes necessary for revised programme and this shall be subject to final approval of the Engineer and application of Clause 14.2 of Conditions of contract- Part II: Conditions of Particular Application in the contract.

**Clause 15 Contractor's superintendence:**

The Engineer reserves the right of approval of the contractor's representative for superintendence of the works or any subsequent changes to the appointment thereof. You are authorized to deal with the appointed contractor's representative in all other matters concerning superintendence of the works. Refer to amendment of this clause in section 15.2 of the Conditions of contract- Part II: Conditions of Particular Application.

**Clause 18 Borehole and Exploratory Excavation:**

You are authorized to issue instructions to the contractor if it becomes necessary to apply this clause after getting approval of the Engineer and the limitations described under Clause 51 below shall apply.

**Clause 20(3) Loss or Damage Due to Employer's Risk:**

You shall determine extent of repairs and value additional costs to the Contract subject to the limitation described under Clause 52(1) below and report your findings to the Engineer for further direction.

**Clause 30 (3) Settlement of Extraordinary Traffic Claims:**



You are authorized subject to approval of the Engineer to apply this clause to claims that may arise from damage by contractor to roads and bridges on the routes to the sites get out of bed from transport of materials or plant.

**Clause 31 (2) Facilities for other Contractors:**

If it becomes necessary to request contractor to use facilities under this clause get prior approval of the Engineer before requesting for use of the facilities and determine any additions to contract price as a result of using the facilities but with the limitations under Clause 51 below.

**Clause 36(5) Engineer's Determination Where Tests not provided for:**

If this clause is applied you are authorized subject to approval of the Engineer to consult with Employer and Contractor to determine time and price additions within the limitations of clause 51 below.

**Clause 40 Suspension:**

This is not delegated, it shall be the responsibility of the Engineer and your role will be to supply the Engineer with the necessary facts to justify this action.

**Clause 41.1 Commencement of Works:**

This is not delegated, the notice to commence works shall be issued by the Engineer.

**Clause 44.1 Extension of time for Completion:**

You are authorized to determine in consultation with the contractor the amount of time extension occasioned by the factors listed in this clause and give your recommendation to the Engineer for consideration.

**Clause 48.1 Taking-Over Certificate:**

You are required to determine in consultation with the contractor when the works are substantially complete and advise the Engineer when it is appropriate within the provisions of the contract to issue a taking-over certificate to the contractor for the works.

**Clause 51.1 Variations of the Works:**

This Engineer alone shall be responsible for authorizing variations. You are only delegated to give instructions to the contractor on the approved variations of the works subject to prior approval of the Engineer and only to the extent that this complies with clause 2.1 (b) (iv) of Conditions of contract- Part II: Conditions of Particular Application.

**Clause 52(1) (2) Valuation of Variations and Fixing of Rates:**

There are additions to this clause in special conditions of contract part II. This is not a delegated authority, and the Engineer alone is responsible for authorizing variations. Your role and which is subject to approval by the Engineer is to assess the value of variations and to determine new rates where necessary for consideration by the Engineer.

**Clause 53 Assessment and Determination of Claims:**

You are authorized to receive notice of such claims from the contractor, evaluate the particulars of the claims based on the provisions in the contract and report the findings to the Engineer for consideration.

**Clause 56.1 Works to be measured:**

The entire clause is amended in special conditions of contract part II. You are authorized to measure and agree with the Contractor the value of the Works and to keep and maintain signed records by both parties of all measurements used in compiling payment certificates, and submit to the Engineer for my approval.

**Clause 58 Use of Provisional Sums:**

Further to clarification to this clause in the Conditions of contract- Part II: Conditions of Particular Application, you are required to get approval of the Engineer before giving instruction to the contractor to execute work, supply goods, materials, plant or services under this clause.

**Clause 60 Certificates and Payment:**

Sections of this clause are amended in Conditions of contract- Part II: You are authorized to receive, evaluate the statements for payment submitted by the contractor and to certify the amount of payments due. All payments to the contractor shall be subject to the approval of the Engineer.

**Clause 62 Defects Liability Certificate:**

You are required to determine in consultation with the contractor when all the defects have been satisfactorily completed and advise the Engineer when it is appropriate within the provisions of the contract to issue a defects liability to the contractor for the works.

**Clause 64 Urgent Remedial Work:**

In the event of accident or failure of works that will be a danger to the safety of the works under this clause, you are authorized but subject to approval of the Engineer to issue instructions to the Contractor to carry out the necessary urgent remedial works.

**Clause 67 Settlement of Disputes:**

Clause 67 (all sub-clauses) are deleted and replaced in the Conditions of contract-Part II: You are authorized to seek approval of the Engineer to negotiate in disputes between the Employer and Contractor with the aim of reaching amicable settlement. You will provide advice if there is need for the Engineer to make a decision on a matter of dispute.

By a copy of this letter, the Contractor is notified that any communication given by the Engineer's Representative is as though it has been given by the Engineer subject to the limitations herein. Such communications shall be copied to the Engineer.



**E. M. KARUMI**  
**FOR: MANAGING DIRECTOR**

**Cc:** Zakhem International Construction Ltd  
Thro'  
Zakhem Construction (Kenya) Ltd  
Outering Road, Opp. GSU. Headquarters  
P.O. Box 41196-00100, Nairobi  
Kenya  
E-mail: zakhem@africaonline .co.ke **Attention Mr. Adnan Annous**




**ZAKHEM**
**ZAKHEM INTERNATIONAL CONSTRUCTION LTD**  
 Civil and Mechanical Engineers & Contractors

 Kenya Pipeline Company Limited  
 Nairobi Terminal  
 Off Nanyuki Road  
 Industrial Area  
 P. O. Box 73442-00200  
**NAIROBI**

 Outering Road, Opp. G.S.U. Headquarters  
 P.O. Box 41196 – 00100 NAIROBI – KENYA  
 Tel: +254 57 2513128/9, +254 20 856211  
 E-mail: zakhem@africaonline.co.ke

 12<sup>th</sup> January, 2016

Our Ref: ZIC-KPC/0044/16/LR/AA

Attn: Chief Manager, Technical

**CONTRACT: LINE 1 PIPELINE REPLACEMENT PROJECT**  
**TENDER NO.: SU/QT/032N/13**

Dear Sir,

**SUB: REQUEST FOR EXTENSION OF TIME TO COMPLETE PROJECT**

We wish to request for extension of time with cost because it is no longer feasible to complete the project by 9<sup>th</sup> February 2016 for reasons not attributable to us. Pursuant to FIDIC Clause 44 we request for extension of time up to 31<sup>st</sup> September 2016 to complete the project.

Our request is based on numerous project constraints, amongst which include:

1. Untimely declaration of 11<sup>th</sup> August 2014 as the project "Commencement Date" without KPC fulfilling their prior contractual obligation of delivering the Engineering design package (IFC);
2. Delays in granting approvals to procurement requisitions for long lead project equipment and materials and
3. Delays in granting ZIC access to the project Site.

These have already been communicated to you at meetings and through various detailed correspondences.

Meanwhile, we are computing our claim for extension of time, reimbursement of loss and/or expense and damages which shall be submitted by end of January, 2016.

Yours faithfully,

 For: **ZAKHEM INTERNATIONAL CONSTRUCTION LIMITED.**
**ADNAN ANNOOS**

 cc **Attn: Mr. Xiang Yang**  
 Shengli Engineers & Consulting Co.  
 Limited/Kurrent Technologies Ltd.  
 Block 3, Eagle Plains Housing Estate,  
 Off Mombasa Road, Behind Panari Hotel,  
 Nairobi, Kenya


Outering Road, Opp. G.S.U. Headquarter  
 P.O. Box 41196 – 00100 NAIROBI – KENYA  
 Tel: +254 57 2513128/9, +254 20 8562113  
 E-mail: zakhem@africaonline.co.ke

Our Ref.: ZIC-KPC/0753/16/LR/AA

15<sup>th</sup> July 2016

Kenya Pipeline Company Limited  
 Nairobi Terminal  
 Off Nanyuki Road  
 Industrial Area  
 P.O. Box 73442-00200  
**NAIROBI**

Attn: Chief Manager Technical

Dear Sir,

**CONTRACT: LINE 1 PIPELINE REPLACEMENT PROJECT:**  
**CONTRACT NO.: SU/QT/032N/13:**

**SUB: APPLICATION FOR FURTHER EXTENSION OF TIME**

We wish to request for further extension of time with cost as it is not practical to complete the project by 30<sup>th</sup> September 2016 as expected because of various reasons not attributable to the contractor.

The following reasons are among others which will be enumerated and detailed in subsequent submission: -

1. Delayed approvals of design documents for electrical equipment with five to six months delivery periods who's Purchase Orders were given to the vendor M/S ABB last year.
2. Delayed IFC designs and drawings for civil work with numerous alterations - an example is the PS14 booster pump pit and foundations whose details have not yet been received by the contractor to date.
3. Unanticipated lengths and depths of trenching in hard rock areas due to misinformation on rock classification along the ROW.
4. Delayed LC confirmations and extensions.

The details of these delays are being compiled and will be submitted with the rest of the computations within a month but have already been communicated to you in numerous letters, monthly reports and meetings.

We therefore pursuant to FIDIC clause 44 request for extension of time up to 28<sup>th</sup> April 2017 to complete and commission Line 1 Pipeline Replacement project.

Yours faithfully,

For: **ZAKHEM INTERNATIONAL CONSTRUCTION LIMITED.**



**ADNAN ANNOUS**



cc

**Attn: Mr. Xiang Yang**

Shengli Engineers & Consulting Co.  
Limited/Kurrent Technologies Ltd.  
Block 3, Eagle Plains Housing Estate,  
Off Mombasa Road, Behind Panari Hotel,  
Nairobi, Kenya



ANNEX 4



**ZAKHEM INTERNATIONAL CONSTRUCTION LTD.**  
Civil and Mechanical Engineers & Contractors

Outering Road, Opp. G.S.U. Headquarters  
P.O. Box 41196 – 00100 NAIROBI – KENYA  
Tel: +254 57 2513128/9, +254 20 8562113  
E-mail: zakhem@africaonline.co.ke

**Our Ref: ZIC-KPC/0929/16/LR/AA**

**3<sup>rd</sup> September, 2016**

Kenya Pipeline Company Limited  
Nairobi Terminal  
Off Nanyuki Road  
Industrial Area  
P.O. Box 73442-00200  
**NAIROBI**

**Attn: Chief Manager Technical**

Dear Sir,

**CONTRACT: LINE 1 PIPELINE REPLACEMENT PROJECT:  
CONTRACT NO.: SU/QT/032N/13:**

**SUB: EXTENSION OF TIME (EOT 02) CLAIM**

Further to our Extension of Time (EOT 01) claim submitted through letter reference ZIC-KPC/0080/16/LR/AA dated, 22 January 2016, please find attached Extension of Time (EOT 02) claim for a further 7months for the sum of **US\$65,072,355.00** due to various factors, including but not limited to, delays to procurement (vendors' designs) approvals, disruptions to construction of the pipeline and delayed issuance of IFC documents for construction of the Pump Stations, for reasons which were beyond the control of the Contractor.

We request that you to kindly review and approve the Extension of Time (EOT 02) with costs as per the attached documents.

Yours faithfully,  
For: **ZAKHEM INTERNATIONAL CONSTRUCTION LIMITED.**

17   
**ADNAN ANNOUS**

Encls.

cc

**Attn: Mr. Xiang Yang**  
Shengli Engineers & Consulting Co.  
Limited/Kurrent Technologies Ltd.  
Block 3, Eagle Plains Housing Estate,  
Off Mombasa Road, Behind Panari Hotel,  
Nairobi, Kenya



**LINE1 PIPELINE REPLACEMENT PROJECT**

**EXTENSION OF TIME CLAIM NO.1**

**REPORT OF REVIEW**

**SEPTEMBER 2016**

**JOINT VENTURE OF SLECC-KT**

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## 1. Preamble

Line 1 pipeline replacement project commenced on 1st July 2014. This was via contract No.: SU/QT/032N/13 signed between Kenya Pipeline Company limited as the employer in one part and Zakhem International Limited as the contractor on one part. The contract for procurement, construction, testing and commissioning of 20 inch pipeline for approximately 450 km with a project duration of 18<sup>th</sup> Months for a discounted contract amount of USD 484,502,886.40. Upon contract signing and taking into account contractual provision for notice of commencement of 14 days, ZIC was given the notice to commence on 11<sup>th</sup> August 2014 for a construction period of 18 months with a completion date of 9<sup>th</sup> February 2016.

The project activities of procurement, construction and testing proceed on until 22<sup>nd</sup> January 2016 when the contractor submitted his request for extension of time Claim No.1 vide ZIC letter ref: ZIC-KPC/0044/16/LR/AA date 12<sup>th</sup> January 2016. The supporting details were submitted on 22<sup>nd</sup> January 2016. Upon receiving and reviewing the EOT No.1 claim, the Engineer's representative requested for additional information to enable an informed analysis on the contractor request. This was followed by correspondences by the involved parties and by the lapse time of the original contract period the cumulative progress of the project stood at 36.559%. The EOT Claim No.1 analysis on cost and time was yet to be concluded as at that time. The Engineer with due consideration of the contractual risks involved on the project and given the internal approval processes, opted to grant a 7 months provisional extension on time only, based on the contractor own assessment to enable time for subsequent submission of detailed particulars and determination of Extension of time Claim No.1. The approval clearly stated that the extension was without costs. There have been ongoing correspondences on extension of time claim No.1 with several requests/reminders for the contractor to submit detailed particulars with the recent batch being received by the Engineer's representative on 12<sup>th</sup> August 2016 vide letter Ref: ZIC-KPC\0851\16\LR\AA (ANNEX 1). Based on the details received so far from the contractor and other projects records the Engineer's representative has compiled this report whose details are as follows:

### Summary

The project entails the construction of Mombasa-Nairobi 20 inch 453km long pipeline, from PS14 to PS1, with associated pump stations and tie-ins. The project data is as follows:

Contractor	:	Zakhem International Construction Ltd (ZIC)
Contract Amount	:	USD 484,502,886.40 Incl. VAT
Contract duration	:	18 months
Commencement date	:	11 <sup>th</sup> August 2014
Contractual completion date	:	9 <sup>th</sup> February 2016
Overall Progress	:	36.559% (as at 9 February 2016)
Time elapsed	:	100 % (as at 9 February 2016)

In this project, the Engineer is defined as the Chief Manager Technical, Kenya Pipeline Company.

The Engineer's representative is a joint venture between Shengli Engineering & Consulting Co. Ltd and Kurrent Technologies Ltd. The Engineer's representative carried out the demand study, ESIA study, preliminary and detailed design, tender documents for the project under their contract with KPC. Prior to the construction phase, they were the project's consultant.

## 2. Chronology of Submission of Extension of Time Claim No.1

**Table 1: Chronology of submission of Extension of Time claim No.1**

S.N.	Letter	Date of Letter	Subject of Letter	Letter by	Content
1	ZIC-KPC\0044\16\LR\AA	12-Jan-16	REQUEST FOR EXTENSION OF TIME TO COMPLETE PROJECT	ZIC	The contractor requests for extension of time up to 30 <sup>th</sup> September 2016 to complete the project.
2	ZIC-KPC\0080\16\LR\AA	22-Jan-16	CLAIM FOR EXTENSION OF TIME (EOT) NO.1	ZIC	<p>Reasons of Claims:</p> <ol style="list-style-type: none"> <li>1. Access to site</li> <li>2. IFC documents</li> <li>3. Withhold approval of vendor</li> <li>4. Change of mainline and booster pumps vendor</li> </ol> <p>Extension of time of Claims            Pipeline construction – 31 May 2016            Pump station construction – 30 September 2016</p> <p>Cost of Claims:</p> <ol style="list-style-type: none"> <li>1. Prolongation cost:-\$27,359,897.00</li> <li>2. Notices of compensation:-\$2,731,387.00</li> <li>3. Head office overhead &amp; profit:-\$11,305,067.35</li> </ol> <p><b>Total claim cost:-\$41,396,351.35</b></p>
3	SK(D)-LINE1-ZIC-FX-0753	23-Jan-16	CLAIMS FOR EXTENSION OF TIME (EOT)	SLECC	<ol style="list-style-type: none"> <li>1. Request appendices in soft copy</li> <li>2. Request revised detailed program</li> <li>3. Request initial contract program</li> </ol>

4	ZIC-KPC\0088\16\LR\AA	25-Jan-16	CLAIMS FOR EXTENSION OF TIME	ZIC	1. Soft copy of appendices to the claim for Extension of Time (EOT) 2. Revised detailed program of work with completion date of 14 September, 2016 (with critical path in red color) 3. Initial detailed program of work (dated 21st August 2014) with critical path in red color
5	SK(D)-LINE1-KPC-FX-0340	29-Jan-16	EVALUATION OF CLAIMS FOR EXTENSION OF THE CONTRACT COMPLETION TIME (EOT)	SLECC	Letter to KPC. Response item by item to the claims in ZIC's letter ZIC-KPC\0080\16\LR\AA for KPC reference.
6	EN/PR/29/4/211	8-Feb-16	APPLICATION FOR EXTENSION OF TIME	KPC	1. Grant ZIC the extension of the time element alone of the claim from 10th February, 2016 to 30th September, 2016. 2. Determination of the cost due to both parties to the contract arising from the delay in the contract implementation is being evaluated by the Engineer.
7	SK(D)-LINE1-ZIC-FX-0779	23-Feb-16	REQUEST DETAILS FOR CLAIMS FOR EXTENSION OF TIME (EOT)	SLECC	Request for particular details from ZIC to enable analysis of claims
8	SK(D)-LINE1-ZIC-FX-0825	15-Mar-16	CLAIMS FOR EXTENSION OF TIME (EOT)	SLECC	Reminder on Request for particular details from ZIC to enable analysis of claims
9	ZIC-KPC\0343\16\LR\AA	23-Mar-16	CLAIMS FOR EXTENSION OF TIME (EOT) NO. 01	ZIC	ZIC responded that KPC and SLECC have sufficient information and refused to supply any additional information.
10	SK(D)-LINE1-ZIC-FX-0919	19-Apr-16	CLAIMS FOR EXTENSION OF TIME (EOT) NO. 01	SLECC	Continued to request for particular details from ZIC to enable comprehensive analysis of claims
11	SK(D)-LINE1-ZIC-FX-1105	29-Jul-16	CLAIMS FOR EXTENSION OF TIME (EOT) NO. 01	SLECC	Continue to request for particular details from ZIC to enable analysis of claims
12	ZIC-KPC\0851\16\LR\AA	12-Aug-16	CLAIMS FOR EXTENSION OF TIME (EOT) NO. 01	ZIC	Submitted detailed particulars to further support contractor's claims. The claim revised were as below: Cost of Claims: 1. Prolongation cost:-\$27,359,897.00 2. Notices of compensation:-\$6,127,802.00 3. Head office overhead & profit:-\$11,305,067.35 Total claim cost:-\$44,792,766.00

### 3. Determination of Extension of Time Period



The extension of time granted vide KPC letter Ref: EN/PR/29/4/211 dated 8th February 2016 for extension of time up to 30th September 2016 was based on the contractor's self-assessment for the remaining works subject to determination of time and cost by the Engineer pursuant to the contract FIDIC Clause 44.2 & 44.3. This was a provisional mitigation measure considering the fact that the Contractor did not avail detailed particulars to enable final determination on extension of time and the project progress would have been put to risk of stalling with the end of the project allowable life span.

#### 4. Review on the Cost Element of the Extension of Time Claim No.1

On continued reminder on the requests for the contractor to submit detailed particulars by the Engineers representative on several occasions as detailed in Table 1 above, the contractor vide letter Ref: ZIC-KPC\0851\16\LR\AA dated 12<sup>th</sup> August 2016 submitted additional detailed particulars and also reviewed his costs upwards for notices of compensation as below:-

##### 4.1 Prolongation costs of Compensation

**Table 2: Contractor claim No.1 cost break down for prolongation.**

Item	Description	Cost in USD	Duration Basis in months
1	Site Management	2,524,500.00	Based on 8 months (10 <sup>th</sup> Feb 2016 to 30 <sup>th</sup> September 2016) and hourly rates of office staff in USD
2	Pipeline Works	6,718,090.00	Based on manpower and plant & machinery cost (10 <sup>th</sup> February 2016 to 30 <sup>th</sup> May 2016).
3	Civil works	3,870,470.00	Manpower, equipment and tools for the stations using 10 hrs per day.
4	Mechanical work	9,579,075.00	
5	Electrical work	2,719,260.00	
6	Instrument and control work	838,018.00	
7	NCA Procurement Delay	1,110,484.00	Based on personnel on standby from 11 <sup>th</sup> August 2014 till 6 <sup>th</sup> January 2015.
	<b>Total</b>	<b>27,359,897.00</b>	

Table 3: Analysis based on additional particulars for prolongation costs by the Engineer's representative

SN	DESCRIPTION	CONTRACTOR'S CLAIM	THE ENGINEER'S REPRESENTATIVE'S REMARKS	ENGINEER'S REPRESENTATIVE'S DETERMINATION
1	Late issuance of design package (IFC)	The design package documents not issued on the date of the contract signing hence delayed the project by 3.5 months	The Engineer's Representative observes that the contractor's claim on the design package-issued on 13 <sup>th</sup> October 2014 has over looked, the designed package issued to the contractor as Revision 0 of the design package at contract signing on 1 <sup>st</sup> July 2014 (Refer to ANNEX 2), the contractor was thereafter On 13 <sup>th</sup> October 2014, issued with Rev 1 of the design documents. It is also on record that the contractor was able to commence procurement of pipes well before 13 <sup>th</sup> October 2014 using Rev 0 design documents issued during contract signing, with the line pipe vendor approved on 11 <sup>th</sup> August 2014.	Adequate design package was issued on the contract signing date on 1 <sup>st</sup> July 2014 and there was no request for additional information by the contractor at the time of contract signing, pursuant to FIDIC Clause 12.1 hence there was no delay as claimed by the contractor.  <b><i>In same respect the claim for 3.5 months delay is therefore without merit and is rejected.</i></b>
2	Disruptions and Unreasonably Withheld Approvals	Appendix 3B&C	The Engineer's Representative observes that the contractor did not use all the proposed vendors in the Employer's vendor's list e.g. REPco for pig launcher/receiver and Ebara for submerged pump, and several others, this was in disrespect of the contract and also the contractor caused disruptions to himself with lengthy vendor clarification on issues	From analysis of Appendix 3C submitted by the contractor on delays of procurement of materials, we find no reasonable delay in approvals that affected procurement of materials.  <b><i>The claim under this item is therefore without merit and is hereby rejected</i></b>

	<p>that would have been straight forward.</p> <p>The Engineer's Representative also observes that, from Appendices 3C in ZIC's EOT No.1 claim letter it is evident that the dates of request for approval for most of the vendors' Purchase Order documents were several months after the contractor was issued with the design package, with some more than half a year after the Engineer's representative submitted the Rev 1 design documents on 14<sup>th</sup> October, 2014. For example buoyancy bags for mainline, with Rev1 design package issued on 14<sup>th</sup> October, 2014; the request for approval of vendor was submitted to the Engineer on 14<sup>th</sup> December, 2015 by the contractor 13months later. It is also evident that the vendors delayed to respond to the Engineer's representative's comments. This was a major handicap that led to delays on approval and the project procurement progress and is therefore imputable to the contractor.</p> <p>It is well on record that, whether the vendors were by the Employer's vendor's list or not, most of the vendors' documents submitted by ZIC for review prior to approval of the Purchase order (PO) did not</p>	
--	---	--



		<p>meet requirements of the tender specifications and datasheets, the Engineer's representative spent a lot of time and effort reviewing and making comments but still the responses from vendors were delayed and many times the contractor didn't make the modifications/amendments in respect of the Engineer's representative's comments. The Engineer through the Engineer's representative requested for enabling of direct clarification with the vendors on Technical issues and the request by the Engineer was denied by the contractor in the monthly meeting on 16<sup>th</sup> July, 2015 (ANNEX 3) later on July, 2016, the contractor requested the consultant to contract with the vendors directly after more than one year (ANNEX 4).</p>	
		<p>This is to also clarify that approvals are subject to the contractor submitting vendor documents that meet the contract specification and data sheet requirements. The approval processing duration considered here is the duration between the time the final submission by vendor/contractor meeting the contract requirements was done and actual approval</p>	

			by the Engineer. The overall delay in approvals was caused by the contractor delay in submitting completed vendor information for review and approval (Refer to <b>ANNEX 5</b> ).	
3	Discrepancies in IFC documents	Appendix 6D, 6E, 6F&6M	<p>The Engineer's Representative observes that in the appendices referred by the contractor, the contractor has not demonstrated how the stated discrepancies in the IFC documents contributed to delays on the project progress. Further the contractor has not itemized and quantified the stated delays. Clarification of unclear items has been on-going in the project implementations and when required pursuant to FIDIC Clause 7.1.</p> <p>As stated in the Engineer's representative letters ref. No. SK (D)-LINE1-ZIC-FX-0024 and SK (D)-LINE1-ZIC-FX-0025 (<b>ANNEX 6 &amp; ANNEX 7</b>), the documents/drawings shall be updated progressively depending on the vendors' information and documents. The Engineer's representative also requested the contractor to expedite and provide the required vendor</p>	<i>The claim due to discrepancies in IFC documents does not warrant time extension as submitted.</i>

4	Delayed issuance of civil works IFC documents	Appendix 6F	<p>information. In respect of the tender award negotiation minutes item No.17 pg. 46.</p> <p>On the contractor claims that IFC documents for civil works were withheld by the Engineer until after receipt of manufacturers or vendors information and that this is not the standard practice.</p> <p>The Engineer's Representative refers to the contract clause 6 of the contractor's general obligations on drawings and documentation, which elucidates that all documents are to be submitted by the Contractor to the Engineer/Engineer's representative for review and check before approval. This is also reiterated, in the negotiation minutes item 17 on construction drawings, where it was agreed that the Contractor will be required to provide vendor details for major equipment's to enable the Engineer's representative prepare and finalise construction drawings (IFC). The Engineer's Representative observes that it is the Contractor who delayed in providing vendor documents to enable finalization of civil works IFC documents as detailed in <b>ANNEX 5</b>.</p> <p>The Engineer's Representative also wishes to clarify those IFC civil drawings could not have been completed, until after receipt</p>	<p>The Engineer's Representative observes that, the contractor delayed in providing vendor equipment data to allow/enable completion of IFC documents. hence</p> <p><b>No time award is therefore allowable under this item.</b></p>
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		<p>of vendors'/manufacturers' information. This is by standard engineering design practice and pursuant to FIDIC Clause 6.5. Civil drawings IFC design could have only started after design finalization of the plot plan for pump station. The plot plan is related to the mainline pump shelter and control building, etc. The contractor delayed in submission of the vendor information for the outline drawings for mainline pumps, booster pumps, switchgear panels, UPS battery &amp; panel and instrumentation control panel, etc. these adversely impacted on the design for plot plan and consequently final civil drawings (<b>ANNEX 8</b>).</p> <p>It is on record by the <b>ANNEX 9, 10, 11 &amp; 12</b>, which shows lack and delays in submission of vendors' information delayed the finalization of IFC design. It is also important to note that, the IFC documents for electrical equipment such as transformers depended on the finalization of loads for process equipment, fire fighting and water treatment system equipment, etc.</p>	
5	Procurement of PCS & ESD	The contractor's tender schedule for procurement and construction as reported with	<p>Delay on procurement of the system was as a result of the contractor delay in submitting vendor data meeting requirements (tender specifications and data sheet). <i>No time award is therefore considered for the</i></p>

	<p><b>Primavera®</b> clearly shows that the baseline critical path lies in procurement installation and commissioning of PCS and ESD. The lost time on procurement of PCS and ESD due to occurrence of employer risk events has been demonstrated in Appendix 27B</p> <p>a) Delayed issuing operations and control philosophy – 5/Apr/2016</p> <p>b) Delayed giving mimic for HMI – May 2016</p> <p>c) Delayed issuing cause &amp; effect document – 23/Dec/2015</p> <p>Appendix 27</p>	<p>ref no ZIC-KPC/0472/15/LR/JB, The Engineer gave an approval 3 days later on 23-Jul-15 vide letter ref no. EN/PR/29/4/119</p> <p>This is also outline that the program referred to here by the contractor was never approved by the Engineer and is therefore not contractual, the Engineer raised concerns on the program submitted by the contractor because of material deviation from the original program and the contractor never submitted an acceptable program despite repeated reminder requests by the Engineer. The contractor also never submitted a detailed procurement program for the project.</p> <p>a. In Rev 1 design documents provided to the contractor in 14<sup>th</sup> October 2014, the IO list and specifications were provided to contractor. On 17th Feb, 2015, 4 months later the contractor raised the Purchase Order (PO) documents for PCS&amp;ESD&amp;PMS by their letter Ref: NO. ZIC-KPC-0091-15-LR-JB for the first time. After this letter, there were several letters between the Engineer representative and the contractor on PO documents of PCS&amp;ESD&amp;PMS. For</p>	<p><i>claim under this item.</i></p>
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			<p>example, the letters Ref: NO. ZIC-KPC-0143-15-LR-JB, Ref: NO. ZIC-KPC-0243-15-LR-JB and Ref: NO. ZIC-KPC-0373-15-LR-JB were correspondences by the contractor, this was as a result of the technical documents by the contractor not meeting the requirements for procurement, hence the delay by lengthy clarifications.</p> <p>It is also evident that, on the part of SCS, many set values for PMS had not been provided to the Engineer representative until 5th Sep, 2016 vide the letter Ref: NO. ZIC-KPC-0934-16-LR-JB hence the delay.</p> <p>b. It is evident that before the approval of the PO documents for PCS&amp;ESD&amp;PMS, the submission of PS9 and PS14 SCS PO documents had been delayed by the contractor. Please refer to the contractor's statement in their letter ref: No. ZIC-KPC-0476-15-LR-JB on 21st July, 2015.</p> <p>Nearly 5 months later, on 2nd Dec, 2015, by the contractor letter ref: No. ZIC-KPC-0737-15-LR-JB, the statement by the contractor changed as</p>	
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7	Booster Pump	Claims time delay arising from delay in approval of vender for booster pumps	<p>quoted below:</p> <p>“During this period, the contractor keeps silence about this issue. These unexpected changes have caused a lot of extra work for designers, which we will also reserved the right to future claims.”</p> <p>c. The Engineer’s Representative observes that the delays were caused by PO documents provided by contractor due to inadequacy to meet the technical requirements, and the Engineer’s Representative hereby advised the contractor not to use double standards to evade contractual responsibilities.</p>	
		<p>The Engineer’s Representative observes that the delays of approval were occasioned by the contractor proposal to change the vendor and booster pump motor specifications and this is attributable by ZIC. The initial proposed vendor is Ruhrpumpen by ZIC-KPC-0155-14-LR-JB dated 18<sup>th</sup> November, 2014. Later the vendor has been changed to Ebara by ZIC-KPC-0081-15-LR-JB dated 12<sup>th</sup> February, 2015. The contractor insisted on Exn motor type for a long time had resulted in the delay of approval of vendor’s information.</p>	<p><i>The Engineer’s Representative determination is that No time award is therefore allowable for the claim under this item.</i></p>	

8	DBB Valves	<p>The Engineer's Representative observes that the delays on approval for DBB valve were mainly caused by vendor's proposal submitted by the contractor which did not meet the tender specification requirement (The contractor insisted in casting type for stem which does not meet the requirement of datasheet). The request for approval for Cooper Cameron' PO documents dated 17<sup>th</sup> April, 2015 by ZIC-KPC-0215-15-LR-JB which was six months after the Engineer's representative submitted the IFC design documents on 13<sup>th</sup> October, 2014.</p> <p>The Engineer's Representative also observes that the approved tender program for the project was without the critical path.</p>	<p><i>No time award is therefore allowed for the claim under this item.</i></p>
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#### 4.2 Notices of Compensation

Table 4 Cost breakdown and analysis

CR NO.	Title /Description by ZIC	Issue Date	ZIC Claim Value (USD)	Engineer's Representative remarks	Engineer's Representative Determination
GC001	IFC for pressure transmitter, dif. pressure transmitter, flanged isolating joints.rev.2	12/20/2014	110,218.60	This is BOQ items, ZIC will be paid as per the rate in the BOQ. Where there is no rate in the BOQ, ZIC has provided rates and the Engineer's Representative is reviewing and the Engineer to fix the	<p><i>Item has no effect on extension of time. The cost effects will be payable pursuant to FIDIC clause 51.1 &amp; 52.1, the items are measurable items.</i></p>

				<p><i>rate.</i></p>	
GC002 A	<p>The full impact of the delay in procuring the NCA certificated by KPC which hindered possession of the site and access thereto up to 6 January 2015. The cumulative impact on project cost and the schedule shall be submitted to KPC in due course.</p>	4/8/2015	1,110,484.00	<p>The Engineer's Representative observes that the letter by NCA dated 18<sup>th</sup> September 2014 (ANNEX 13) did not stop the contractor from carrying out the works, instead the contractor was asked to comply with NCA regulations. The Engineer by the letter ref: No. EN/PR/29/4/031 dated 28th October 2014 advised the contractor to proceed with the works the employer having taken up the matter for settlement with NCA. It is also on record that, the contractor commenced construction of Engineer's site offices on 14<sup>th</sup> October 2014 as the contractor had taken over the sites</p>	<p><i>The Engineer's Representative hence observes that this item had no time or cost delay effects and no additional time is allowable. .</i></p>
GC003	<p>Deletion of firefighting facilities for PS12</p>	2/2/2015	3,063,467.00	<p>Pursuant to the contract FIDIC clause 5.1.1 and the Instruction by the Engineer for removal of firefighting facility at PS12, same should have an impact of reduction of cost and time variation due reduction of scope. The contractor has not given details of the cost build up in this claim.</p>	<p>We find no justification for any cost claim. Refer to KPC letter (ANNEX 14). <i>Item has the effect of reducing the project time</i></p>
GC004	<p>Provision of 33KV&amp;132KV monitoring and control panels of PS1,PS3,PS5, PS7&amp;PS14, not included in the tender BOQ but included IFC datasheet (SLECC LETTER SK-LINE1-ZIC-FX-0068): <b>DD-LINE1R-DAT-001-</b></p>	3/19/2015	158,675.20	<p>The Form of Agreement in the signed contract stipulates the hierarchy of documents. In the event of ambiguities or discrepancies between IFC and BOQ, IFC drawings take precedence.</p>	<p>The Engineer's Representative finds the Rates submitted by contractor higher than market rates. Engineer to fix the rates <i>Item has no effect on time</i></p>



	<b>1(PS3,PS5.PS7) DD-LINE1R-DAT-002-1(PS1 ,PS14)And associated services</b>				
GC005	<p>Provision of a new station control system for PS14 as per Engineer representative letter line1-0149 and not included in the tender BOQ and associated services.</p> <p>We reiterate that the cumulative impact on the cost and the schedule of the project shall be submitted to KPC in the due course.</p>	3/19/2015	Included in 5A below	<p>The Engineer's Representative Refers to letter no. ZIC-KPC/0472/15/LR/JB and KPC letter ref no. EN/PR/29/4/119.</p> <p>The Engineer in his instruction was advised by ZIC&amp; Emerson presentation in which they were categorical on cost effects.</p>	<i>Item has no effect on time or cost</i>
GC005 A	<p>We reiterate that the cumulative impact on the cost and the schedule of the project shall be submitted to KPC in the due course.</p> <p>Provision of a new station control system for PS14 as per Engineer representative letter line1-0049 and not included in the tender BOQ and associated services.</p>	4//2015	263,597.10	As above	<i>Item has no effect on time or cost</i>

GC006	<p>Late transmittal, by letter reference EN/PR/29/4/072 dated 10<sup>th</sup> April 2015, of IFC document/data in respect of PS14 Tie-in to Tanks. Unless otherwise advised by the Engineer pursuant to FIDIC clause 6.4, the adverse impact on costs and schedule shall be submitted to KPC in due course.</p>	4/22/2015	ZIC EOT cost calculations	<p>The Engineer representative notes that while the information required by contractor was issued on 10<sup>th</sup> July 2015, it took the contractor 12 Months to avail the material on site, with the DBB valves had not been delivered on site 9<sup>th</sup> Feb 2016. The Engineer's Representative finds that there was no program schedule by the contractor for items in the Critical path.</p> <p>The Engineer's Representative observes that the contractor had sufficient time from 10th April 2015, when first tank shell details were submitted by KPC, to 30th July 2015 when the contractor was informed of the proposed tank release schedule. The alleged issue did not therefore affect the final completion date of the project.</p> <p>The contractor failed to demonstrate how this transmittal impacted on the schedule.</p>	<p><i>The claim under this item is therefore rejected</i></p>
GC007	<p>Late transmittal, by letter reference SK(D)-LINE1-ZIC-FX-01169 dated 7<sup>th</sup> April 2015, of IFC drawing of DD-LINE1R-DL-ME-004-2 for 400m3 SLOP TANK. Unless otherwise advised by the Engineer pursuant to FIDIC Clause 6.4, the adverse impact on costs and schedule shall be submitted to KPC in due course.</p>	4/22/2015	ZIC EOT cost calculations	<p>The Engineer's representative submitted the IFC drawings for slop tank on 7th April, 2015. As of February 9, 2016, the materials for slope tank were still not available on site.</p>	<p>It is the Engineer's Representative determination that the IFC drawings for the slop tank have no impact on the project completion duration.</p> <p><i>The claim under this item is therefore rejected</i></p>

GC008	<p>Engineer's instructions to procure junction boxes of Exd rating as per EN/PR/29/4/091 dated 15<sup>th</sup> June 2015 and Specification for Junction Box- Document Number: DD-LINE1R-SPC-IN-06 rev.1, dated November 28 2014 which are at variance with BOQ, refer to SLECC letter reference SK(D)-LINE1-ZIC-FX-0064 dated 29<sup>th</sup> November 2014.</p> <p>Change order to BOQ Items(a) C/PS1/ICS 57; (b) C/PS3/ICS 56;(c) C/PS5/ICS 56;(d) C/PS7/ICS 56;(e) C/PS9/ICS 40; (f) C/PS10/ICS 50; and (g) C/PS14/ICS 35. The tender document did not contain specifications therefore ZIC quoted MAINLY for non-hazardous area junction boxes. Therefore the costs and schedule impact shall be submitted to KPC in due course.</p>	6/19/2015	n/a	n/a	<p><i>Item has no effect on time or cost.</i></p>
GC009	<p>Construction program delay due to failure to submit IFC drawings for Pump Stations Pursuant to FIDIC Clause 6.4 the continuing adverse impact on costs and schedule shall be computed on receipt of the IFC documents and submitted to</p>	6/22/2015	ZIC EOT cost calculations	<p>The Engineer's Representative refers to ZIC letter ref ZIC-KPC/0213/14/LR/JB dated 17<sup>th</sup> December 2014 the contractor submitted a request for approval of Ruhrpumpen as the vendor/supplier and the Engineer established that vendor is not amongst those in the Employer list and hence the Engineer declined by the</p>	<p>The procurement of the pumps is not therefore a delay issue to the station works since the timelines are within the contract period.</p> <p><b><i>This item did not contribute to time delay</i></b></p>



	KPC in due course.		<p>letter dated 2nd January 2015. Rhine Rurh was the approved vendor in the list of renowned vendors.</p> <p>KPC approved the list of manufacturers on 18th August 2014. The change from Flowserve to Ruhrpumpen and finally Ebara was to the contractor's initiative and hence ZIC own risk.</p> <p>The Contractor submitted Transmittal No. 21 dated 13<sup>th</sup> February 2015 for approval of procurement of the mainline pumps and booster pumps by Ebara. KPC gave approval for procurement of pumps by Ebara on 4<sup>th</sup> March 2015. Nonetheless after the approval for the vendor ZIC submittal was established to be for Exn other than the contractual specified Exd, this was followed by further consultations on same, the initiative was by the contractor and hence ZIC own risk.</p> <p>Nevertheless, with the approval on 4th March 2015, the procurement of pumps would have been accomplished by 2nd December 2015 as per the tender program duration of 273 calendar days.</p>	
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GC010	<p>Incorrect data supplied in writing by the Engineer for the existing Line 1 pipeline location at KM20 curve (pipeline intersection point with the MV OH). Pursuant to FIDIC Clause 17.1 and 52, ZIC is entitled to a variation to the Contract Price including but not limited to following works:</p> <ol style="list-style-type: none"> <li>1. Multiple excavations to confirm actual pipeline location</li> <li>2. Additional survey and alignment of pipeline and relevant documentation</li> </ol> <p>The adverse impact on costs and schedule shall be submitted to KPC in due course.</p>	6/29/2015	104,650.00	<p>The Engineer's Representative observes that a Site instruction was issued in December 2015, but as of February 9<sup>th</sup>2016, the contractor had not started the work because the shop bend was not available. Furthermore, it is the responsibility of the contractor to survey and locate the underground existing facilities pursuant to the contract FIDIC Clause 8.1.</p>	<p><i>The Engineer's Representative determination is that this item did not contribute to time delay</i></p>
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GC011	<p>NDT Team stopped by SLECC from carrying out 100% x-ray of produced joints for the QA/QC specialists' interpretation and certification of main pipeline welds. NDT Team and x-ray equipment shall remain on standby pursuant to SLECC's letter reference SK(D)-LINE1-ZIC-FX-0305 dated 6<sup>th</sup> July 2015 which is a non-contractual interference with the qualifications of ZIC's NDT personnel, contrary to the provisions of FIDIC Clause 16.2.</p> <p>The event has a continuing effects and the adverse impact on costs and schedule shall be computed on cessation and submitted to KPC in due course.</p>	7/8/2015	2,288.00	<p>The Engineer representative observes that despite the instruction to comply with design specification on 6<sup>th</sup> June 2015 The Contractor didn't stop and he continued to do their works without obeying the Engineer's representative's instruction. This is evident by the (permit To Work) PTW and Contractor's daily report of the same day.</p> <p><i>The Engineer's Representative determination is that this item did not contribute to time or cost delay</i></p>
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GC012	<p>SLECC's letter reference SK(D)-LINE1-ZIC-FX-0305 dated 6<sup>th</sup> July 2015 stopped the NDT Subcontractor who had fully mobilized to commence work on 6<sup>th</sup> July 2015. ZIC had fully complied with all the conditions specified by the Engineer in the Subcontractor's approval letter reference EN/PR/29/4/035 dated 25th November, 2014 thus; SLECC's action is a major disruption to the execution of the works. Pursuant to FIDIC Clause 6.3, the Engineer is notified that the Subcontractor has been placed on standby. The event has a continuing effects and the adverse impact on costs and schedule shall be computed on cessation and submitted to KPC in due course.</p>	7/8/2015	2,288.00	<p>The Engineer' Representative observes that despite the instruction to comply with design specification on 6<sup>th</sup> June 2015 The Contractor didn't stop and he continued to do works without obeying the Engineer's representative's instruction. This is evident by the (permit To Work) PTW and Contractor's daily report of the same day.</p>	<p><i>The Engineer's Representative determination is that this item did not contribute to time or cost delay</i></p>
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GC013	<p>In compliance with the instruction contained in SLECC's letter reference SK(D)-LINE1-ZIC-FX-0305 dated 6<sup>th</sup> July 2015 and your refusal to issue Work Permit on 7<sup>th</sup> July 2015, we have stopped weld production. Pursuant to FIDIC Clause 6.3, the Engineer is hereby notified that the referenced instruction is a major disruption to the execution of the works, thus, our personnel and equipment have been placed on standby. The event has a continuing effect and the adverse impact on costs and schedule shall be computed on cessation and submitted to KPC in due course.</p>	7/8/2015	10,530.00	<p>The Engineer's Representative observes that despite the instruction to comply with design specification on 6<sup>th</sup> June 2015 The Contractor didn't stop and he continued to do works without obeying the Engineer's representative's instruction. This is evident by the (permit To Work) PTW and Contractor's daily report of the same day.</p>	<p><i>The Engineer's Representative determination is that this item did not contribute to time or cost delay</i></p>
GC014	<p>Engineer's instruction as per letter EN/PR/29/4/122 dated 13<sup>th</sup> July, 2015 to procure Axial Type Pressure Control Valves in preference to Cage Hole Type Pressure Control Valves quoted in the BOQ during tendering and specified in the data sheets. The event has a continuing effect as we await issuance to ZIC of the Revised Data Sheets and Specifications. The adverse impact on costs and schedule shall be computed on</p>	7/15/2015	557,606.26	<p>The Engineer's Representative refers to Negotiation meetings Minutes item 10, in which the axial type pressure control valves were specified The Engineer's Representative deems that there is some reasonable cost impact occasioned by the change. The contractor to submit a break down in cost to support the claim amount.</p>	<p><i>The Engineer's Representative determination is that this item did not impact on time for</i></p>

	cessation and submitted to KPC in due course.				
GC015	<p>The substantial increase in scope of 415V LV Switchboards, cables and other associated accessories due to missing service pumps, MOVs, loads, etc in the reference single line diagram in the BOQ.</p> <p>The adverse impact attribute to costs and schedule shall be computed and submitted to KPC in due course.</p>	7/23/2015	368,880.50	<p>The Engineer representative provided the LV load in accordance to the engineering practice and experience, because while preparing the BOQ, no vendor information was available, as soon as the vendor information was availed, The Engineer representative updated the wiring diagram, this is normal engineering practice. The change of detailed design for LV panel and the increase of panels is also normal practice. The quotation in the contractor's Claim is high, for considerable allowance. The Engineer's Representative deems that there is some reasonable cost impact occasioned and the item will be evaluated as a variation for cost implications only</p>	<p><i>Engineer's Representative determination is that this item did not impact on time</i></p>
GC016	<p>Bonded warehouse storage charges for line pipes plus consequential delays of clearing and forwarding of the line pipes, all due to the prolonged with holding of the original bill of landing by KPC banker (City Bank).</p>	7/28/2015	0	<p>The Engineer's Representative observes that it was the contractor's obligation to inform him on compliance requirements by the bank and present all the required documents to the bank for release of funds under the LC. The contractor failed on his part to submit the required documents in time and was required to give submit</p>	<p><i>Engineer's Representative determination is that the lost time was due by the contractor's noncompliance with the bank's requirements. This item has no effect on time.</i></p>



GC017	ZIC's personnel and equipment standby charges on 26 <sup>th</sup> August 2015 due to engineer's refusal to approve and issue the daily "permit to work"(in respect of construction activities) and the resultant stoppage of all construction activities at all project work sites.	8/27/2015	10,530.00	<p>additional information. The Engineer's Representative also observes that the contractor has not submitted any supportive details to the claim.</p> <p>The Engineer's Representative observes that the withholding by the Engineer on the permit to work was as a check measure on QA/QC on a concern on the quality of joints welded on the pipe and noncompliance by the contractor to the contract requirements on joint welding for the first 100 joints. A total of 2 days were lost. Pursuant to the contract FIDIC Clause 19.1</p>	<p><b>Engineer's Representative determination is that</b> the lost time was due to the contractor's noncompliance to contract design requirements and <b>the claim under this item is rejected.</b></p>
GC018	Failure to carry out pre-tender sub-surface investigation to determine suitability of site for construction in PS2 and late issuance of updated IFC drawings for road and site layout for PS2 to avoid existing stations facilities. Slecc letter 0490	9/29/2015	31,892.25	<p>The Engineer's Representative observes that as per Clause 9 of contractor's general obligations of working within existing facilities and PGM 7, it is the contractor's obligation to locate and protect to existing services. Pursuant to FIDIC clause 11.1 it is the Engineer's representative responsibility to have confirmed the need information was available</p>	<p><b>Engineer's Representative determination is that the claim under this item is without merit and is rejected.</b></p>
GC019	Increased number of electrical signals in respect of the 132KV and 33KV monitoring and control panels, additional cabling and accessories to monitor signals and or control 132KV/33KV supply outdoor isolators .6.6KV switchgear, VFD panels .outdoor breakers, etc. Slecc letter FX-0491,0128	9/30/2015	40,000.00	<p>The Engineer's Representative observes that the item has some reasonable cost impact, The contractor to submit a break down details of the claim, The break down submittal for the item will be evaluated as a variation with cost implications only</p>	<p><b>Engineer's Representative determination is that the item has no effect on time.</b></p>

GC020	Supply and installation of PS14-6.6KV enclosed bus bar which was omitted in the BOQ but was introduced by DD-PS14-DAT-EL-015 rev.1 .ZIC shall proceed to execute this additional scope of work.	11/2/2015	35,993.00	<p>The Engineer's Representative refers to Rev 2 IFC documents where the 6.6 bus bar was removed from the scope and the Contractor was instructed to follow the original BOQ design pursuant to FIDIC clause 7.1.</p> <p>The Engineer's Representative also observes that the reference attached by the contractor is erroneous and not for PS 14.</p> <p>The Engineer's Representative observes that the item has some reasonable cost impact, The Contractor to submit the list of the items and prices for consideration as a variation in accordance with the contract FIDIC Clause 51 &amp; 52.</p>	<b>Engineer's Representative determination is that the item has no effect on time or cost</b>
GC021	Supply and installation in PS9&PS10, NEUTRAL poles for the 3 phase/4wire in 415v bus bars, refer to KPC letter EN/PR/29/4/170. Transformers: DD-PS9-DW-EL-001 DD-PS10-DW-EL-001 DD-PS9-DAT-EL-005 rev.1 DD-PS10-DAT-EL-005 rev.1 The neutral Poles were also conspicuously omitted in the BOQ. ZIC shall comply with the instruction in the referenced letter to execute the additional scope of work.	11/2/2015	13,468.00		<b>Engineer's Representative determination is that the item has no effect on time</b>
GC022	Provision of "Connecting drawings (with transformer and MV/LV switchgear) and support structures for the enclosed bus bar" refers to slecc letter FX-0562. This constitutes design works which have not been provided for, as specified in FIDIC clause 8.1 and therefore we consider them as additional works for which ZIC is entitled to additional	11/5/2015	0	<p>The Engineer's Representative advised that the contractor provides additional vendor information to enable the Engineer representative to design and provide drawings for the connection and support of transformer and MV/LV. Inferred in the Contract FIDIC clause 7.1 and 8.1.</p>	<b>Engineer's Representative determination is that the item has no effect on time and cost</b>

	<p>payment. The costs of the design which is a variation to the scope of work and any adverse schedule impact shall be communicated to KPC in due time.</p>				
GC023	<p>Lighting tower revise up to 20m, refer to slecc letter FX - 0603, the cost of the additional steel foundation works, and other installation materials constitute a variation to be BOQ scope of work and any schedule impact shall be communicated to KPC.</p>	12/1/2015	0	<p>The Engineer observes that the item has some probable cost impact, Contractor to submit the cost breakdown for the item for same to be reviewed as a variation, Pursuant to FIDIC clause 51&amp; 52.</p>	<p><i>Engineer determination is that the item has no effect on time</i></p>
GC024	<p>Changes to basic minimum wages which affect ZIC's employees with effect from 1<sup>st</sup> January 2015 as specified in the workers' unions collective bargain agreement .in compliance with FIDIC clause 34 as amended in part 2: conditions of particular application, ZIC shall implement the directive on minimum wages, compute the financial impact and communicate same to KPC in due course, for full</p>	12/2/2015	0	<p>Withdrawn by ZIC</p>	<p>Withdrawn by ZIC</p>



				<p>reimbursement of the additional and unforeseen project cost.</p>	<p>GC025</p> <p>Delays to construction activities at PS1 due to KPC Site Representative's instructions to carry out additional chemical composition tests, to confirm compatibility of Soil Materials from PS3 Site [being used as filling materials] with PS1 soil. Pursuant to FIDIC Clause 36.4, such additional tests are not provided for, in the Contract. Consequently, pursuant to FIDIC Clause 36.5 the ENGINEER shall be requested to determine the extension of the time and additional costs of such unforeseen tests which shall be borne by KPC; KPC shall be so advised in due course.</p>	<p>12/7/2015</p>	<p>186,176.25</p>	<p>The Engineer's Representative remarks that the Contractor opted to use soils imported from PS3 to PS1 instead of the approved borrowed material for Particularized for PS1 from Bamburi area without notifying the Engineer or his representative, the action by the contractor necessitated the need for additional soil test for chemical compatibility and suitability with soils at PS1. Pursuant to FIDIC Clause 37.4</p>	<p><b>Engineer's Representative determination is that</b> the Contractor was responsible for this changes and costs arising thereof. This is in line with FIDIC clause 36.3. <b>The claim under this item is therefore rejected</b></p>
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GC026	<p>Changes from the BOQ specifications of foundations Concrete C20 and C30 to IFC requirements of sulfate resistant Concrete C35 and C40 for Pump Station foundation works plus the application of corrosion-proof to foundation reinforcement bars.</p> <p>The additional costs of upgrading to the sulfate resistant concrete c35andc45 plus procuring and the application of the corrosion inhibitor constitute a variation to the BOQ scope of work, therefore the cost and any adverse schedule impact shall be communicated to KPC in due course for reimbursement.</p>	12/14/2015	Qty to be measured on site	The Engineer's Representative observes that this is an item for measurement only with BOQ rates available. The Item is being evaluated as a variation	<i>Engineer's Representative determination is that the item has no effect on time</i>
GC027	<p>Additional cost of applying fusion bonded epoxy (instead of banned coal tar epoxy) on Casing Pipes plus the differential cost between installation fusion bonded and coal tar coated Casing pipes, all in compliance with instructions in letter reference SK(D)-LINE1-ZIC-FX-0188 dated 30 April 2015.</p> <p>The actual costs and schedule impact on project execution shall be submitted to KPC in due course for necessary</p>	12/21/2015	57,058.00	The Engineer's Representative observes that this was the contractor's request and same was approved pursuant to FIDIC Clause 36.1 with no cost variation request by the contractor, pursuant to FIDIC Clause 7.2 and 7.3.and same was not an instruction by the Engineer as inferred by the contractor claim.	<i>Engineer's Representative determination is that the item has no effect on time</i>

	adjustment to the Contract Price and delivery period				
	<b>Total cost</b>		<b>6,127,802.00</b>		



#### 4.3 Head office overheads and Profit

The evaluation by the Engineer's representative as above has not found any delays attributable to other parties other than the contractor. The evaluation has established some variation as a result of additional BOQ quantities and Alterations necessitated by the Vendor data and the engineer's determination on same pursuant to FIDIC Clause 52. The items are without time impact on the approved tender program and their costs are being evaluated by the engineer as variation pursuant to FIDIC clause 51 with some inputs by the contractor still pending to enable conclusive determination.

Therefore the request for Extension of time claim by the contractor is without merit and is hereby rejected.

#### 5. Conclusions

After review of EOT No.1, we give our recommendations as follows:

1. Prolongation costs

There is no merit in this claim and is therefore rejected.

2. Notice of Compensation

No time award is given for this claim.

The evaluated amount based on the submitted documents with adequate information to make a determination is **USD 597,606.26**. Refer to ANNEX 15

3. Head office overheads and profit

There is no merit in this claim and is therefore rejected.

4. Extension of time

We have no objection to the Engineer's approval for the extension of time to end of September 2016 as per the contractor's self-assessment and at no cost to KPC.



**ZAKHEM**

ANNEX 6

**ZAKHEM INTERNATIONAL CONSTRUCTION LTD.**  
Civil and Mechanical Engineers & Contractors

Kenya Pipeline Company Limited  
Nairobi Terminal  
Off Nanyuki Road  
Industrial Area  
P. O. Box 73442-00200  
**NAIROBI**

Outering Road, Opp. G.S.U. Headquarters  
P.O. Box 41196 - 00100 NAIROBI - KENYA  
Tel: +254 57 2513128/9, +254 20 8562113  
E-mail: zakhem@africaonline.co.ke

12<sup>th</sup> January, 2016

Our Ref: ZIC-KPC/0044/16/LR/AA

Attn: Chief Manager, Technical

CONTRACT: LINE 1 PIPELINE REPLACEMENT PROJECT  
TENDER NO.: SU/QT/032N/13

Dear Sir,

**SUB: REQUEST FOR EXTENSION OF TIME TO COMPLETE PROJECT**

We wish to request for extension of time with cost because it is no longer feasible to complete the project by 9<sup>th</sup> February 2016 for reasons not attributable to us. Pursuant to FIDIC Clause 44 we request for extension of time up to 31<sup>st</sup> September 2016 to complete the project.

Our request is based on numerous project constraints, amongst which include:

1. Untimely declaration of 11<sup>th</sup> August 2014 as the project "Commencement Date" without KPC fulfilling their prior contractual obligation of delivering the Engineering design package (IFC).
2. Delays in granting approvals to procurement requisitions for long lead project equipment and materials and
3. Delays in granting ZIC access to the project Site.

These have already been communicated to you at meetings and through various detailed correspondences.

Meanwhile, we are computing our claim for extension of time, reimbursement of loss and/or expense and damages which shall be submitted by end of January, 2016.

Yours faithfully,

For: **ZAKHEM INTERNATIONAL CONSTRUCTION LIMITED.**

**ADNAN ANNOOS**

cc **Attn: Mr. Xiang Yang**  
Shengli Engineers & Consulting Co.  
Limited/Kurrent Technologies Ltd.  
Block 3, Eagle Plains Housing Estate,  
Off Mombasa Road, Behind Panari Hotel,  
Nairobi, Kenya



**CONTRACT FOR CONSULTANCY SERVICES FOR  
LINE 1 PIPELINE REPLACEMENT PROJECT**

BETWEEN

**KENYA PIPELINE COMPANY LIMITED**

AND

**SHENGLI ENGINEERING & CONSULTING  
COMPANY LIMITED**



## SECTION A: FORM OF AGREEMENT

THIS AGREEMENT, made the 7<sup>th</sup> day of June 2012 between **KENYA PIPELINE COMPANY LIMITED** whose registered office is Kenpipe Plaza, Sekondi Rd, off Nanyuki Rd, Industrial Area whose address is P.O. Box 73442-00200 Nairobi (hereinafter called "the Employer") of the one part.

AND

**SHENGLI ENGINEERING & CONSULTING COMPANY LIMITED** whose registered office is at 49 Jinan Road, Dongying City, Shandong Province, P.R. China (Hereinafter called "the Consultant") of the other part.

**WHEREAS THE** Employer is desirous that the Consultant executes the Provision of Consultancy Services for Line 1 Pipeline Replacement Project (hereinafter called "the services") and the Employer has accepted the tender submitted by the Consultant for the execution and completion of such services for the Contract Price of **USD.11,976,615.00** (Eleven Million nine hundred and seventy six thousand six hundred and fifteen) inclusive of all applicable taxes.

**NOW THIS AGREEMENT WITNESSETH** as follows:

1. In this Agreement, words and expressions shall have the same meanings as are respectively assigned to them in the Conditions of Contract hereinafter referred to.
2. The following documents shall be deemed to form and shall be read and construed as part of this Agreement i.e.
  - i. Letter of Acceptance
  - ii. Form of Tender and Schedule of prices
  - iii. General Conditions of Contract
  - iv. Special Conditions of Contract
  - v. Scope of Services
  - vi. Consultant's comments on terms of reference & Project Methodology and Work-plan
  - vii. Reporting Obligations
  - viii. Team Composition & Time Schedule for Professional Personnel


*Sub 3*

- ix. Services and facilities provided by the client.
  - x. Joint Venture Agreement between M/s Shengli Engineering & Consulting Company Limited and M/s Kurrent Technologies Limited.
  - xi. The tender document (RFP) together with all the clarifications and addenda issued during the tendering period.
  - xii. The technical proposal as submitted by M/s Shengli Engineering & Consulting Company Limited and M/s Kurrent Technologies Limited.
3. That the bid amount of \$11,984,503.00 indicated on the form of tender, contained an arithmetic error originating from the price schedules( activities 2, 4, & 7), resulting in the adjustment by the Employer to the correct amount of \$11,976,615.00.
  4. That the Consultant has confirmed and accepted the correction.
  5. In consideration of the payments to be made by the Employer to the Consultant as hereinafter mentioned, the Consultant hereby covenants with the Employer to execute and complete the services in conformity in all respects with the provisions of the Contract.
  6. The Employer hereby covenants to pay the Consultant in consideration of the execution and completion of the services, the Contract Price or such other sum as may become payable under the provisions of the Contract at the times and in the manner prescribed by the Contract.
  7. This agreement together with the documents listed under Clause 2 above shall form the entire agreement of the parties. It may not be changed by oral agreement but only in writing, signed by both parties.

**IN WITNESS WHEREOF** the parties hereto have hereunto executed this Agreement the day and year first hereinabove written.


**SEALED with the COMMON SEAL of  
KENYA PIPELINE COMPANY LIMITED**  
in the presence of:

**MANAGING DIRECTOR**

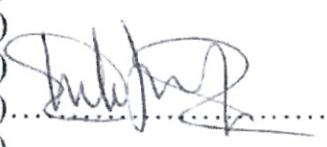
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**CHIEF MANAGER (F & S)**

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)

**CHIEF MANAGER (TECHNICAL)**

)   
.....  
)

**PROCUREMENT MANAGER**

)  
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Witnessed by:

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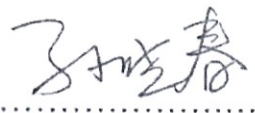
**COMPANY SECRETARY**

).....  
)

**SEALED with the COMMON SEAL of  
SHENGLI ENGINEERING &  
CONSULTING COMPANY LIMITED**

in the presence of:

**VICE PRESIDENT**  
Mr. Sun Xiaochun

)   
.....  
)

Witnessed by:

)  
)  
)  
)  
)

**DIRECTOR/COMPANY SECRETARY**

)   
.....  
)





# KENYA PIPELINE COMPANY LIMITED



KENYA PIPELINE  
SEVEN FLOORS  
OFFICE 11 ROAD  
INDUSTRIAL AREA  
NAIROBI  
KENYA  
PO BOX 44420/01  
TELEPHONE: 254-20-280000  
TELEFAX: 254-20-280000  
Email: info@kpc.co.ke

SU/QT/488N/11

"Copy"

14<sup>th</sup> May 2012

Managing Director,  
Snengli Engineering & Consulting Co. Ltd  
/Kurrent Technologies Ltd  
49 Jinan Road, Dong Ying City, Shandong Province  
CHINA

Dear Sir,

**RE: LETTER OF AWARD**  
**TENDER FOR CONSULTANCY SERVICES FOR LINE 1 PIPELINE**  
**REPALCEMENT PROJECT**


We refer you to your tender for the above.

Following detailed evaluation of the tenders received, KPC is pleased to advise you that you have been awarded the tender for the above at a contract sum of USD.11,976,615.00 (Eleven Million Nine Hundred and Seventy Six thousand Six Hundred and Fifteen Only) – Inclusive of 15% VAT.

The contract documents are currently under preparation and will be signed after expiry of the statutory 14 days notification period effective from the date of this letter. In the meantime, please make arrangements to provide us with a Performance Bond of USD.1,197,661.00 (being 10% of the Contract Sum) prior to contract signing.

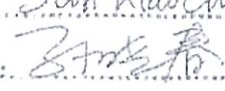
Kindly signify your acceptance of the award by signing the duplicate of this letter and return to the undersigned within 7 days; 21<sup>st</sup> May 2012.

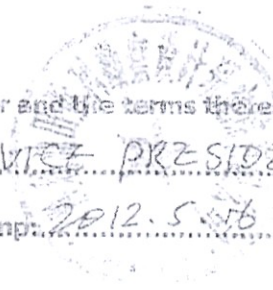
Yours faithfully,

  
SELEST M. MUTISO  
MANAGING DIRECTOR

We hereby signify our acceptance of the offer and the terms therein

Name: Sun Xiaochun Designation: VICE PRESIDENT

Signed:  Date and Stamp: 2012.5.16







**KENYA PIPELINE COMPANY LTD**



**PROJECT STATUS REPORT TO PUBLIC  
INVESTMENT COMMITTEE**

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**LINE 1 PIPELINE REPLACEMENT PROJECT**

**26<sup>TH</sup> JANUARY 2017**

*This brief is in response to letter ref. no. NA/DCS/PIC/2017/006 dated 18<sup>th</sup> January 2017 from the Clerk of the National Assembly requesting for the status report of Line 1 Pipeline Replacement.*

**1.0 PROJECT DATA**

**1.1 Consultancy**

Consultant : Shengli Engineering & Consulting Co.Ltd/  
Kurrent Technologies  
Contract Amount : USD.7, 706,946.08 Inclusive of VAT  
: Kshs 351,595,280.84 Inclusive of VAT  
Commencement date : 7<sup>th</sup> June 2012  
Payments certified to Date : USD. 5,857,279.02 Inclusive of VAT  
: Kshs 267,212,413.44 Inclusive of VAT  
: **76%**

**1.2 Construction**

Contractor : Zakhem International Construction Ltd  
Contract Amount : USD 484,502,886.40 Incl. VAT  
Original contract duration : 18 months  
Commencement date : 11<sup>th</sup> August 2014  
Completion date : 9<sup>th</sup> February 2016  
New completion date : 28<sup>th</sup> April 2017  
Overall Progress : **77.721% as at 20<sup>th</sup> December 2016**  
Time elapsed : 100% (as at 09/02/2016)  
: 155.6% (as at 20/12/2016)  
Payments to date  
(Gross amount incl. VAT) : LC 1 - USD 121,018,858.99  
: LC 2 - USD 49,498,766.61  
: Outside LC - USD 165,106,176.86  
: Total USD 335,623,802.46  
: **69.27%**  
Payments in progress : PC No. 18A received on 23<sup>rd</sup> December 2016  
for USD 13,191,202.45 representing work  
done between 21<sup>st</sup> October 2016 and 20<sup>th</sup>  
November 2016.



## 2.0 PROJECT STATUS

Progress highlights on mainline and pump station construction as at 26<sup>th</sup> January 2017 are as follows:

### 2.1 Mainline Construction

Item	Activity Description	As at 26 <sup>th</sup> January 2017		Remarks
		Quantity done (km)	Percentage completed	
1	Delivery of pipes	453.17	100.00	No issue
2	ROW Clearance	453.17	100.00	No issue
3	Pipe Stringing	453.17	100.00	No issue
4	Welding	450.93	99.50	<ul style="list-style-type: none"> <li>Manual Welding between PS14 and PS1 in progress.</li> <li>Contractor has tie-in teams spread along the pipeline at KM 332/331, 421, 406, 313 and 348</li> <li>Repair teams are at KM 315</li> </ul>
5	NDT of Welds	450.93	99.50	No outstanding issues.
6	Joint Coating	449.25	99.13	This activity is no longer a bottleneck. In progress at KM 335/336
7	Trench Excavation	447.17	98.67	Trenching works outstanding between KM 434 & KM 439 and within Mitchell Cotts and Reliance Industries adjacent to JKIA
8	Pipe lowering	445.00	98.19	Ongoing between KM 441 & 442, 329 & 330 and between KM 0.084 & 1.2.
9	FOC Conduit laying	445.00	98.19	
10	Trench backfilling	444.00	97.97	
11	HDD Crossings (3 No.)	2	67.00	<ul style="list-style-type: none"> <li>Ongoing at Nairobi Road Syokimau. FOC casing done and pulled back. Mainline pipe pull back in progress.</li> </ul>
12	Auger Bore Crossings (60 No.)	47	78.33	<ul style="list-style-type: none"> <li>31 No. Completed with Tie-in</li> <li>16 No. Completed without tie-in.</li> <li>13 pending (2 No. ongoing at KM 448 and KM 447)</li> </ul>
13	Hydrotest	0	0	<ul style="list-style-type: none"> <li>Preparation works at KM 160 for section between PS3 (KM109) and PS4 (KM172.45)</li> </ul>
14	FOC Cable Installation	4	0.008	Commenced on 09 <sup>th</sup> January 2017 at PS2 towards PS3.
15	Valve and Pig Signaler Chambers	9	32.14	Construction of 9 Valve chambers completed out of 28 No. Construction in progress at Km 208.3/406/429/430.

- Casting fire protection system foundation bases and formwork to receive fire protection foundation columns continue.
  - Surge tanks: Marking and cutting the slopes and Making hole to receive drain pipe.
- f. KPC Substations - All foundations completed waiting for equipment installation work.
  - g. Kenya Power Substations -- Installation of structures started at PS1, PS3, PS5 and PS7, KP Control buildings are at 95% completion, perimeter walls are at 90% completion at PS3 and PS5, 40% at PS7 and yet to start at PS1.
  - h. Roads, chain link fencing and drainages -- these have just commenced at PS10, PS1, PS3, PS5 and PS7.
  - i. In all the stations, Electrical, I&C and Fire Fighting installation works are yet to commence due to delayed delivery of key equipment.
  - j. Mechanical works: the contractor has commenced installation of mainline pumps in all the stations.

### **3.0 AREAS OF CRITICAL CONCERN AFFECTING PROGRESS**

- a. Low uptake of funds by the Contractor due to numerous discrepancies in documentation for both payments through LC and outside LC.
- b. Delayed delivery of already manufactured equipment.
- c. Apparent reduced equipment and workforce in all the sites.
- d. Apparent go-slow by the HDD personnel at Nairobi Road Crossing.

### **4.0 EXTENSION OF TIME & CLAIMS**

- Extension of Time element alone was granted to the Contractor up to 28<sup>th</sup> April 2017 pending determination of costs and damages.
- The Project Consultants evaluated the claims for EOT 1 and EOT 2 in September 2016 and made a presentation to the Engineer for determination. These are under review and shall be presented to Management for consideration.
- KPC projects team in the process of preparing counter claims for delays attributed to the Contractor.

### **5.0 INVITATION TO THE PUBLIC INVESTMENTS COMMITTEE**

**The PIC is invited to note the contents of this paper on Line 1 Pipeline Replacement Project.**

# MINUTES



MINUTES OF THE 29<sup>TH</sup> SITTING OF THE PUBLIC INVESTMENTS COMMITTEE HELD ON THURSDAY, 6<sup>TH</sup> MAY 2017 IN FAHARI HALL, WHITESANDS HOTEL, MOMBASA AT 9.30 A.M.

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**PRESENT**

1. Hon. Adan Wehliye Keynan, CBS, MP - Chairperson
2. Hon. Franklin Mithika Linturi, MP
3. Hon. Elias Bare Shill, MP
4. Hon. John Olago Aluoch, MP
5. Hon. Dorcas Kedogo, MP
6. Hon. Beatrice Nkatha Nyaga, HSC, MP
7. Hon. Cornelly Serem, MP
8. Hon. (Eng.) Stephen Ngare, MP
9. Hon. Irungu Kang'ata, MP
10. Hon. Korei Ole Lemein, MP
11. Hon. John Ogutu Omondi, MP
12. Hon. Mary Sally Keraa, MP
13. Hon. Onesmus Muthomi Njuki, MP

**APOLOGIES**

14. Hon. Anthony Ichung'wah Kimani, MP - Vice Chairperson
15. Hon. Francis Mwanzia Nyenze, EGH, MP
16. Hon. Dr. Oburu Oginga, MGH, MP
17. Hon. (CPA) Thomas Ludindi Mwadeghu, CBS, MP
18. Hon. Adan Mohammed Nooru, MP
19. Hon. (Eng.) John Kiragu, MP
20. Hon. Wafula Wamunyinyi, MP
21. Hon. (Dr.) Paul Nyongesa Otuoma, EGH, MP
22. Hon. Sammy Silas Komen Mwaita, MP
23. Hon. Abdullswamad Sheriff Nassir, MP
24. Hon. (Dr.) Chrisanthus Wamalwa Wakhungu, CBS, MP
25. Hon. Bernard Munywoki Kitungi, MP
26. Hon. John Muchiri Nyaga, HSC, MP
27. Hon. Johana Kipyegon Ngeno, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Nicholas Emejen - Principal Clerk Assistant I
2. Ms. Susan Maritim - Clerk Assistant I
3. Mr. Philip Lekarkar - Clerk Assistant III
4. Mr. Mohamed Boru - Clerk Assistant III
5. Mr. Nimrod Ochieng - Audio Officer

**OFFICE OF THE AUDITOR-GENERAL**

Mr. Josiah Oyuko - Manager, Audit

**INSPECTORATE OF STATE CORPORATIONS**

Mr. Gerald Mwangi - Inspector

**MIN/PIC/370/2017: PRELIMINARIES**

The Chair called the meeting to order at thirty minutes past nine o'clock after a word of prayer.

**MIN/PIC/371/2017: CONFIRMATION OF MINUTES**

Confirmation of the Minutes of the previous sitting was deferred to the next sitting.

**MIN./PIC/372/2016: ADOPTION OF SPECIAL REPORT ON THE PUBLIC INVESTMENTS COMMITTEE TOUR OF THE KENYA PIPELINE COMPANY LINE 1 (CAPACITY ENHANCEMENT) PROJECT: MOMBASA - NAIROBI PIPELINE UNDERTAKEN BETWEEN 2<sup>ND</sup> - 3<sup>RD</sup> FEBRUARY, 2017**

The Committee considered and unanimously adopted the Special Report on the Public Investments Committee Tour of the Kenya Pipeline Company Line 1 (Capacity Enhancement) Project: Mombasa - Nairobi Pipeline undertaken between 2<sup>nd</sup> - 3<sup>rd</sup> February, 2017, having been proposed by Hon. Hon. Mary Sally Keraa, MP and seconded by Hon. Hon. Dorcas Kedogo, MP

**MIN./PIC/372/2016: ADOPTION OF REPORT ON THE PETITION BY RESIDENTS OF TURKANA COUNTY REGARDING ALLEGED FINANCIAL IMPROPRIETY BY ENG. DANIEL BARAZA, FORMER GENERAL MANAGER OF THE NATIONAL IRRIGATION BOARD**

The Committee considered and unanimously adopted the Report on the Petition by Residents of Turkana County regarding Alleged Financial Impropriety by Eng. Daniel Baraza, former General Manager of the National Irrigation Board been proposed by Hon. (Eng.) Stephen Ngare, MP and seconded by Hon. Cornelly Serem, MP.

**Under Findings/ Observations**

- Rephrase Observation (vii) for clarity;
- On Observation (xi), write PPRA in full.

**Under Recommendations**

- Recommendation (i): replace 'performance audit' with 'forensic audit';
- Insert the names of specific officers where the titles or the committees in which they were members, are mentioned;

MIN./PIC/373/2016:

ADOPTION OF SPECIAL REPORT ON THE  
PROCUREMENT AND FINANCING OF THE TOURISM  
FUND'S RONALD NGALA UTALII COLLEGE IN KILIFI  
COUNTY

The Committee considered and unanimously adopted the Special Report on the Procurement and Financing of the Tourism Fund's Ronald Ngala Utalii College in Kilifi County, having been proposed by Hon. Beatrice Nyagah, MP and seconded by Hon. Mary Sally Keraa, MP.

MIN./PIC/374/2016:

ADOPTION OF PUBLIC INVESTMENTS COMMITTEE  
WINDING-UP REPORT (MAY 2013 TO JUNE 2017)

The Committee considered and unanimously adopted the Public Investments Committee Winding-Up Report (May 2013 to June 2017), having been proposed by Hon. Omondi Ogutu, MP and seconded by Hon. Cornelly Serem, MP.

MIN/PIC/375/2016:

ANY OTHER BUSINESS

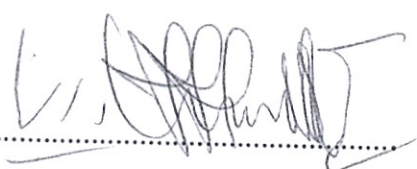
No other business arose.

MIN/PIC/376/2016:

ADJOURNMENT

There being no other business, the meeting was adjourned at 6:10 pm. The next meeting will be held on Friday, 5<sup>th</sup> May 2017 at 2.30 p.m.

Signed.....

  
Hon. Adan Wehliye Keynan, CBS, MP  
(Chairman)

Date.....

