



## Corruption in Distribution and Marketing of Natural Gas in Chittagong Region: A Case Study on Bakhraabad Gas System Limited

Draft

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## Glossary

**Bulk Customers:** Bulk customers of the company are those who consume most of the gas- Fertilizer and Electricity Company.

**Corruption:** Abuse of entrusted power for private gain

**Connection Riser:** It is the point of main gas pipe line from where the gas is commissioned to a particular customer

**Captive Power:** The customers (irrespective of category), who use gas to produce electricity for their own use.

**CNG Customers:** The customers who compress the natural gas and supply to vehicle users are included in this category.

**Commercial Customers:** Commercially run organizations/firms and hand driven/machine driven small industrial organizations, service provision organizations fall under this category

**Domestic Customer:** Domestic customers are treated as residential house/building, flats and colonies of government, semi-government, autonomous bodies, non commercial student hostels, laboratories, canteen, hospital, mess, children home, asylum, welfare Institutions etc.

**Electricity customers:** The electricity producing centers established publicly and privately use natural gas for producing electricity are in this category.

**Fertilizer Customer:** Publicly and privately owned fertilizer-producing companies where the natural gas is used as feedstock.

**Industrial Customers:** This category includes small industries under BISIC industrial areas, machine driven brick fields, ceramic, refractories, sanitary, electric and other material producers, service providing organizations and heavy industrial outlets.

**Non-bulk customers:** Those customers who consume less gas in comparison with bulk customers- Commercial and Domestic customers.

**Seasonal Customers:** The customers, who use gas seasonally/less than 6 months in a year, fall under this category like seasonal brick fields (manually driven), tobacco filtering, sugar, and fruit juice processing plants.

**Tea Garden:** This category of customers use gas in tea leaves purification, processing and other works (except the generator for power production) in tea garden.

## Acronyms & Abbreviations

**A.B Line** -Ashugonj –Bakhrabad Line  
**BGSL**- Bakhrabad Gas Systems Limited  
**BAPEX**- Bangladesh Petroleum Exploration Corporation  
**BGFCL**- Bangladesh Gas Field Company Limited  
**BOGMC**- Bangladesh Oil, Gas & Mineral Corporation-Petrobangla  
**CCC**- Committee of Concerned Citizens  
**CNG**- Compressed Natural Gas  
**CBA**- Collective Bargaining Agents  
**GDP**- Gross Domestic Product  
**GI**-Galvanized Iron  
**IOC**- International Oil Company  
**KAFCO**- Karnaphuly Fertilizer Company  
**MD** - Managing Director  
**MS** - Micro Soft  
**MMCM** - Million Cubic Meters  
**MPEMR** - Ministry of Power,Energy and Mineral Resources  
**Mtoe**- Million tones of oil equivalent  
**PAC** - Public Affairs Center  
**POL** - Petrol, Oil and Lubricant  
**PSC** - Production Sharing Contract  
**RMS** - Customer Metering & Regulating Station  
**SGFL** - Sangu Gas Field Limited  
**SOEs** - State Owned Enterprises  
**SPSS** - Statistical Program for Social Science  
**TCF** - Trillion Cubic Feet  
**VAT**- Value Added Tax  
**YES** -Youth Engagement & Support

# **Corruption in Distribution and Marketing of Natural Gas in Chittagong Region: a Case Study on Bakhraabad Gas Systems Limited**

BY MD. GOLAM MOSTAFA<sup>1</sup>

## **Executive Summary**

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### **Introduction:**

The most important non-renewable energy source in Bangladesh is natural gas. Poverty alleviation and economic development of a country depends largely on the efficient use of energy. But the energy sector of Bangladesh especially the natural gas is still underdeveloped. Inadequate and inefficient supply of commercial energy across the country constrains growth, which is ultimately affecting the poor disproportionately. Prevalence of inefficiencies and rent seeking in this sector especially distribution; billing, revenue collection and low level of commercialization are hindering the way of maximum use of natural gas in Bangladesh. Direct government intervention and non-efficient policies have brought unsatisfactory outcome for this sector.

Established in June 7, 1980 as a state owned company, BGSL (Bakhraabad Gas Systems Limited) started its journey for natural gas production, transmission and distribution in Chittagong region. And in May 1994, BGSL affirmed its marketing activities and in the 1993-94 it came to profit by selling gas to the customers. During 1993-94, BGSL achieved net profit 926.91 taka (92 Crores) and transferred TK. 364 million (3.64 Crores) as profit on dividend and TK 39.51 million (3.9 Crores) as income tax in government exchequer. Initially the authorized capital BGSL was Tk. 3000 million (300 Crores) and later it increased in phases about TK. 8000 million (800 Crores).

Main customer of the company is KAFCO, TSP Complex, Chittagong Urea Fertilizer Limited, Four Electricity Production Companies of PDB at Comilla and one electricity Company of REB in Comilla. BGSL provides gas to 972 industries, 109 captive power, 3928 commercial units, 11 brick fields, 01 tea-garden, 33 CNG and 386924 domestic customers in rural and urban areas. So in total BGSL is now providing services to the **4,15,320** customers including bulk customers. Providing services to such a large number of customers is a big management and governance issue for this company. At this

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backdrop, this study is conducted for a bottom-up assessment of the governance of Bakhrabad Gas Systems Limited, a subsidiary company of Petro-bangla as a case with special focus on finding out the nature, scope and consequence of corruption in distribution and marketing of natural gas in Chittagong Region. In this study, data and information have been collected mainly from the service users, service providers of the company, company's present and ex-staff members, journalists, business persons, energy experts, and other related stakeholders through the structured questionnaire, key informant interview method and reviewing relevant literatures during the period of December, 2006 to August, 2008.

### **Analysis of governance of the Company**

This study reveals that the company's highest policy making body-the Board of Directors- is fully government controlled which is not in consonance with the company laws of the land and corporate governance models followed in the developed world. In addition, the tenures of board members of the company are too short to formulate efficient and effective policy/decision for the company.

No female member has been recruited on the Board of Directors of the company since its inception. The character of public limited company and proper representation of all stakeholders in the board of the company are absent. All shares of the company are owned by the government.

The recruitment of the Chief Executives of the company - Managing Directors mostly from other companies under Petrobangla along with their short tenure often weakens the leadership of the company. Some of the decisions taken by the board of the company are not always final because finalizations of those decisions are subject to the approval/ratification of the board of *Petrobangla*. With a view to realizing their vested interest, the political masters are found to give pressure on the board to take decision to expand company's franchise area / sell gas to foreign factory that are clearly against the interest of the company and the country as a whole. Most of the revenues collected by the company go to government exchequer, so the company cannot spend necessary money to strengthen its capacity for giving better services to the customers.

The company's planning and yearly target setting for providing gas connection is also found unrealistic. Its achievement rate of providing gas connections to different

customers annually shown in its reports (MIS-May.2007) is **205-230 percent** over the target while huge applications are still pending for gas connection to the customers. This alone speaks of gross inefficiency in planning and target setting of the company like other government agencies of Bangladesh.

The number of women employees of this company is very poor indicating huge gender disparity in the recruitment of the company. Total human resources of this company as of June 2007 are 1233, with *male employees constituting 95.62 percent*.

### **Corruption Scenarios of the Company**

Prevalence of corruption is high in the affairs of the company. Corruption is rampant in the affairs of providing gas connection to the customers and meter reading. Other corrupt practices of the company services are found in pressure tempering, meter bypassing, illegal connection and in road cutting permission.

Gas connection that is mainly dependent on contractors result in inordinate delay and harassment to the customers. The findings of the customer survey in this study show that most of the activities related to gas connection are done by the contractors who are involved in extracting extra money from the customers for self aggrandizement and to bribe company staff to extract perpetual benefits. In fact, the contractors act as middlemen of transferring bribes from customer to company employees. In addition, the company staff are found to act as contractors through obtaining contractor's license in the name of close relatives.

The customer survey of this study shows that 56 percent of customers have paid extra money to get connection and on an average, each domestic customer paying extra Tk. 11,053 and non-domestic customer Tk 45,887. This study also reveals that only in the year 2006-07, *a total of extra TK.25.28 crore* has been extracted from the customers for providing gas connection to the domestic and non-domestic customers. Keeping this in mind, it may be calculated that total extra money extracted from the customers since inception of the company till December, 2007 is Tk.396 crore.

Due to transaction of bribes and the inefficient management of the company, each connection on an average takes 4½ (four and half) months against the maximum two months time for domestic customers, 2 and half months for commercial customers and

three months for industrial customers as stipulated in Petrobangla's Gas Marketing Policy-2004.

#### **System Loss of Gas of the Company:**

It is found that on an average 50 percent of gas is lost or stolen from the total volume of gas the company sold to the non-bulk customers. During *the last 05 (five) years e.g. 2002-2003 to 2006-2007, total system loss in non bulk sales incurred is 1885.39 MMCM equivalents to TK. 6946.38 million (Tk.695 core)*. Based on this rate of system loss, the company from its inception up to December,2007 has lost 5648.16 MMCM which is equivalent to approximately TK.16463.015 million( Tk.1646 crore). This huge system loss is mainly non-technical that takes place mostly for gas stealing, meter by-passing and illegal connection. This indicates gross inefficiency in management, lack of capacity, skill and weak governance of the company.

#### **Key findings of Customer Survey on the Company**

However, gas connection fee fixed by the company seems moderately reasonable by the customers as per the findings of customer survey in this study. A total of 17.9 percent customers are fully satisfied, 50.1 percent are somewhat satisfied, and 20.5 are not satisfied with the fee fixed by the company.

The gas connection process of the company is mostly contractor dependent. It is allegedly found that the company employees compel the customers to approach the contractors to do everything for them. As per customer survey, 48.9 percent respondents contracted the contractor to get all the connection related works done by the contractor under a package deal for a particular amount of money, and 49.4 percent respondents made agreement with the contractor to get the contractor's works done only. In the survey it is found that 28.5 percent respondents take assistance from the contractor for collection of application form, 29.5 percent for filling-up and submission of application form, 80 percent for drawing map of establishment requiring gas connection, 79.90 percent for drawing gas pipe line arrangement, 78.8 percent for collection of road cutting permission, 79.80 percent for collecting no objection certificate from the environment department and 43 percent for depositing security money to the bank.

The survey also reveals that on an average 08 days were required to get the gas supply after connection procedures is completed. However, 26 percent respondents said they got

gas supply immediately after completion of connection procedures, 53.2 percent in 1-10 days, 12.6 percent in 11-20 days, 6.6 percent in 21-30 days and 1.8 percent in 31-180 days to get gas supply. It is mentionable that one respondent says s/he needed 180 days to receive gas flow after completing connection procedures.

The customer survey also shows that most of the domestic customers (77 percent) prefer fixed billing system because there is less harassment in bill calculation and payment. A big number of customers (74 percent) say that they have to face harassment in paying bill in the banks and 99 percent customers have to spend their valuable time waiting while standing in long queue in front of the bank's booth.

The gas supply of the company is found satisfactory to domestic and commercial customers. A total of 93.4 percent customers in domestic and commercial households are satisfied with the supply of the gas of the company. After taking gas connection, the customers rarely register complaints to the company as post connection gas supply of the company function smoothly. But with regard to satisfaction of overall services of the company, the data shows that 58 percent of respondents are satisfied, 40.60 respondents are moderately satisfied and 1.3 percent is not satisfied.

### **Gas Sale to KAFCO:**

The \$ 500 million contract for KAFCO was treated as “Deal of the Year” in 1990. It is described as “the most corrupt deal in Bangladesh’s history”. BGSL supplies 60 Million (6 crore) Cubic feet of Natural Gas to KAFCO every day.

KAFCO agreements have been mostly controversial in Bangladesh, because they entailed the GoB supplying KAFCO with cut-price gas. Even there was no competitive tender for the contract despite having stringent requirements in Bangladesh for competitive tender in public procurement as there is a large share of the GoB in the project.

### **The Salient Features of Bangladesh- KAFCO Contract:**

- KAFCO contract involved huge corruption by the then government ministers and officials as per the different journalist reporting at that time.
- A.K.M. Mosharraf Hossain, then the secretary for Ministry of Industries in Bangladesh acted as sole negotiator of the deal by getting unprecedented *power of attorney* from H M. Ershad, continued to receive personal financial support from

one of the KAFCO's largest foreign investors-Japanese company Marubeni. But there has never been an official investigation of corruption in relation to KAFCO, and no one has ever been prosecuted.

- A white paper produced on KAFCO in 2001 for the then government of Bangladesh described KAFCO contract as “manifestly disadvantaged” to company itself. It added that the GoB as being the major shareholder will not get “benefit in any significant way from its investment in KAFCO”.
- GoB from the very beginning granted KAFCO extraordinary concessions that were far more in the interest of foreign investors than of the country. KAFCO was to receive gas on a preferential basis and at a cheaper rate than any other consumer in the country- at half the price of gas supplied to other fertilizer companies in the public sector. This annual subsidy to KAFCO of cheap gas provided by the GoB has been estimated at \$18.5 million (approximately 109 crore taka) a year. Bangladesh's total subsidy to KAFCO up to July 2008 is estimated to be in the region of \$ 277.5 million (approximately **1637 crore taka**).
- In 2000-2001 and 2001-2002 fiscal year, KAFCO showed its operating profit of roughly \$ 5 million each year. But if the gas subsidies, provided by the government of Bangladesh were removed, KAFCO would still be operating at loss (Hawley, 2003, Weekly Market Review, 2001).
- According to a researcher- Dr. Susan Hawley of UK based The Corner House, estimates of the net drain on Bangladesh's resources of KAFCO are in the region of \$ 350 million (approximately 2065 crore taka up to 2003. )
- Natural gas is the major raw material of the factory, supplied from the offshore Sangu gas field operated by foreign gas company Shell through BGSL, which charges \$ 2.9 for thousand cubic feet. Bangladesh however receives only \$ 1.00 per thousand cubic feet from KAFCO though its price has increased at \$1.20 cent which consumes 60 million cubic feet of gas per day (Weekly Market Review, 2001). And one former chairman of Petro-bangla says that if BGSL is failed to supply gas to KAFCO, GoB is obliged to provide 4 crore taka as penalty as per the term of KAFCO contract. He also adds that BGSL is to sometimes stop

supplying gas to domestic industries to continue the uninterrupted gas supply to KAFCO.

**How Bangladesh BGS� is losing by supplying Natural Gas to KAFCO BGS�:**

BGS� has sold 6709.05 MMCM<sup>2</sup> gas to KAFCO up to May, 2007 from 26, April 1994 for approximately TK. 43462.31 million (4346 Crores). If this amount of gas were sold to international market at the minimum price rate of \$ 5 per thousand cubic feet gas, then the total sale would

have been TK. 71048839500 (7105 crore taka) and the profit could have stood at taka 3825 crore taka approximately. So the net loss of the company as well GoB is 3828 crore up to May, 2007. In this way, every year on an average, BGS� especially Bangladesh is losing 239 crore by supplying

Price of gas sale to KAFCO in Five years			
Year	Amount in MMCM	Price in Million taka	Unit Price per thousand Cubic feet
2002-2003	587.27	1235.17	59.58 taka
2003-2004	564.61	1196.97	60.05 taka
2004-2005	604.92	1798.16	84.20 taka
2005-2006	566.54	3261.26	163.07 taka
2006-2007	543.31	3519.65	183.51 taka
Total=	2866.65	11011.21 ( 1101 Crore)	

Source: BGS� MIS Report, May, 2007

subsidized gas sale to KAFCO. Only in the last five fiscal years 2002- 2007, BGS� lost approximately TK 1884 crore in comparison to gas price of international market.

KAFCO contract was undoubtedly detrimental to Bangladesh’s national interest. The discriminating nature of this contract has been sufficiently researched and evidenced.

Please see for example “Turning a Blind Eye Corruption and the UK Export Credits Guarantee Department.” by Dr. Susan Hawley, June 2003, The Corner House, UK.

**Recommendation for management level:**

- The drive of disconnecting the illegal gas connections in different establishments should be strengthened. Connection checking and monitoring system should be strengthened by the honest staff of the company

<sup>2</sup> MMCM stands for Million Cubic Meter; 1.00 MMCM equals to 35.3 cubic feet.

- Monthly meter checking, quarterly connection checking on surprise basis, six monthly lines checking to identify leakages and illegal connection should be introduced and activated.
- Syndicate of contractors and illegal nexus of contractors with company staff should be broken down so that they cannot make illegal pressure upon the company.
- The names and official address list of contractors should be opened and hanged in the notice board of the company offices so that the customer can easily identify them.
- An effective advice and information desk should be set up at the lounge of company office from where the customers can get all information regarding connection and other services of the company.
- A complaint box should be set up at company office space where the aggrieved customer can complain regarding the harassments made by the contractors and the staff. It is mentionable the complaint box should be opened regularly and thus taken initiatives to address those complaints properly and neutrally.
- The number of banking booths for paying bills related to gas consumption should be increased and made easily reachable by the customers. It is also recommended to expand/introduce prepaid billing system to reduce time consumed while standing in queue in the banks. .
- The gas pipe line should be checked and cleaned periodically and regularly for flowing gas smoothly and lessening technical loss of gas. A gas pipeline cleaning and monitoring cell may be established /strengthened in the company.
- Company offices and service centre of the company to reach the customer easily should be increased.
- E-governance system should be introduced; strengthen and update the websites, web based information collection and disseminations system should be introduced and activated.
- The customer with customer ID number should be introduced to easily know the status of his/her bill, and progress made in connection procedures through e-governance process of the company.

- Billing and revenue collection process should be computer based with latest IT accounting software.
- Inter-service coordination meeting among BGSL, Chittagong City Corporation, municipalities & Union Parishads in BGSL franchise Areas, Roads & Highways, LGED and Environment department and banks should be held on monthly basis to review and resolve inter-service issues.
- BGSL can make partnership with private companies for providing gas connection instead of present contractor-based services. Meter reading bills preparation and revenue can be collected through partner organizations, thus reducing the exploitation of the contractors.
- Awareness program should be introduced through electronic and print media to raise awareness among the customers for optimal use of the valuable natural resources of the country.
- Unnecessary staff should be retrenched or trained for utilizing them in the interest of the company.
- The company should seriously consider recruiting more female staff and officers to make the company gender balanced.
- Skills and capacity of the company employees should be increased through training in home and abroad.

**Recommendation for Policy level:**

- Prepaid billing system should be introduced for all domestic customers instead of current fixed billing system for saving natural gas and increasing revenue for the country.
- While taking important sensitive decisions by the company related to gas distributing to local customers, representatives of field level staff who are directly involved in the implementation of those decision should be invited to discussion
- Gas connection process should be simplified more and one stop service centre may be setup where a customer can collect application form, deposit money and collect other required permissions like road cutting, no objection certificate of environmental department.



- Utility Services Court may be established for the trial of alleged person(s) involved in the energy crimes.
- Energy Regulatory Commission should be activated as soon as possible to identify loopholes and take immediate reform measures in the company.
- BGSL should be provided with the character of public limited company as per the Company Act, 1994 and be governed by such laws. And significant portion of shares of the company may be publicly traded.
- Tenure of the Chairman and other board members should be on fixed term basis so that frequent change of the members cannot take place.
- The board of the company should be free from dual control of Petrobangla and the Ministry of Power, Energy and Mineral Resources and political masters of the country.
- Activities of Collective Bargaining Agents (CBA) should strictly be controlled or banned considering the nature of the services being provided by the company.
- The company should seriously consider to stop providing gas connection in the rural areas for domestic use. Because construction of gas pipeline and maintenance cost are higher than the revenue collected from such customers, making the payback period unbelievably longer. Rather the BGSL should provide more connection to local industries which will ultimately contribute to the countries economy and poverty alleviation.
- The company as well as the government should be very meticulous while negotiating for multi-billion taka gas agreement with multinational companies like KAFCO. Otherwise chances of being deprived of huge revenue annually cannot be avoided. The interest of the country and not the interest of any government within or outside the country should be the prime criterion for negotiation. While negotiating for the renewal of gas sales agreement, government must have put pressure on the multinational companies to KAFCO to sell a certain percentage of their production at reduced international market rate to help sustain the country's economic growth and thus discharge their corporate responsibilities.

# **Corruption in Distribution and Marketing of Natural Gas in Chittagong**

## **Region: A Case Study on Bakhrahd Gas System Limited**

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### ***Chapter One: Background and Conceptual Framework of the Study:***

#### **1.1. Background of the study:**

The most important non-renewable indigenous commercial source of energy in Bangladesh is natural gas. The estimation of remaining gas reserves in Bangladesh has been subject to much controversy in the recent years. Estimates of remaining recoverable reserves are in the range of 11-16 trillion cubic feet (TCF). As per the primary technical report titled "Petroleum Potential and Resource Assessment-20001" conducted by Bangladesh Hydro Carbon Unit in collaboration with the Norwegian Petroleum Directorate, the projection of gas reserve in Bangladesh is 28 TCF, but the recoverable amount is 20.4 TCF. In the mean time 4.3 TCF gas has already been consumed. It is also said that the gas reserve of Bangladesh may be exhausted by 2012 (Rehman, 2008).

Estimate of undiscovered reserves are necessarily speculative. Even if optimistic undiscovered reserve estimate becomes justified, projected domestic needs for natural gas- primarily in power generation are very large. (Miyani *et al*, 2004). Because 90 percent electricity is produced from natural gas consuming out of 52 percent of total gas. Besides this, 16.77 percent natural gas is used in fertilizer production, 31.66 percent in industry, domestic and commercial entities in Bangladesh.

In 1996, world primary energy consumption was 9600 Million tons of oil equivalent ( Mtoe) out of which the share of various energy were petroleum 37 percent, coal 29 percent, natural gas 21 percent, hydropower 7.00 percent and nuclear 6.00 percent (Islam,2001). The share of natural gas consumption is increasing all over the world day by day and the projection is for further increases in relative importance of natural gas as energy source. Just the 19<sup>th</sup> century was the age of coal, and the 20<sup>th</sup> century was the age of oil and it may well be that the 21<sup>st</sup> century will be the age of gaseous fuels, among which natural gas is the most important (The Economist, 2001).

Bangladesh is a developing country and its annual average GDP growth rate is on positive trend for the last few years (6.00-6.50 Percent). There is also a positive relationship between GDP growth and the rate of energy consumption. The linkages are also found among the per capita energy consumption and per capita income. Higher per capita efficient energy consumption results in higher per capita income (Price-2000). The relation between the rate of energy consumption and the rate of poverty alleviation in a country is positive but complex.

Bangladesh's energy sector remains underdeveloped, representing a major development challenges because of inadequate and inefficient supply of commercial energy for faster growth and poverty reduction. Low per capita availability and user coverage of commercial energy, compounded by substantial gas and power shortages, have continued to constrain growth, affecting the poor disproportionately. Inefficiencies and rent seeking in energy provision particularly in distribution, billing and collection, low levels of commercialization and inadequate tariffs have all contributed to poor financial performance of the energy entities. Excessive government interventions in the operation of energy utilities and inadequate expertise within these entities have contributed to unsatisfactory outcome. Public provision of energy has contributed most to SOEs losses and led to massive transfer of resources. Financial liabilities of energy sector entities represent major contingent liabilities for the exchequer (World Bank, 2003).

Historically in Bangladesh small private producers undertook the power and energy generation during the colonial regimes-British and Pakistan. Bangladesh since its independence has been relied primarily on State Owned Enterprises (SOEs) to produce and distribute energy. One of the most important SOE in Bangladesh is *Bangladesh Oil, Gas and Mineral Corporation (BOGMC- Petrobangla)*. It has several subsidiaries in energy sector, ranging from gas exploration, transmission, and distribution to coal mining.

Until today, except the southern and north –western part of Bangladesh, the other areas have been brought under gas connection network or under processing. Presently, everyday the four distribution companies of Petro-bangla (BGSL, Titas Gas T&D Co. Ltd, Jalalabad Gas T&D S Ltd and Western Region Gas Co Ltd) are distributing about 1300 million cubic feet of natural gas daily among the 1.3 million customers all over Bangladesh. In addition, 2.9 Million ton of fertilizer and 90 percent electricity of the country are produced from natural gas in every year. The natural gas has also been used in industry, commercial outlets, domestic households, tea garden, seasonal sectors, captive power generation, and compressed natural gas (CNG) sectors to contribute to economic growth in Bangladesh. Every year, a total of about one hundred thousand (100000) customers apply for gas connection to four state owned gas marketing companies in Bangladesh (Petrobangla, 2004).

Established on June 7 in 1980 as a government owned company, BGSL (Bakhrabad Gas Systems Limited) started its journey for natural gas production, transmission and distribution in Chittagong region. And in May, 1994, BGSL affirmed its marketing activities and in 1993-94 it came to profit by selling gas to its customers. In 1993-94, GGSL achieved net profit 926.91 taka (93 Crores) and transferred TK. 364 million (3.64Crores) as profit on dividend and TK 39.51(4 Crores) as income tax in government exchequer. Initially the authorized capital of BGSL was Tk.3000 million (300 Crores) and

later on it increased in phases about TK. 8000 million (800 crore)

Providing new gas connection and the customer services are the big management and governance issue. As the reserve of such non-renewable fuel is limited, so the optimal use of this valuable resource is very important to meet the present and future fuel demand for economic growth of the country.

### **1.2. Justification of the study:**

The internal monitoring mechanisms of governmental agencies in developing countries are seldom able to effectively track the outcomes of its policies and programs. Some aspects of outcomes are best known to users and beneficiaries of program and services they receive. This source of information is rarely used by the government. Through this research, Bakhrabad Gas Systems Limited, a subsidiary company of Petrobangla and its supervising authorities will be able to learn a great deal about the quality and adequacy of its services from citizen/users feedbacks. This study mostly offers a valuable tool to gather such feedback in a systematic and representative manner from the users of the services.

The most of the state owned enterprises in Bangladesh give services to the citizens/customers in monopolistic ways since the inception of Bangladesh. Usually citizens are dependent on these organizations in leading their daily lives but the quality of such services remains inadequate and unreliable due to various reasons. The practice is that such organizations usually do not take initiative to take feedbacks from their customers about the quality of their services delivered everyday. Bakhrabad Gas Systems Limited (BGSL) is one of the state owned companies involved in gas distribution and marketing among four hundred thousands customers in south-eastern part of Bangladesh. This study is designed to gather feedbacks from users of services of BGSL, to analyse the policies and practices of the company to see how far those policies are customer friendly and efficient and thus recommend systematic changes to stop corrupt practices for providing better services from the company. The Committee of Concerned Citizens (CCC), Chittagong Metropolitan formed with the inspiration of Transparency International Bangladesh (TIB) is expected to use this tool to make dialogues and advocacy with the authority of the company and Petrobangla in bringing positive changes in the service delivery system of the company.

### **Objectives of the study:**

The broader objective of the study is to assess governance in the service delivery system of Bakhrabad Gas Systems Limited (BGSL) in regard to optimal and efficient use of natural gas in Bangladesh.

The specific objectives of the study are to:

- 🚩 Identify the strengths and weakness of governing body (board of directors) and management of the company;
- 🚩 Rate the availability, reliability and quality of services of the company;

- 🚩 Identify problem spots or deficient areas in the service delivery system of the company.
- 🚩 Measure the nature and extent of hidden cost, forced payment (bribes) in regard to services.
- 🚩 Measure the satisfaction/dissatisfaction of service users of the company;
- 🚩 Find out reasons for dissatisfaction and ways to improve the company's services.
- 🚩 Suggest policy recommendations.

#### 1.4. Conceptual Framework of the study:

This study is conducted based on mixed research tools and concepts related to governance. These are mainly *Citizen's Report Card* and *Diagnostic Study*.

##### **Citizen's Report Card:**

The *Citizen Report Card* is an independent research tool to assess governance of public service providers which is pioneered by Public Affairs Centre (PAC)<sup>1</sup>, Bangalore, India in 1993. Dr. Samuel Paul, a social scientist in Bangalore invented this idea from the concept of *School Report Card* usually prepared by the school authority for the students to assess their performance in the class. Mr. Paul tried to apply this idea in strengthening the service delivery system of public providers, which usually face governance crisis. Lack of *exit* options, poor *corrective* actions, and weak *collective* actions are the most important causes of poor service delivery outcome of public providers as a whole, he observes. The probable solutions he identified are to provide credible user feedback on public services, providing opportunities to communities to demand more access, responsiveness and accountability from service providers.

Report card is also a method of creating an effective diagnostic tool for service providers and encouraging them to introduce citizen friendly practices, an environment to facilitate demand mobilization and 'Rights-Based' strategies, reporting always in PUBLIC DOMAIN<sup>2</sup> and making not a one-off effort but continuing benchmarking. Public Affairs Centre (PAC) conducted such report card for few years' interval for differentiating the service improvement and/or rating and it thus showed huge impact of the study experiencing remarkable changes in those sectors. Then it was proved as an effective tool to improve service qualities of public providers. Later on this approach was accepted by Transparency International and World Bank as a tool for advocacy of reforming public sectors and improving governance in public service delivery organizations in Asian and African countries.

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<sup>1</sup> PAC is a non government civil society organization at Bangalore, India which has been working for promoting good governance in public providers in India. Report Card Survey is one of the important research and advocacy tools of the organization.

<sup>2</sup> PUBLIC DOMAIN refers to the sphere where state and citizens interact for political purpose.

## Chapter Two: Sources of Information and Tools for Data Collection:

### 2.1. Sources of Information:

Most of the primary data are collected from service users of BGSL in Chittagong City Corporation areas through cluster sample survey. Other related data and information are collected from company staff and officers, journalists and related literatures.

#### Tools used for data collection:

Structured interview questionnaire, Focused Group Discussion (FGD), In-depth Key Informants Interview and relevant literature have been used to collect primary data and information of the study.

#### Sample size for survey data collection from service users:

In customer survey, service recipients of Bakhrabad Gas Systems Limited (BGSL) in Chittagong Metropolitan Area are considered for data collection. One respondent was selected from one selected household. The respondents were household head or other persons who had had experiences in getting the services of the company. The age of the respondent was not less than 18 years. Respondents were selected from different socio-economic classes, different sex and age groups.

Based on the cluster sampling, the Chittagong metropolitan city is broadly divided into **07 (seven)** clusters so that these clusters can represent the whole city covering the wards no. 09, 16, 19, 21, 23, 24, 25, 27, 28, 30, 31, 32, 34, 36, 39 of Chittagong City Corporation having 41 wards. The clusters selected for data collection are Korbanigonj, Chandpur, Rahmatgonj,

Sl No.	Name of Cluster	Domestic Household	Non Domestic (Commercial) households
1	Korbanigonj	13	05
2	Chadpura	28	04
3	Rahmatgonj	35	08
4	Sadarghat	37	14
5	Patharghata	55	06
6	Dewanhat	89	17
7	Agrabad	244	50
	Total	500	103

Table: 2.1: Distribution of Sampling

Sadarghat, Pathargata, Dewanhat and Agrabad. The sample is proportionately distributed among the randomly selected 07 clusters. The sample size for the household survey stood at 603, out of which, 500 households (Domestic) and 103 Non domestic (Industrial outlet and commercial outlets). The interviewers selected 500 domestic households and 103 non-domestic household- industrial and commercial outlets in selected areas. Data from the households are collected from *28 November 2006 to 21 December 2006*.

#### Designing Questionnaires:

A structured interview questionnaire was developed for the study consisting of 06 major sections. The first section contains the general information of interviewer, the supervisor, and way of back checking and spot checking. The second section focuses on the socio-economic condition of the household, the third section on the information of interviewees, fourth section on connection process of BGSL, fifth

section on usage of gas by domestic users, sixth section on non-domestic users, seventh section on services of the company and their recommendations to improve the services.

The first draft of the questionnaire was developed on the basis of the first workshop. The first draft was circulated among CCC staff and CCC members. After getting the feedback from CCC staff and CCC members, the second draft was developed. The second draft was tested near the CCC areas as pre-test among 20 respondents (15 from domestic households and 05 from non-domestic household). After pre-test, the questionnaire was finalized. Checklists were prepared and tested before conducting Focus Group Discussion and Key Informant Interviews.

## **2.2. Techniques of Data collection and analysis:**

The data are mainly collected from primary sources through individual interviews, focus group discussion and key informants. Besides, secondary sources are also used for reviewing policy and practices of the company. Three interviewers and one supervisor were engaged in data collection process. The researcher himself and an assistant research officer (research & information) supervised the data collection process and checked the quality of data. For this purpose three-day training was arranged for the interviewers, supervisor, and others concerned. To run the fieldwork effectively and to maintain the quality of data, surprise spot visits were made by the CCC members and the supervisors. Such frequent visits were helpful for monitoring the performance and giving proper guidance to ensure timely completion of fieldwork. A total of 20% of the selected respondents were rechecked in the sample survey.

After completion of the data, all data are entered into computer using MS Access Program and analyzed using SPSS program. Before analysis, all data are cleaned with proper attention. All the

## **Limitation of the study:**

In this research, data from gas users of BGSL are collected from a particular area specially Chittagong Metropolitan City; other franchise areas of the company were avoided due to shortage of fund. Although the study primarily focuses on the assessment of governance of the company in regard to service delivery, the purposive selection of respondents in a particular area in the customer survey nevertheless does not affect the objectives of the study. Data collection from domestic users was found to be easy but it was difficult to collect from commercial users because of their being seriously preoccupied in other business activities. It was more difficult for the researchers to collect data and information from the company officials. The officials were found reluctant to talk about this issue and even to provide secondary information of the company. As BGSL is a government owned company,

disclosure of information to outsiders is highly restricted. Some officials of the company have provided important information and data on condition of anonymity. Respondents of large industrialists are rarely accessible to get information for their business.



## Chapter Three: Corporate Governance Models and Bakhraabad Gas Systems Limited as a Corporate Organization:

### 3.1. Corporate Governance and its Models:

Corporate governance<sup>3</sup> is the set of processes, customs, policies, laws and institutions affecting the ways in which a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large.

Corporate governance is a multi-faceted subject. An important theme of corporate governance deals with issues of accountability, essentially advocating the implementation of policies and mechanisms to ensure good behavior and protect shareholders. Another key focus is the economic efficiency, through which the corporate governance system should aim to optimize economic results, with a strong emphasis on shareholders welfare.

In fact, corporate governance is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs.

There are many models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The liberal model that is common in Anglo-American countries tends to give priority to the interests of shareholders. The coordinated model that one finds in continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. Both models have distinct competitive advantages, but in different ways. The liberal model of corporate governance encourages radical innovation and cost competition, whereas the coordinated model of corporate governance facilitates incremental innovation and quality competition.

In the United States, a corporation is governed by a board of directors, which has the power to choose an executive officer, usually known as the chief executive officer (CEO). The CEO has broad power to manage the corporation on a daily basis, but needs to get board approval for certain major actions, such as hiring his/her immediate subordinates, raising money, acquiring another company, major

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<sup>3</sup> Please see [www.wikipedia.org/corporate](http://www.wikipedia.org/corporate) governance

capital expansions, or other expensive projects. Other duties of the board may include policy setting, decision making, monitoring management's performance, or corporate control.

The U.K. has pioneered a flexible model of regulation of corporate governance, known as the "comply or explain" code of governance. This is a principle based code that lists a dozen of recommended practices, such as the separation of CEO and Chairman of the Board, the introduction of a time limit for CEOs' contracts, the introduction of a minimum number of non-executives directors, of independent directors, the designation of a senior non executive director, the formation and composition of remuneration, audit and nomination committees. Publicly listed companies in the U.K. have to either apply those principles or, if they choose not to, to explain in a designated part of their annual reports why they decided not to do so. The monitoring of those explanations is left to shareholders themselves. The tenet of the code is that one size does not fit all in matters of corporate governance

In East Asian countries, family-owned companies dominate. A study by Claessens, Djankov and Lang (2000) investigated the top 15 families in East Asian countries and found that they dominated listed corporate assets. In countries such as Pakistan, Indonesia and the Philippines, the top 15 families controlled over 50% of publicly owned corporations through a system of family cross-holdings, thus dominating the capital markets. Family-owned companies also dominate the Latin model of corporate governance that is companies in Mexico, Italy, Spain, France (to a certain extent), Brazil, Argentina, and other countries in South America.

**Key differences between Anglo-American Models and Non Anglo -American Models of Corporate Governance**

Anglo-American Model	Non Anglo -American Model
<ul style="list-style-type: none"> <li>-This model is embedded in variety of capitalism-America, UK and Japan</li> <li>-Have different forms- Liberal, coordinated and flexible;</li> <li>-Liberal model tends to give priority to the interests of shareholders; encourages radical innovation and cost competition,</li> <li>-Coordinated models recognizes the interest of workers, managers, suppliers, customers, and the community; facilitates incremental innovation and quality competition</li> <li>- A flexible model pioneered by UK, known as the "comply or explain" code of governance is based on principle that lists a dozen of recommended practices that the company follows in flexible manner.</li> </ul>	<ul style="list-style-type: none"> <li>- It is originated in East Asian countries and Latin America</li> <li>-Companies are owned and controlled by families/government,</li> <li>-Dominating capital market by owners of the companies/corporation</li> <li>-High concentration on shareholding rather stake holding</li> </ul>

Based on the above research approaches, governance concepts and models of corporate governance, this study will strive for analysing the governance of the company, Bakhraabad Gas Systems Limited. More specifically, these conceptual frameworks discussed above will be helpful to see how the

company's policies, practice and structure comply with the corporate governance norms and models. These concepts will also be applied to assess reasons /the loopholes in the service delivery system of the company as a whole.

### **3.2. Bakhrabad Gas Systems Limited: Its origin and expansion:**

Bangladesh Gas Systems Limited is one of the old companies of Petrobangla under the Ministry of Power, Energy & Mineral Resources of the Government of the People's Republic of Bangladesh. It started its journey on 7 June 1980 as the government-owned company with its all shares owned by the government. The head office of BGSL was established at Chapapur, Comilla. The primary responsibilities of the company were production, transmission and distribution of natural gas to south-east Bangladesh (excluding Brahmanbaria district) through the development of Bakhrabad Gas Field and construction of Bakhrabad-Chittagong gas transmission pipe line. In 1989 under reorganization plan of Petrobangla, the role of BGSL was changed and the major activities of BGSL were confined to transmission and distribution of natural gas. In 2003, BGSL further handed over its high pressure transmission lines to Gas Transmission Company Limited (GTCL) under another re-organization plan of the government. Since then the main role of BGSL was confined only to the gas distribution and marketing activities. BGSL has been earning profit by selling gas to different customers since mid 90s.

#### **Why Bakhrabad as the Company's Name:**

Bakhrabad is a village in Muradnagar upazila under the Comilla district. In 1968, while the then government of Pakistan in collaboration with Shell International was striving hard to discover the gas field in Comilla. The seismic survey team made their base camp at Bakhrabad near Ramchandrapur in Comilla due to bad communication network to reach the field. Though the village Bakhrabad was nine kilometer away from the real gas field located near the village of Gangutia on bank of the river- Gomati in Comilla, nevertheless the gas field was named after Bakhrabad, the base camp. In 1977-78, the then government of Bangladesh formulated a project titled Bakhrabad-Chittagong Gas Project to supply gas for the proposed Urea factories in Chittagong as per the recommendation of *Techno economic feasibility* study of a consultancy group headed by UNICO. And later on, this project turned into a company of Bakhrabd Gas Systems Limited.

#### **Franchise Area of BGSL:**

BGSL supplies its gas to different major towns, municipalities/upazila head quarters in south-eastern part of Bangladesh. BGSL's gas network covers Comilla, Chittagong, Chandpur, Noakhali, Feni and Laksmipur district and Laksam, Muradnagar, Devidar, Daudkandi, Homna, Chandina, Barura, Hajigonj, Chauddagam, Matlab, Kachua,, Bashurhat,, Senbag, Dagonbhuiyan, Chaumuhoni, Begumgonj, Chatkhil, Chagalniya, Ranguniya, Patiya, Boalkhali, Kaptai, and Kashba and Bancharampur upazilla. It

is mentionable here that BGSL works in three major service/administrative zones which are Comilla, Chittagong and Noakhali. Of the three, Chittagong is the biggest.

#### Gas Sources of BGSL:

BGSL purchases gas from different companies and sells to different customers in its franchise areas. BGSL procures gas from BGFCL, BAPEX, SGFL and IOC. The sources of gas of BGSL are Bakhrabad, Feni, Meghna, Salda, Habigonj and Sangu gas fields under the above companies. From inception to May 2007, BGSL purchased a total of 37654.4 Million Cubic feet gas for Taka. 61341.92 million (6134 Crore).

#### Customers of BGSL:

BGSL sells gas to different categories of customers in its franchise area. The total number of customers of BGSL as of December, 2007 stood at 415320. The category of customers includes power generation, fertilizer production, captive power generation, industry, commercial outlets, brick fields, domestic households, tea-garden, and CNG station. Electricity and fertilizer production companies are the bulk customers of BGSL and consume about 70 percent gas distributed by BGSL. It is also remarkable that about 66% of customers of the company are in Chittagong zone and other 34 percent in Comilla and Noakhali Zone of the company (BGSL MIS Report, May,2007).

**Table: 3.1. Category wise BGSL Customers as of Dec, 2007**

SL	Category of Customer	Number of Connection
01	Electricity	05
02	Fertilizer	03
03	Industry	999
04	Captive power	119
05	Commercial	4,079
06	Tea garden	1
07	CNG	38
08	Domestic	4,10,076
	Total	415320.

**Source: BGSL MIS report**

#### Organizational structure and Human Resources of the Company:

The organizational structure of the company is very big having 07 divisions. The divisions are Administration, Company Secretariat, Finance & Accounts, Planning & Development, Operation, Marketing Division (Comilla) and Marketing Division(Chittagong). The Divisions are headed by General Managers. The Managing Director is the Chief Executive Officer of the company.

**Table: 3.2. Male/Female employee ratio of BGSL**

Category of Employee	Male	Female	Total
Officer	454 (94%)	30 (6%)	484 (100%)
Staff	725(97%)	24 (3%)	749 (100%)
Total	1179 (95.62%)	54(4.38%)	1233(100%)

There are different designations of officer as per their responsibilities. They are General Manager/ Secretary, Deputy General Manager, Manager, Deputy Manager, Assistant Manager/ Engineer, Assistant Officer/Sub Assistant Engineers etc. The General Managers are responsible for running the divisions of the company. Please see the organogram of BGSL in appendix-01.

The Total human resources of this company as of June 2007 are 1233 out of which officers are 484 (Male- 454, female-30) and staffs are 749 (Male- 725, Female-24). Total male staff is 1179 and female 54 meaning the male staff constitutes 95.62 percent of the total manpower. The table shows that the number of women employee is very poor indicating huge gender disparity in the recruitment of the company.

### **3.3. Governance of the Company:**

The main policy making body of the company is the Board of Directors headed by a chairman. The government and Petrobangla recruit the directors. Managing Director is the chief executive officer of the company and responsible for the execution of policies of Petrobangla and the decisions of Board of Directors. Board of Directors of the company is comprised of 06 members- one is chairman and the others are members. Managing Director of the company is by default one of the members of Board of Directors of the company. In practice, the members of the Board of Directors are selected from Petrobangla/ other gas distribution companies under Petrobangla or Ministry of Energy and Mineral Resources and only one member from private sector.

#### **Diagnosis of Governance and Management of the Company as Corporate Body:**

*Tenures of the Chairmen of the board of Directors are found to be very of short duration.* The secondary data indicates that during the 27 years of existence, 24 persons performed as Chairmen in the BGSL Board of Directors. On an average, one chairman has held the position only for 1.12 years. For other members, the tenure is almost same. This short tenure of the chairmen and board members is neither helpful for the incumbents to understand the technicalities involved in gas distribution nor does it create any favorable condition for them to formulate any efficient and effective policy/decision for the company as well. In addition, the selection process of the board members depends not on qualification in the relevant fields but on the basis of position held by the incumbents in the bureaucratic hierarchy. Stakeholders like customers have no role in selecting the board members.

*BGSL is found to be a company without vision.* Its planning and yearly target setting for providing gas connection is also found unrealistic. The MIS reports of the company shows that, every year this company has fulfilled its yearly target in six month on an average specially in providing gas connection to the customers with its rate of achievement hitting 215-250 percent (see the appendix-02 for details) over the target, thus indicating gross inefficiency in planning and target setting of the company like other government agencies of Bangladesh.

*The company is very much controlled by the government though it is constituted under the Company Act of 1994.* The total share of the company is owned by the government of Bangladesh. So the board of directors of BGSL has always been nominated from the government officials especially from the

Petrobangla and Ministry of Energy and Mineral Resources. The fact is that out of 24 Chairmen, 03 were Secretaries of the Ministry of Energy and Mineral Resources, 16 were the Additional Secretary of the Ministry of Energy and Mineral Resources, 02 Chairman of Petrobangla, 03 were Directors of Petrobangla. And other members of the Board are recruited from Petrobangla and Ministry of Power, Energy and Mineral Resources (MPEMR). Interestingly, most of the directors nominated from Ministry of Power, Energy and Mineral Resources (MPEMR), have hardly any expertise in energy sectors in Bangladesh. This practice has undoubtedly destroyed the very nature of BGSL as company and is contradictory to the concept of corporate governance working all over the world.

*Some of the vital decisions taken by the board of the company are not always absolute because finalization of those decisions is subject to the approval/ratification of the board of Petrobangla as well as the ministry.* Moreover, these decisions are, in most of the cases, influenced by the ruling party. Although the board of directors as per Company Act 1994 is the supreme decision making body, the government audit department frequently stops the incentives provided to the BGSL staffs by the board of directors of the company thus reducing its power to the minimum. The government audit department always imposes government rules/regulations on the company, thus destroying company nature of BGSL. The political party in power put pressure on the board with regard to forceful foreign procurement, expansion of pipeline network, provision of gas connection to particular area or industry etc., disregarding the financial interest of the company in order to realize their vested interest.

*The company faces financial crisis.* The main income of the company comes from gas sale. But the gas pricing of the company does not depend on company's decision because government decides the price of gas through Petrobangla. Under the existing practice Petrobangla buys gas from IOCs at a higher price and sells to over 80 percent of the total consumer (power and fertilizer) at a lower price (CPD, 2001). In this way, the government has been providing huge subsidies to the gas sale. In addition, Petrobangla, the controlling body of BGSL, has to pay the government all corporate taxes and VAT on behalf of IOCs as the IOCs are not subject to pay any taxes to the government under PSC. As such, most of the revenues collected by the company go to government exchequer, putting the company in financial crisis to strengthen its capacity for giving better services to the customers and thus no money to be spent for research and development.

*The company faces leadership crisis.* The Managing Director (MD), in most of the cases, is recruited from other companies under Petrobangla or from Petrobangla itself. As an outsider the new MD can neither assess the peculiarity in the problems of the company properly nor can s/he raise the right issues to the board of directors.

*The representation of customer and employees are seen absent in the highest decision making body of the company.* As a result, the ownership is not created among the employees of the company and thus huge rent seeking attitudes prevails among the staff members in the delivery of service of the company.

*Woman participation in the highest decision making body of the company- board of directors is absent.*

The fact is that no woman member has yet been recruited/ selected in the board of directors since the inception of the company. While recruiting the employees, the company has categorically failed to recruit female staff which is below 5 percent of the total staff members. Though the optimal and efficient use of gas in domestic level is mostly dependent on women in our country, women's participation in all level of the company remains very negligible.

*The representation of other stakeholders of the company is absent in the governance of the company.*

There is no provision for customers to represent themselves in the company board. As a result, it is not possible for the government occupied board of directors to understand what the customers' demand, what are suitable for the customers and the country as whole.

To conclude this chapter, it can be said that BGSL does not follow the principle and ethics of corporate governance working in developed countries. Though this company is established under provisions of Company Act, all its shares are owned by the government. The company earns profits in each year, but it could have earned more profit if its gas distribution policies and management were efficient. Mismanagement, excessive government control, lack of vision and proper planning of this company accounts for huge loss of revenue collection of the government and the country as a whole. The scenarios of governance in energy sector was detected rightly by the CPD Task Force<sup>4</sup> in 2001. The report said 'The government, through the Ministry of Power, Energy and Mineral Resources (MPEMR), wholly *owns* and *supervises* the exploration for oil and gas as well as production, transmission and marketing of gas; import of crude oil, refining and distribution of POL products; and generation, transmission and distribution of electricity. The exclusive authority for policy formulation, key appointments (even transfer of officials), investment decisions, and above all regulatory aspect of energy sector rests with MPEMR. The present framework is institutionally complex. Its main feature is that all matters, whether policy, operational, or regulatory- are ultimately decided by the Government, and the decision are often delayed unnecessarily, leading to mismanagement, cost and time over run etc.

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<sup>4</sup> Please see Policy Brief on "DEVELOPMENT AND GOVERNANCE OF THE ENERGY SECTOR". CPD TASK FORCE REPORT, 2001.

## Chapter Four: Gas Marketing Policy, Practices and Implications

### 4.1. Gas Marketing Policy-2004:

With a view to ensuring transparency and accountability in all spheres in gas distribution across the country, Gas Marketing Policy-2004 was approved by the Petrobangla Board of Directors' in its 339<sup>th</sup> meeting of 13 May 2004. This policy document was prepared with the expectation of bringing uniformity of gas distribution rules and procedures among the four companies (Titas Gas T& D Co. Ltd, Bakhraabad Gas Systems Limited, Jalalabad Gas T&DS Limited and Western Region Gas Company Limited). The simplification of gas connection process, improvement of post connection services, determination of the responsibilities of the companies and their customers, ensuring the connection within stipulated time, determination of the commercial fees/surcharges/security deposits/minimal payment in realistic ways, taking effective efforts to collect bill/fines, preventing gas stealing and decreasing system loss in gas distribution and marketing were the important objectives of the policy.

#### Process of Gas Connection:

Gas connection process of BGSL is systematically complex representing huge bureaucratic red-tapism. One customer has to overcome at least 20 steps to get final connection of gas from this company. There is no one service center of the company and this process is linked with other utility service organization like municipality, union Parishad, roads & high ways department and environmental department.

#### Domestic Connection:

A person willing to take gas connection from the company for domestic use has to apply for gas connection in company's prescribed form on payment of TK.100. The document required for this purpose are attested copies of records of rights/ deed against ownership of the house to be connected for gas line, two

Sl No	Description	Chittagong City	Other area
01	Internal Pipeline(up to 10 Meter)	Tk.4000.00	3500.00
02	Internal Pipeline(up to 11-20 Meter)	Tk.5000.00	4500.00
03	Internal Pipeline(21-35 Meter)	Tk.6000.00	5500.00
04	Internal Pipeline(36 to above Meter)	Tk.7000.00	6000.00

Table: 4.1 Service Wise Contractors Fees

copies of passport size photo, map indicating location of house, four copies of designs about the proposed gas line of the house, technical catalog of gas equipments (drawers, oven, heater etc), joint undertaking of all house owners if the road is shared by all customers, approval of cutting road/ release letter (during submission of work completion). Internal gas line to be done as per the approved designed and in doing so the services of BGSL's registered contactors and valid license holders (1.1category contactor) be required. Security money equivalent to three months' gas connection bill, Connection fee is Tk.2750, for half Service line up to 03 meter (3/4 diameter), Taka 405 per meter are



charged for additional length. The applicant has to pay the contractor in the following rate given in the table 4.1, to construct gas line with GI pipe of 2-inch diameter. It is advised that all kinds of payment/payback should be done through bank transaction. After completing all formalities within **two months** in maximum, gas from the main pipe line should be commissioned for the customer's use.

#### **Commercial Connection:**

An applicant for using gas commercially has to collect application form from the specified bank/company office/ photocopy/websites. The documents required are two copies of passport size photo, trade licence, evidence of ownership of the place (deed, holding no,

**Table: 4.2: Time span required to provide gas connection as Per Gas Marketing Policy-2004**

Name of Customers	Maximum days to be required for providing gas connection
Domestic	<b>60 days</b>
Commercial	<b>75 days</b>
Industrial	<b>90 Days</b>

tax receipt, rental contract with information of gas connection and bill payment. Deposition of money equivalent to six-month rent, four copies of drawing of proposed gas pipe line, technical catalogue for gas establishment (e.g. boiler, drawer, oven etc) are needed in this regard.

As per the policy, a customer is supposed to get gas commission within the maximum of two and a half month time for the commercial customer and three months time for industrial customers. Please see the flow chart of gas connection process of domestic and non domestic customers in appendix-03.

The process of gas connection in this company is, in fact, very complex and time consuming. A customer has to overcome more than ten steps to get final connection of gas from this company. The company cannot provide gas connection within the time frame stipulated in the Gas Marketing Policy-2004. The customer survey reveals that the company has taken on an average 134.16 days (4 months 14 day) to provide gas connection to the customer from the day of the submission of application. This complexity encourages the concerned official/staff to extract rent from the customers. Most of the works related to gas connection are usually done by the contractors; their organized syndicate always make the customers more vulnerable in providing hidden money to them.

#### **4.2. Nature of Service provided to Customers by BGSL in practice:**

The most important service provided by the BGSL is giving gas connection to customers, ensuring sufficient supply of gas, and recording the consumption of gas using meter, revenue collection and its management. To fulfil the demand of customers, BGSL has approximately 1233 permanent employees and more than 200 listed and unlisted contractors (sub-contractor). A large number of staff members and contractors cannot provide services to the customers sufficiently because thousands of applications for gas connection are pending due to bureaucratic complexities, procurement delay and rent seeking behaviour of the company staff. The nature of service of the company is fully monopolistic

because there is no competitor of this company. As a monopolistic company, BGSL has been the hub of corruption and the hidden costs in getting the services of this company. Above all the connection services of this company is dependent on contractors/subcontractors who has strong nexus with BGSL staffs. Since there is no competition, the company freely fixes up its connection target; there is no fear of not achieving target and profit margin although certain conditionalities are attached for receiving incentives bonus by the employees. For example, in the year 2006-07, the company set target to provide gas connection to 15,584 customers, they received 36,070 applications and finally the company have been able to provide 35,759 connections to domestic customers. The achievement rate is 229.52 percent. In the same year, as against the company's target for commercial connection set at 161, the total applications received numbered 294 and connection provided stood at 294. The achievement stood at 183 percent. The average achievement rate both in domestic and non-domestic customers connection providing is 206.26 percent. This statistics undoubtedly show the gross inefficiency of the company in planning and setting target to provide gas connections to the customers though the company's report shows 135 percent achievement of its target. For details, please see the table of gas connection target in the table given in appendix-2

#### **4.3. Nature of Corruption:**

The corruption in BGSL is diversified and deep rooted. The different stakeholders are involved in this process. Both the supply and demand sides are the beneficiaries of this corruption process. In fact, prevalence of corruption in every affair of the company. Corruption in gas connection process, providing illegal connection e.g. stealing gas, meter tempering, over billing, disconnection, revenue collection, influence of broker, harassment of customers by contractors/subcontractors, Transfer of employee from one region to other region, corruption in recruitment, having nexus of BGSL staff with the bill defaulters, corruption in riser connection and in its withdrawing, corruption in tendering process, gas pipe line set up, corruption in procurement, corruption in importing goods from other countries, corruption in transport pool are mentionable.

#### **Corruption in gas connection process:**

The important tasks of the company are the sales and distribution of natural gas to customers in its franchise areas. The concerned staffs of BGSL especially the engineers and registered contractors play pivotal role in this process. The fact is that the policy of the company helps the prevalence of illegal transaction in connection process. As per the policy of the company, the connection process is fully contractor based because applicant(s) look for contractor or is referred to contractors by BGSL staffs. The customers make a verbal agreement with the contractor to get all the works done by him for certain

amount of money. Then the contractor start processing of gas connection ranging from collection of application, processing of required papers (deeds, drawing etc) and depositing the money in banks, collecting demand note, work order, permission of road cutting from the concerned municipality/city corporation, collecting no objection certificate from department of

**Table: 4.1: Amount of extra money needed in Gas Connection process if all the document & requirement are all rights**

Name of task	Extra taka needed	
Application withdrawing and submission	50	An additional amount of money of TK2250 has to be paid as bribes if all the papers are found complete and valid. if all the papers related to gas connection are not found in order by the BGSL authority or there are certain complaints regarding the connection, then the amount of bribes increases manifold
Payment for Survey conduction	300	
Official belonging to four hierarchal tiers of the organization	600	
Official belonging to three hierarchal tiers for signature, drafting of demand note and finalization of agreement.	200	
Approval of Schedule	250	
Transport cost for testing site	100	
Entertainment cost	50	
Getting serial Number from riser section	100	
installation of riser and withdrawing of regulator	600	
Total	TK.2250	

Source: MIS report-BGSL, May, 2007

environment etc. *The customers do not get the connection in due time because the contractors delay the process showing different excuses for extracting money.* The contractors preserve all the papers and the customers even do not know the serial number of their applications. The broker/subcontractors are found to harass the customers frequently. In this case, the customers lose their money or have to wait from *six month to two years* time.

The study reveals that only in the year 2006-07, **a total of TK.25.28** (24.30+.98) crore approximately have been extracted from the customers for providing gas connection to the domestic and non-domestic customers. Total extra money extracted from the customers since the company's inception up to December, 2007 is **Tk.396** crore. The extra money provided by such customers to BGSL staff, contractors and other concerned is calculated based on the following formula.

**Calculation of extra payment:** Total Number of connection provided to domestic customer X percentage of customer provided extra money X mean of extra money= Total extra money paid.

So total connection 39274 provided in 2006-07 X 56% customer provided extra money x Tk.11053 (Mean of extra money given)

= 21,993 customers provided extra money X Tk. 11053 on an average

= Total Tk. 24, 30, 88, 629 (**TK.24.30** crore approximately)

**For commercial customers:** Total number of connection provided to non-domestic customers X Percentage of Customer given extra money X mean of extra money=Total taka

Total no. of Connection (383) X 56%X Mean of extra money=

383X 56% X 45,887=TK.98, 41843 (**1 crore approximately**)

**Case study-1:** One person of Chittagong City applied for a double burner connection to be used by 13 families especially in the slum mess. But the customer of this connection was required to pay bribe to BGSL staff based not for the number of connection but for the number of users e.g. 2000 X13 (tenant) =Tk.26000 + 2250 + legal charges as per policies. So each tenant has to pay 2000 taka extra.

From the inception to December 2007, total extra money provided by the domestic customers of the company as per the above formula will be= 4, 10,076 X 56%X Tk.11053

= Tk. 2538239215 (**254 crore approximately**)

And the non-domestic customers have provided TK.1419897960. 32 (55246 X56%X Tk.45887)= **142 crore** approximately as per above formula

So total extra money extracted from the customers since the company's inception up to December, 2007 is **Tk.396 crore**.

#### **4.4. BGSL staff as contractor:**

As the business of contractor is very profitable, a few of BGSL staff are found to hold contractor's licence from company in the name of close relatives. Some of the BGSL staff keeps themselves behind the scenes to do business of contractor and earn huge money. As they are involved in the business of the contractor, they are found irregular in official business of the company which eventually results in huge manpower loss of the company.

#### **Providing illegal connection:**

Illegal connection of BGSL is rampant everywhere and frequency is more in the areas where re-rolling mills and salt factories are located. With the nexus of BGSL staff, such customers take illegal connection from this company's gas pipe line. The contractors or hired technicians coming from outside the company provide this illegal connection because the technology is not so complicated. These illegal customers have to pay monthly bribes to BGSL staff to evade payment of any bill for gas connection or for keeping the bill to the minimum. The company does not have any mechanism of its own to detect the illegal connections periodically. Only on getting tips from some sources that the company's disconnection team takes the initiatives to disconnect the illegal connections and file cases in the courts. But cases once filed takes years together to resolve. Meanwhile the concerned so-called customer again takes illegal connection and makes whatsoever no payment to the company for illegal gas connection, and in the process, the members of the CBA are alleged to play a vital role. In the domestic sector, the household owners taking permission for one burner frequently use for double burner in the kitchen. The company authority has the knowledge of these illegal practices but hardly takes any step to disconnect these lines. And finally this illegal process increases the system loss of the company

#### **Pressure Tempering:**

The pressure tempering is one the system of corrupt practices as well as system loss of the company. The commercial outlets specially the CNG stations, salt factories, re-rolling mills, garments factories increase the gas pressure for their use but they do not update pressure officially. Through this process,

the unscrupulous customers consume more gas than the agreed amount with the company. Such customers pay bribe to BGSL staff and continue the illegal gas consumption uninterrupted. As a result the company lose huge revenue. It also contributes to incur system loss of the company.

#### 4.5. System Loss in gas sale of the company:

Petrobangla experiences enormous system losses of almost 50 percent in its non- bulk retail supply (CPD-2001). As with other sectors, system loss is currently a very common phenomenon in the gas sector of Bangladesh. It is the difference between the amount of gas purchased and sold by a distribution company in a given period of time. System loss may occur due to technical and non technical reasons. Technical system loss in the gas sector is primarily due to the change of pressure, temperature, composition, frictional losses, venting, leaking and difference in meter readings. In an efficient system, this loss could be ideally maintained at a level of 1-2 %, depending on the amount of gas sales. Non technical loss is mainly due to pilferage or theft of gas. The pilferage takes place in variety of ways. Meter tempering, meter bypass, changing the pressure setting of regulators, illegal connection, unauthorized consumption, etc., are the primary techniques adopted in stealing gas. Historically this pattern began to rise in the early 1980s. In 2003-04, the country wide system loss was about 24 billion cubic feet or 5.3% of total purchase versus 21 bcf or 6.4 percent in 1999-2000. This system loss is primarily due to the non-bulk sectors composed of industrial, commercial, domestic and seasonal category of customers which consume about 31% of total gas. As such system loss versus non bulk consumption would be an estimated 20%. In monetary term, system loss would be worth taka 2850 million (285 Crore) during 2003-2004(ADB, 2007)

As subsidiary company of Petrobangla, BGSL is also vulnerable to system loss. Non technical losses exist due to pilferage or theft of gas. Such pilferage takes place in variety of ways. Meter tempering, meter bypass, changing the pressure setting of regulators, illegal connection, unauthorized consumption, etc., are main

**Table: 4.1: Gas Consumption by Non-bulk Customers of BGSL**

Year	Total amount of Gas sold in MMCM	Price in Million Taka	Amount gas sold to non bulk Customers <sup>1</sup> in MMCM	Price in Million Taka
2002-2003	2434.46	7095.86	613.32	1787.67
2003-2004	2415.32	7199.95	687.71	2050.02
2004-2005	2532.84	8481.79	753.76	2524.13
2005-2006	2664.01	10804.30	878.10	3561.26
2006-2007	2527.45	10697.49	937.90	3969.68
<b>Total=</b>	<b>12574.08</b>	<b>44279.39</b>	<b>3770.79 (30%)</b>	<b>13892.76</b>

Source: MIS report-BGSL, May, 2007

techniques adopted in stealing gas of the company. Due to the weakness in monitoring of the company, huge system loss is taking place. The study reveals that on an average approximately 50 percent of gas is lost or stolen from the gas sold to the non-bulk customers. For the last 05 (five) year 2002-2003 to 2006-2007, total system loss in non bulk sales amounted to (50% of 3770.79 MMCM) 1885.39 MMCM equivalent to TK. 6946.38 million (Tk.695 core).There is no mechanism to calculate

system loss in *the case of bulk customers. A fraction of change in the metering system can involve huge flow of gas.* Without taking the system loss of bulk customers into consideration, the company in the last five years has lost a total of about **695** crore taka for gas stealing/ system loss in providing gas services to the non- bulk customers due to lack of capacity and skill, bad governance and mismanagement of the company. This loss indicates that the company from its inception has lost huge amount of gas amounting to an average of 5648.16 MMCM<sup>5</sup> equivalent to TK.16463.015 million (Tk.1646 crore).

The calculation of the system loss is given below.

*The amount of gas sold to the non-bulk customers in a stipulated time X 50% system loss/stealing=Total system loss in non- bulk customer.*

*Momentary value of system loss is calculated in the following ways; Amount of system loss X price of per MMCM gas sold by the company.*

#### ***4.6. Other corruption Scenarios in the affairs of the Company:***

BGSL staff makes unnecessary delay in posting the bill in customers individual account and keep the customers in bill defaulters list. In this way, the revenue department extract money from the customers with the plea to regularize their cases. On the other hand, the real big defaulters often provide bribes to BGSL staff for saving them from disconnection. If they are disconnected the unscrupulous customers making nexus with BGSL staff and contractors get the line connected again and continue the gas consumption.

In the last 25 years, since the company's inception, gas bill amounting to about Tk 20 crore could not be collected and it has been time-bared due to some unscrupulous staff of BGSL. These staff were never brought to book for their misdeeds. In addition, goods on good condition purchased for the company from foreign countries are sometimes shown as scrape and sold outside market by the corrupt officials and they took bribes from the party who bought the scrap goods.

#### **4.7. Gas sale to Karnaphuli Fertilizer Company Limited ( KAFCO):**

KAFCO is the largest joint venture multinational project ever undertaken in Bangladesh as was said by the Board of Investment of Bangladesh. Although there are six other state owned ammonia/urea fertilizer units in Bangladesh, they are all serving the domestic market needs. KAFCO was conceived as dedicated 100 per cent export oriented complex. The \$ 500million contract for KAFCO, signed in 1990 between the Karnaphuly Fertilizer and Japanese companies -Chiyoda and Marubeni, together

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<sup>5</sup> Up to May 2007, BGSL purchased 37654.40 MMCM of gas for 61341.92 taka. The company sold 30% of its gas to non-bulk customers equivalent to (30% of 37654.40 MMCM =11296.32 MMCM. As per 50% system loss in bulk sale, so the total amount of system loss is 5648.16 MMCM.

with the Italian Petro-Chemical Manufacturers Association, was hailed by *Trade Finance Magazine* as “Deal of the Year” in 1990. It was later described in early 1992 by a government investigating allegations of corruption as “the most corrupt deal in Bangladesh’s history”. KAFCO export about 0.13 million MT of liquid Anhydrous Ammonia and a 0.65 Million MT of high grade granular urea to America, Middle-east and Australia along resulting in its annual turnover \$ 80 million (TK. 632 crore). BGSL supplies 60 Million ( 6 crore) Cubic feet of Natural Gas to KAFCO every day.

The government of Bangladesh through BCIC holds the largest share in KAFCO (43.4%), the GoB is also a guarantor to the whole project. The largest foreign investor in KAFCO are the Japanese companies, Chiyoda (an engineering company) and Marubeni( a trading company specialising in textiles, metals, chemicals and fertilizer) together with the Japanese government’s Overseas Development Assistance (ODA)- these two companies setup the KAFCO Japan Investment Company Limited, which holds 31.3% share in the complex. Other shareholders include: the Stamicarbon b.v., Holland (1.56% share); Industrialization Fund for Developing Countries (IFU), Denmark (4.35% share), the Danish company- Haldor Topsoe (14.95% share); and Commonwealth Development Corporation (CDC), UK (4.35% share).

The Marubeni and the US trading company, Transammonia AG, secured off take agreement<sup>6</sup> allowing them a virtually risk free monopoly to sell all the ammonia and urea produced by KAFCO and to charge KAFCO a 2-5% commission on each sale without requiring the companies themselves to get any minimum price for the products.

The contracts between KAFCO and foreign contractors were all signed between April and October in 1990 in the year of the military dictatorship of General A.H. Ershad. The Gas Supply, Gas Price and Payment Agreements between KAFCO and the Bangladesh government signed on 1<sup>st</sup> December, 1990 in midst of a particular political revolt that led to the collapse of General Ershad regime. These agreements have been mostly controversial in Bangladesh, because they entailed the GoB supplying KAFCO with cut-price gas<sup>7</sup>. Even there was no competitive tender for the contract despite having stringent requirements in Bangladesh for competitive tender in public procurement as there is a large share of the GoB in the project.

#### **The Salient Features of Bangladesh- KAFCO Contract:**

- It is alleged that KAFCO contract involved huge corruption by the then government ministers and officials as per the different journalist reporting at that time.

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<sup>6</sup> Off-take agreements are long-term agreements to purchase a set minimum amount of particular product at an agreed price.

<sup>7</sup>Bargain-priced - costing less than standard price

- A.K.M. Mosharraf Hossain, then the secretary for Ministry of Industries in Bangladesh acted as sole negotiator of the deal by getting unprecedented *power of attorney* from H M. Ershad, the then president of Bangladesh and allegedly continued to receive personal financial support from one of the KAFCO's largest foreign investors-Japanese company Marubeni. But there has never been an official investigation of corruption in relation to KAFCO, and no one has ever been prosecuted (Hawley, 2003).
- According to one person familiar with the KAFCO deal, "the misshapen nature of KAFCO's contractual structure could not have come about without serious high-level corruption" (Hawley, 2003).
- A cabinet committee under Khaleda Zia government in 1991 investigated the terms of the KAFCO contract and concluded that it was not in Bangladesh's interests and that the whole arrangement should be revised. But due to strong pressure from Japan, whose export credit agency, the Export Import Bank of Japan, had underwritten the deal ensured that only a few revisions were made. This pressure also led the GoB itself to issue guarantees on the project in 1992 against \$250 million of loans guarantees to KAFCO from various export credit agencies (Hawley, 2003).
- A white paper produced on KAFCO in 2001 for the then government of Bangladesh described KAFCO contract as "manifestly disadvantaged" to company itself. It added that the GoB as being the major shareholder will not get "benefit in any significant way from its investment in KAFCO" .
- All foreign shareholders of KAFCO acted as suppliers, contractors, or lenders to the project gave rise "conflict of interests among shareholders which may have deterred them (from taking) optimal decisions favouring the interest of KAFCO."
- GoB from the very beginning granted KAFCO extraordinary concessions that were far more in the interest of foreign investors than of the country. KAFCO was to receive gas on a preferential basis and at a cheaper rate than any other consumer in the country- at half the price of gas supplied to other fertilizer companies in the public sector. This annual subsidy to KAFCO of cheap gas provided by the GoB has been estimated at \$18.5 million (approximately 109 crore taka) a year. Bangladesh's total subsidy to KAFCO up to July 2008 is estimated to be in the region of \$ 277.5 million (approximately **1637 crore taka**).
- KAFCO was given an income tax holiday for the first nine years of its production, followed by an annual rebate of 50% on income tax.



- KAFCO's foreign equity holders and lenders did not have to pay any taxes, import or export duties and charges or fees to the GoB.
- Bangladesh has to buy fertilizers from KAFCO in foreign exchanges and at international price though the Bangladesh is its major shareholder, supplier and purchaser. KAFCO itself has to give 2% commission to US company Transammonia and Japanese company Marubeni company for these sale of fertilizer sale to Bangladesh, even though the sales require no work the company's part and even though it was understood at the out set that the Bangladeshi government would be a major purchaser of the plant's product.
- KAFCO fertiliser plant has proved as a costly drain on the government of Bangladesh's resources, not just because of its gas subsidy. The plant, according to the contract, was considerably over-priced. It costs between \$130-150 million more to build than a similar plant in Bangladesh at Jamuna. Cost overrun of more than 26% meant that the project finally cost \$ 632.7 million instead of the original contract price of \$ 500 million.
- KAFCO project was established with the substandard equipments and did not function properly as within four months of its opening it shut down numerous times. Plant Acceptance<sup>8</sup> was done in May 1999, but it did not achieve PA until October 2000. Production losses due to shutdowns for using substandard equipments have been estimated at \$78 million but according to internal projection by KAFCO's management, the total losses to KAFCO are likely to be in excess \$110 (approx 650 crore).
- In 2000-2001 and 2001-2002 fiscal year, KAFCO showed its operating profit of roughly \$ 5 million each year. But if the gas subsidies, provided by the government of Bangladesh were removed, KAFCO would still be operating at loss (Hawley, 2003, Weekly Market Review, 2001).
- White paper produced on KAFCO by the Ministry of Industry in Bangladesh in November, 2001 was deeply critical of the project's viability. It found that the plants midterm financial viability was in doubt and the company's net assets had declined by 38.5 % over six year. It also noted that it is unlikely that the GoB will receive "any dividend income (from KAFCO) for the foreseeable future."
- According to a researcher- Dr. Susan Hawley of UK based The Corner House, estimates of the net drain on Bangladesh's resources of KAFCO are in the region of \$ 350 million (approximately 2065 crore taka up to 2003. )

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<sup>8</sup> Plant Acceptance is acceptance by the company commissioning a project at the end of construction that the plant has been satisfactorily completed according to the terms of the project.

- Natural gas is the major raw material of the factory, supplied from the offshore Sangu gas field operated by foreign gas company Shell through BGSL, which charges \$ 2.9 for thousand cubic feet. Bangladesh however receives only \$ 1.00 per thousand cubic feet from KAFCO which consume 60 million cubic feet of gas per day (Weekly Market Review, 2001). And one ex chairman of Petro-bangla says that if BGSL is failed to supply gas to KAFCO, GoB is obliged to provide 4 crore taka as penalty as per the term of KAFCO contract. He also adds that BGSL is to sometimes stop supplying gas to domestic industries to continue the uninterrupted gas supply to KAFCO.

#### **How Bangladesh is losing by supplying Natural Gas to KAFCO:**

BGSL has sold 6709.05 MMCM<sup>9</sup> gas to KAFCO up to May, 2007 from April 26,1994 for approximate TK. 43462.31 million (6709.05 x 35.3X 1000000/1000 X \$ 1.20 X \$60 )4346 Crore). If this amount of gas were sold to international market at the minimum rate of \$ 5 per thousand cubic feet gas, the total sale would have been 6709.05 MMCM X 35.3X 10,00000/1000 X \$5X Tk.60 = 71048839500 (7105 crore taka) and the profit could have stood at taka (7105 – 4346) crore= 3825 crore taka. So the net loss of the company as well GoB is 3828 crore up to May, 2007. Every year on an average, BGSL especially Bangladesh is losing 239 crore by supplying subsidized gas sale to KAFCO.

In last five fiscal years 2002- 2007, BGSL sold 2866.65 MMCM at taka 11011.21 million. The loss of the company especially to Bangladesh is estimated (Tk. 2985 - Tk.1101 crore) 1884 crore taka in comparison to gas price in international market. The calculation is as follows:

Total gas sale- 2866.65 MMCM which is equivalent to (2866.65X 35.3) 101192.745 million cubic feet. At the minimum rate of international gas price is 5.00 US dollar per thousand Cubic feet, so total price of the said amount of gas would be (101192.745 million cubic feet X 1000 thousand feet X \$5.00) \$ 505963725 equivalent to Taka( \$ 505963725 X Tk.60) 30357823500 or 3036 taka crore approximately). But BGSL sold this amount of gas to KAFCO at Taka 1101.

In table 4.1. it is found that BGSL is supplying gas to KFCO at the lowest rate of the country. The people of Bangladesh are consuming their own natural gas at higher price for their industries, commerce, CNG captive power generation and domestic use. People do not know whose interest is being protected by supplying valuable resources of our country.

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<sup>9</sup> MMCM stands for Million Cubic Meter and one MMCM equals to 35.3 cubic feet. MMCM is converted to cubic feet and the gas price calculated based on the cubic feet unit. In addition, millions have been converted into lac and then crore for easily understanding the amount of money. The US Dollar conversion rate is estimated as one dollar equals to taka 60 on average based on time last 13 years time series.

4.2.Table. Gas sale among KAFCO and others private consumers in Five years:

Year	Amount in MMCM	Price in Million taka	Price per thousand Cubic feet for KAFCO	Price per thousand Cubic feet for Captive power	Price per thousand Cubic feet for Local Industry	Price per thousand Cubic feet for Commercial Unit	Price per thousand Cubic feet for Domestic Household	Price per thousand Cubic feet for CNG
2002-2003	587.27	1235.17	59.58 taka	121.22	170.62	231.03	119.89	00
2003-2004	564.61	1196.97	60.05 taka	107.13	168.91	233.89	120.36	69.45
2004-2005	604.92	1798.16	84.20 taka	108.77	186.80	246.40	128.48	73.01
2005-2006	566.54	3261.26	163.07 taka	133.10	174.24	247.17	130.09	70.36
2006-2007	543.31	3519.65	183.51 taka	113.46	171.58	242.43	130.19	71.76
Total=	2866.65	11011.21 (1101) Crore taka	480.41 Average (Tk.96.08)	583.68 Average (TK.116)	872.15 Average (Tk.174.43)	1200.92 Average (TK240.18)	629.01 Average (TK.125.80)	284.58 Average (TK.56.51)

Source: BGSL MIS Report, May, 2007

The discriminating nature of this contract has been sufficiently researched and evidenced. So for more information please see "Turning a Blind Eye Corruption and the UK Export Credits Guarantee Department".<sup>10</sup>

So it is evident that Gas Marketing Policy-2004 could not fulfil the objectives embedded in the document. The most important objective- the simplification of gas connection process, is still complex and remain as hub of corruption. The contractors- dependent connection policy of the company that still exists has failed to provide connection to the customers in due time. Stealing of gas in the name of system loss is a perennial problem of the company. Selling gas to KAFCO is also detrimental agreement against Bangladesh interest because the company is losing about taka 2.00 crore per day by supplying subsidized gas to KAFCO. On the other hand Bangladesh is incurring loss of 700 crore in importing petroleum goods from foreign countries. In addition, distribution of gas in rural areas seems wastage of gas by investing huge money in infrastructure building which brings poor result. It is totally a politically biased decision of the company. The company has spent huge amount of money to construct pipe line and other infrastructure to provide gas connection in the rural areas especially for domestic

<sup>10</sup> This is cited from a research report titled "Turning a Blind Eye, Corruption and the UK Export Credits Guarantee department" produced Dr. Susan Hawley, June 2003, Corner House, UK.

use. When the commercial use of natural gas is not possible in the northern part of the country, then the rural households are being connected in its franchise areas. It is not cost effective decision of the company.

## **Chapter Five: Key Feature and Findings of Customer Survey:**

### **5.1. Background:**

In order to take feedback from demand/customer side of the company, a survey has been conducted in Chittagong City Corporation area in November-December, 2006 on different issues like state of service in gas connection process, post connection services, hidden cost required for these services, satisfaction and dissatisfaction over the services of the company. For this purpose a total of 603 households were surveyed out of which 501 were domestic customers and 102 were non-domestic customers. The main findings of this survey are provided below with required analysis:

Out of total respondents, 501 (83.1 percent) were domestic household and the rest 102 (17 percent) were non-domestic (commercial and industrial) outlets. Among all respondents of the survey, male were 72 percent and female 28 percent.

#### **Age Structure of Respondents:**

The highest percentage of respondents (20 percent) falls in the age group of 55+. The second highest (17 Percent) age group is 46-55 years. The other age groups are 15 percent in 26-30 years, 12 percent in 31-35 years, 12 percent in 41-45 years and 9 percent in 18-25 year.

#### **Education of Respondents:**

The survey reveals that the highest percent of the respondents (32 percent) is educated in secondary level and second highest (22.4 percent) are graduates. HSC/equivalent passed respondents is 20.40 percent, Primary 8.80 percent, Post Graduate 8.3 percent, Literate (only can read and write) 5.80, Illiterate 2.30 percent and PhD 0.20 percent.

#### **Profession of Respondent:**

The highest percentage of profession among the respondents is business (30.8). The second profession is Home Maker (25.7 percent), Private Service 21.9 percent, Retired persons 12.1 percent, Govt service 3.0 percent, Students 3.2 percent, Labourer 0.2 percent, Politics 0.2 percent and other profession 3.6 percent.

**Relationship of respondent with the household:** Among all the respondents, 44 percent were owners of the households, 22 percent were owners' wives, 4 percent caretaker, 23 manager/supervisor, 3 percent owners' sons/daughter, 02 percent relatives and 02 percent other.

#### **Involvement of Respondent in Gas Connection process:**

With regard to involvement in the process of gas connection, out of 603 respondents, 376 (62.4 percent) were involved directly and 227 (37.6 percent) were not involved in the gas connection process. This statistics indicate that the findings provided by the customers were based mainly on their experiences.

## 5.2. Age of Gas Connection:

A question asked to the customers on how many years ago they have got gas connection from BGSL from then. A total 603 customers answered the question. After analyzing data it was found that the age of connection of 22.6 percent customer were in between 1-5 years, 22.3 percent in between 6-10 years, 23.9 percent in between 15-20 years and 7.3 percent in between 20 year and more.

Table: 5.1.The age of gas connection

SL No.	The age of gas connection	Percentage
01	1-5 year	22.60
02	6-10 years	22.30
03	10-15 years	23.90
04	15-20 years	23.90
04	20 + years	7.30
	Total=	100.00

### Level of awareness of the respondent about the gas connection fee(s):

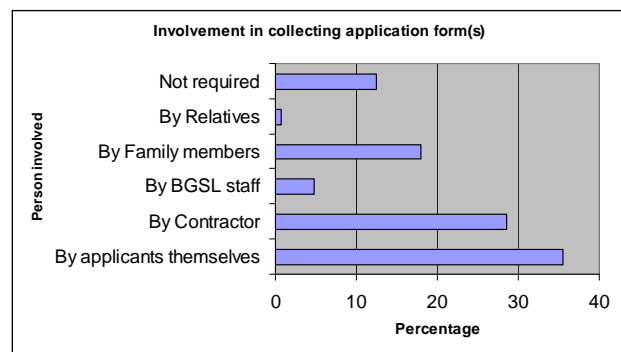
The highest number of respondents (54 percent) has said that they were aware about the gas connection fees, 44 percent were not aware about the connection fees and 2 percent could not comment in regard to this question.

## 5.3. Level of specific involvement of customer(s) in gas connection process:

The gas connection process of the company is very complex, very long and time consuming. As per the rules and procedures of the company, a customer has to go through more than ten steps to get a gas connection from the company. This section reveals the level of participation or involvement of customer in different steps/stages of connection process.

### Collecting application form(s):

The first step of taking connection of gas from this company is to collect application form and others papers from the concerned authority/place. In the survey, the data show that 35.5 respondents have collected the application form by themselves and 28.5 percent by contractor, 4.8 percent by BGSL staff, 17.9 by other family members, 0.70 percent by relatives and 12.4 respondents says they do not need to collect application form.



### Filling the application form, its submission and processing of documents:

The next step of connection process is to fill up and submit application form. The survey data show that 34.3 percent respondents has filled up the application

Table: 5.2. Filling application and submission

Person involved	Percentage
By Applicant	34.3
By Contractor	29.5
By BGSL staff	4.8
By Family members	18.1
By Relatives	.70
By Middleman	.20
Not required	12.4

form and thus submitted to the office by the themselves, 29.5 percent by contractor, 4.8 percent by BGSL staff, 18.1 by other family members, .70 percent by relatives, .20 percent by middlemen and 12.4 percent respondents has said they did not need to do that.

#### **Collection of map indicating the establishment:**

It is obligatory to submit the map of gas connection in the establishments by the applicants. A total of 0.50 percent of the map for gas connection are prepared and submitted by the customers themselves, 80 percent by contractors, 3.3 percent by BGSL staff, 15.9 percent by others

#### **Arrangement of drawing regarding the provision of connection**

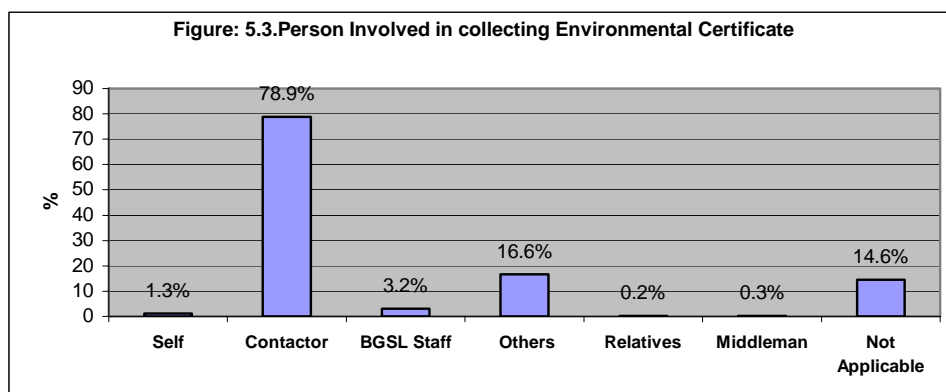
With regard to the provision of gas connection in a particular household/establishment, a detailed drawing is needed. The data show that 79.9 percent respondents have said that the arrangement of such drawing have been done by contractors, 3.2 percent by BGSL staff and 16.9 percent by other sources.

#### **Road cutting permission:**

Sometimes road cutting is required to connect the gas pipe line to the particular establishment. In this regard, the customer played very minimal role in taking permission from the respective authority like Chittagong City Corporation or Roads and High way Department. The survey reveals that only 1.7 percent respondents took the permission for road cutting for the gas connection by themselves, 78.8 percent by contractor, 3.2 percent by BGSL staff and 16.4 percent by other sources. Thus the statistics show that contractor(s) played the pivotal role in collecting the permission of road cutting from the respective authority.

#### **Collection of environment viable certificate:**

As per policy of gas connection, the applicant is required to collect environmental viability certificate. In this study, most of the respondents have collected this permission with the help of the contractor. The data shows that 78.9 percent respondent has collected this permission through their contractors, 1.3 percent by themselves, 3.2 percent through BGSL staff,



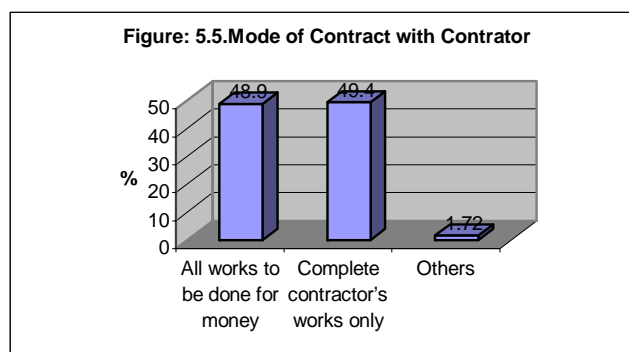
### Submission of security money to the banks

As per the Gas Distribution policy-2004, all transactions should be made through bank. In this regard, the customer has to make all payment through the designated scheduled banks. The survey data shows that 43 percent respondents have the security money deposited for gas connection in the bank by contractors, 19.2 by themselves, 16.6 percent by family members and 14.6 percent respondent has said they did not know the matter.

### 5.4. Mode of agreement with the contractor:

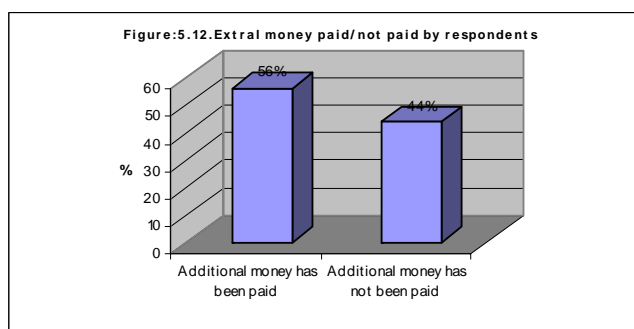
When asked about the mode of contract with the contractor, 538 out of 603 respondents answered this question. Out of 538 respondents responded the question, 48.9 percent said that they had made contract with the contractors to get all the works done by contractors under a package deal for a particular amount of money. A total of 49.4

percent respondents have said they have made an agreement with the contractor to get the contractor's works done only.



### Extra payment for gas connection:

In the survey, the highest number of respondents (56 percent) has replied that they paid extra money to get connection and 44 percent respondents have said that they did not need to pay extra money in this regard.



### Amount of extra payment:

Out of 603 respondents, 338 have paid extra money to get gas connection except company fees and other valid charges. For domestic connection, each customer has paid extra TK.11053. The survey reveals that a minimum of Tk.500 to 50,000 has been extracted from the customers for taking domestic gas connection. It was

**Table: 5.4. Rate of extra payment for taking gas connection:**

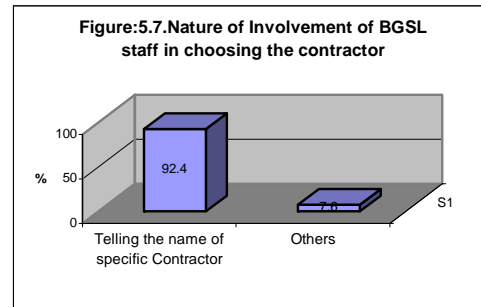
Extra Money paid in Taka	By Percentage of Customers
500- 5000	30.3
5001-10000	27.8
10, 001-15000	15.4
15001-20000	9.9
20001-25000	3.5
25001-30000	5.1
30001+	8.0
Total	100



Tk.45, 887 on an average that had been extracted from each non-domestic customer. The maximum and minimum rate in this regard was taka 200,000 and taka 500 . As per the data, 30.3 percent customers has provided extra money ranging from Tk. 500 to Tk.5000, 27.8 percent customers from Tk.5,001 to Tk.10,000, 15.4 percent customers from Tk.10,001 to Tk.15,000, 9.9 percent customers from Tk.15,001 to Tk. 20,000, 3.5 percent customers from Tk.20,001 to Tk.25,000, 5.1 percent customers from Tk..25,001 to 30,000 and 8.00 customers from Tk.30, 001 to TK.200, 000.

#### 5.6. Involvement of BGS staff in choosing contractor

Of the total of 603 respondents, 532 answered this question. Among the respondents answered the question, 26 percent has said that BGS staff had influenced the customers in choosing the contractor and 74 percent has said there was no influence of BGS staff in this respect.



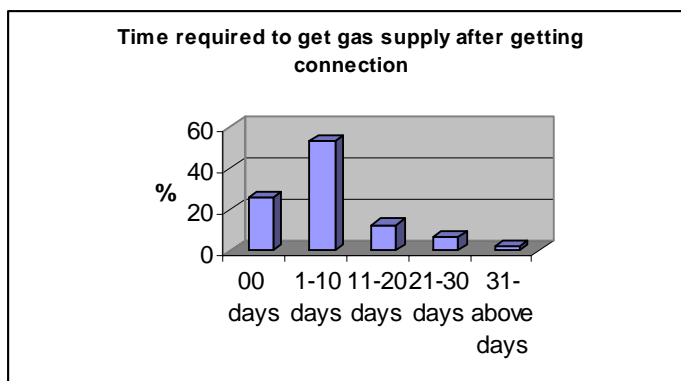
A total of 92.4 percent (61 respondents out of 66 who have said that there was involvement of BGS staff in choosing the contractor) has said they (BGS staff) told them about the specific name of contractor for taking assistance for gas connection.

#### Harassment in getting gas connection:

While answering to the question as to whether they (customers) were harassed by anybody in getting connection, 23 percent respondents replied that they were harassed and 77 percent has said they were not harassed. In this question 533 respondents responded and 70 remain neutral.

#### 5.4. Number of Days Required for Gas Supply after Getting Connection

In this survey, 26 percent respondent say they got gas supply immediately after construction of pipeline, and on an average 08 days were required to get the gas supply. A total of 53.2 percent respondents say they needed 1-10 days to get gas supply,

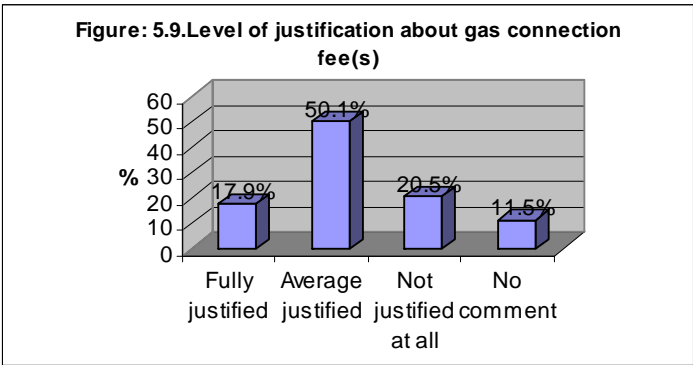


12.6 respondents needed 11-20 days, 6.6 percent respondents needed 21-30 days and 1.8 percent respondents needed 31-180 days to get gas supply. A total of 517 respondents responded to this question out of 603. It is mentionable that one respondent says s/he needed 180 days to receive gas

after getting connection. On an average 7.95 days were required to get gas supply after completion of pipeline by the contractor.

**5.6. Justification of bill in regard to gas connection:**

In a question as to whether the gas connection processing bill are justified or not, 17.9 percent of 521 respondents are fully satisfied, 50.1 percent are average satisfied, 20.5 are not satisfied with the bill/fee fixed by the company. Only 11.5 percent respondents refrained themselves from marking any comments.

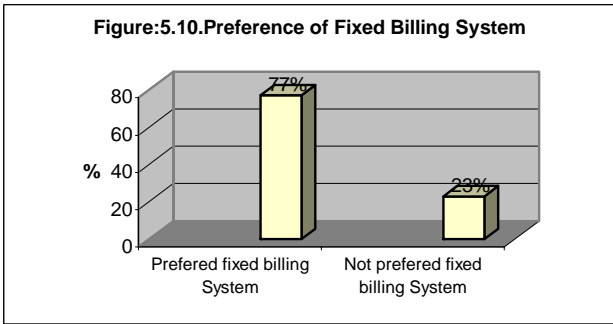


**Length of time required for gas connection:**

The survey reveals that the customers have got gas connection within 134.16 days (4 months 14 day) on an average from the day of application. In this survey it is found that customers required minimum 10 days and maximum 2190 days (6 years) to get connection after application. As per the Gas Distribution Policy-2004 of Petrobangla/BGSL, the maximum time required for providing gas connection should not exceed 02 months for domestic customers, 02 and ½ months for commercial customers and 3 months for industrial customers. This data indicates the low level of inefficiency of the company in providing gas connection to the customers.

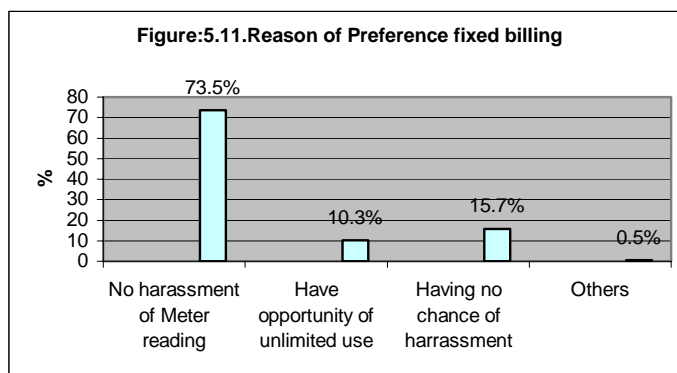
**Preference of fixed billing system:**

The domestic user of BGSL gas, every month, has to pay the monthly bill fixed by the company. A question is asked whether they prefer the fixed billing system or not. In response to these *question 77 percent respondents* has said that they preferred this system and 23 percent do not like it. Out of 603 respondents, 503 responded to this question.



### Reasons for preferring fixed billing system

The survey reveals that a total of 73.5 percent respondents (285) out of 388 preferred this fixed billing system to avoid the disturbance of meter reading, 10.3 percent said they could use as much gas as they need by paying specific amount of money, 15.7 percent said they did not have to face any harassment of company staff and 0.20 percent says other things.



### 5.8. Using Meter(Business and Industrial Outlets)

Commercial and industrial households are bound to use meter for gas consumption as per the gas distribution policy. Under this survey, the respondents are asked whether they have meters to measure gas consumption. Out of 103 respondents, 100 responded to this question. Of them 99 percent respondents said that they have meter for their gas connection and only one percent said they do not have meter. And 99 percent of respondents have said their meters are working while these data are being collected.

#### Availability of Bill after consumption:

Each month, BGSL sends the bill on monthly gas consumption to individual commercial customer and the customers pay the bill in the bank. In the survey, the commercial customers

Table: 5.5.Days required to get bill in hands in the next month	
0-10 days	13.3 percent
11-20 days	46.9 percent
21-30 days	39.8 percent

were asked a question as of when they received the gas bill of previous month's gas consumption. In reply to this question, 13.3 percent respondents say that they got the gas bill in 0-10 days of the next month, 46.9 percent in 11-20 days of the next month and 39.8 percent in 21-30 days of the next month. It is mentionable that 98 respondents out 103 respondents responded to this question.

### 5.8. Harassment in Bill Payment:

Each customer has to pay his or her gas bill in scheduled banks in scheduled time. The respondents were asked whether they had to face any harassment/disturbance in paying their bills in banks. In answer to this question, 74 percent said YES and 26 said NO. In another question regarding to what type of harassment they faced, 99 percent respondents said that they had to spend their valuable time standing in long queue before the bank's booth.

Figure:5.12.Facing harrassment in bill paying



#### Nature of harassment in paying bill:

The customers face the most harassment when they go to pay bill in the bank booth. The survey reveals that 99 percent respondent complained that they had to wait in the long queue to submit the bill. Other harassment in paying bill is minimal. A small number of respondent said

Nature of harassment	Percentage
Bill not deposits in proper way	.40
Not providing appropriate receipt	.20
Spending valuable time in waiting	98.9
Others	.40
Total	100.

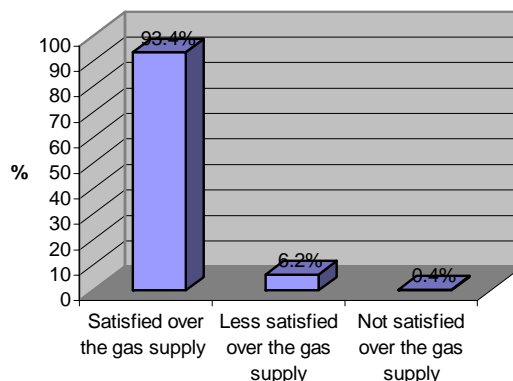
that some times their bills were not properly deposited in the account or they were not provided with appropriate receipt in this regard etc.

### 5.8.Satisfaction over the gas supply:

In answer to the question of satisfaction over the gas supply of the company, 93.4 percent respondents said they were satisfied, 6.3 percent were less satisfied and 0.4 percent was not satisfied.

Actually, the domestic and commercial customers hardly face any problem in receiving uninterrupted gas supply. Even they can use more gas than they need. In post connection gas service

Figure: 5.13.Satisfaction over the gas supply



process, the company provides enough gas. While collecting data from household, the supply of gas was uninterrupted. People were found that availability of natural in Chittagong area were more cheaply

than WASA water. But the scenarios are different now. Due to shortage of natural gas, the new industries and commercial out are on the danger of establishment.

### Frequency of complaints about the service of company

The respondents were asked whether they had complained to the company regarding the gas services. A total of 95.5 percent (546 respondents) say they did not complain and 9.5 percent (57 respondents) have lodged

**Table: 5.6. Frequency of complaints about the service of company**

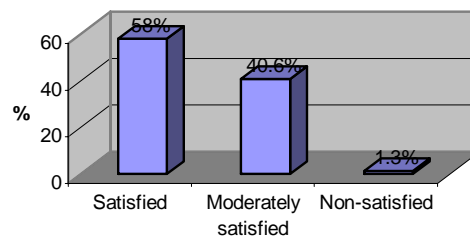
Reason for complaints	Number of respondents	Percentage
Decrease of Gas supply	30	52.60
Bill not deposited properly	03	5.30
Misbehaviour of Contractor	19	33.30
Others	05	8.80
<b>Total=</b>	<b>57</b>	<b>100.00</b>

complaints to BGSL authority. A supplementary question was asked to those who have complained to explain the reasons for each complaint. In response to the question, 52.0 percent (30 respondents) have said they complained due to decreased supply of gas, 33.3 percent (19 respondents) for misbehaviour of the contractors, 5.3 percent for not properly recording the bill payment and 8.8 percent for other reasons.

### 5.9.Overall satisfaction on services of the company:

In the survey it is found that 58 percent of respondents are satisfied with the overall service of the company, 40.60 respondents are moderately satisfied and 1.3 percent is not satisfied with the services of BGSL. Satisfaction level seems high due to uninterrupted supply of gas in

**Figure: 5.14. Level of overall satisfaction on BGSL service**



use. The domestic customers can use gas as much as they need. So their satisfaction level is high. In commercial level, the customers also use the gas as per their requirement and even more in comparison to their agreed amount.

## Chapter Six: Conclusion and Recommendations

**6.1. Conclusion:** Bangladesh is a small country with a large number of population and over 40 percent of its population live under the poverty line. A total of 80 percent people in rural area have no access to electricity. In food production, necessity of electricity is inevitable. If there is scarcity of electricity in rural area, food production hampers. The production electricity is dependant on the availability of natural gas. It is also mentionable that every day Bangladesh needs 5000 Mega Watt (MW) of electricity, but is getting 3300-3400 MW every day on an average. And it is also projected by the experts that by 2012 there will be required 10,000 MW of electricity and by 2020 the demand will be more equivalent to 17000 MW. In this situation, if the coal and other sources of energy is not discovered to produce electricity, then electricity production will finally go down resulting in slow/stagnant economic growth.

Bangladesh has little natural resources of which natural gas is important. And the natural gas is limited and non renewable resource in Bangladesh. As the efficient use of commercial energy is linked with country's poverty alleviation and economic emancipation, the government and citizens of Bangladesh should give proper attention to the maximum efficient use of such natural gas- the important energy source of the country. It seems clear that there is a grand weakness in policies and inefficient management of the company for distribution and marketing of the natural gas. The lack of vision of the government, high prevalence of corruption and huge gas stealing in the name of system loss of the company and uninterrupted cut price gas supply to KAFCO by this company as well as GoB are putting the nation on the threat of energy security and political security. We the citizen of Bangladesh should open our blind eye on the issue that Bangladesh is losing 700 core taka per month by importing petroleum from foreign country and also is draining out by supplying 60 million(6 crore) cubic feet gas equivalent to TK 62 crore to KAFCO each month. In addition, Full control of government and dual supervision from MOMP and Petrobangla has accelerated the crisis in the decision making for improving service delivery of the company. It is also seen that as per corporate governance model and Company Act, 1994, BGSL is held neither a public limited company nor a government agency characterising vague organizational identity. As for the governance crisis of the company, Bangladesh has been losing huge revenue and valuable energy which eventually hinders economic emancipation and poverty alleviation.

## 6.2. Recommendation for improving company services:

Recommendations are made based on the study findings conducted on BGSL. This is divided into two category e.g. management level of BGSL and policy level.

### Recommendation for management level:

- Monthly meter checking, quarterly connection checking on surprise basis, six monthly lines checking to identify leakages and illegal connection should be introduced and activated.
- Syndicate of contractors and illegal nexus of contractors with company staff should be broken down so that they cannot make illegal pressure upon the company.
- The names and official address list of contractors should be opened and hanged in the notice board of the company offices so that the customer can easily identify them.
- An effective information and advice desk should be set up at the lounge of company office from where the customers can get all information regarding connection and other services of the company.
- A complaint box should be set up at company office space where the aggrieved customer can complain regarding the harassments made by the contractors and the staff. It is mentionable the complaint box should be opened regularly and thus taken initiatives to address those complaints properly and neutrally.
- The number of banking booths for paying bills related to gas consumption should be increased and made easily reachable by the customers. It is also recommended to expand/introduce prepaid billing system to reduce time consumed while standing in queue in the banks.
- The drive of disconnecting the illegal gas connections in different establishments should be strengthened. Connection checking and monitoring system should be strengthened by the honest staff of the company.
- The gas pipe line should be checked and cleaned periodically and regularly for flowing gas smoothly and lessening technical loss of gas. A gas pipeline cleaning and monitoring cell may be established /strengthened in the company.
- Company offices and service centre of the company to reach the customer easily should be increased.
- E-governance system should be introduced; strengthen and update the websites, web based information collection and disseminations system should be introduced and activated.
- The customer with customer ID number should be introduced to easily know the status of his/her bill, and progress made in connection procedures through e-governance process of the company.

- Billing and revenue collection process should be computer based with latest IT accounting software.
- Inter-service coordination meeting among BGSL, Chittagong City Corporation, municipalities & Union Parishads in BGSL franchise Areas, Roads & Highways, LGED and Environment department and banks should be held on monthly basis to review and resolve inter-service issues.
- BGSL can make partnership with private companies for providing gas connection instead of present contractor-based services. Meter reading bills preparation and revenue can be collected through partner organizations, thus reducing the exploitation of the contractors.
- Awareness program should be introduced through electronic and print media to raise awareness among the customers for optimal use of the valuable natural resources of the country.
- Unnecessary staff should be retrenched or trained for utilizing them in the interest of the company.
- The company should seriously consider recruiting more female staff and officers to make the company gender balanced.
- Skills and capacity of the company employees should be increased through training in home and abroad.

#### **Recommendation for Policy level:**

- Prepaid billing system should be introduced for all domestic customers instead of current fixed billing system for saving natural gas and increasing revenue for the country.
- While taking important sensitive decisions by the company related to gas distributing to local customers, representatives of field level staff who are directly involved in the implementation of those decision should be invited to discussion.
- Gas connection process should be simplified more and one stop service centre may be setup where a customer can collect application form, deposit money and collect other required permissions like road cutting, no objection certificate of environmental department.
- Utility Services Court may be established for the trial of alleged person(s) involved in the energy crimes.
- Energy Regulatory Commission should be activated as soon as possible to identify loopholes and take immediate reform measures in the company.



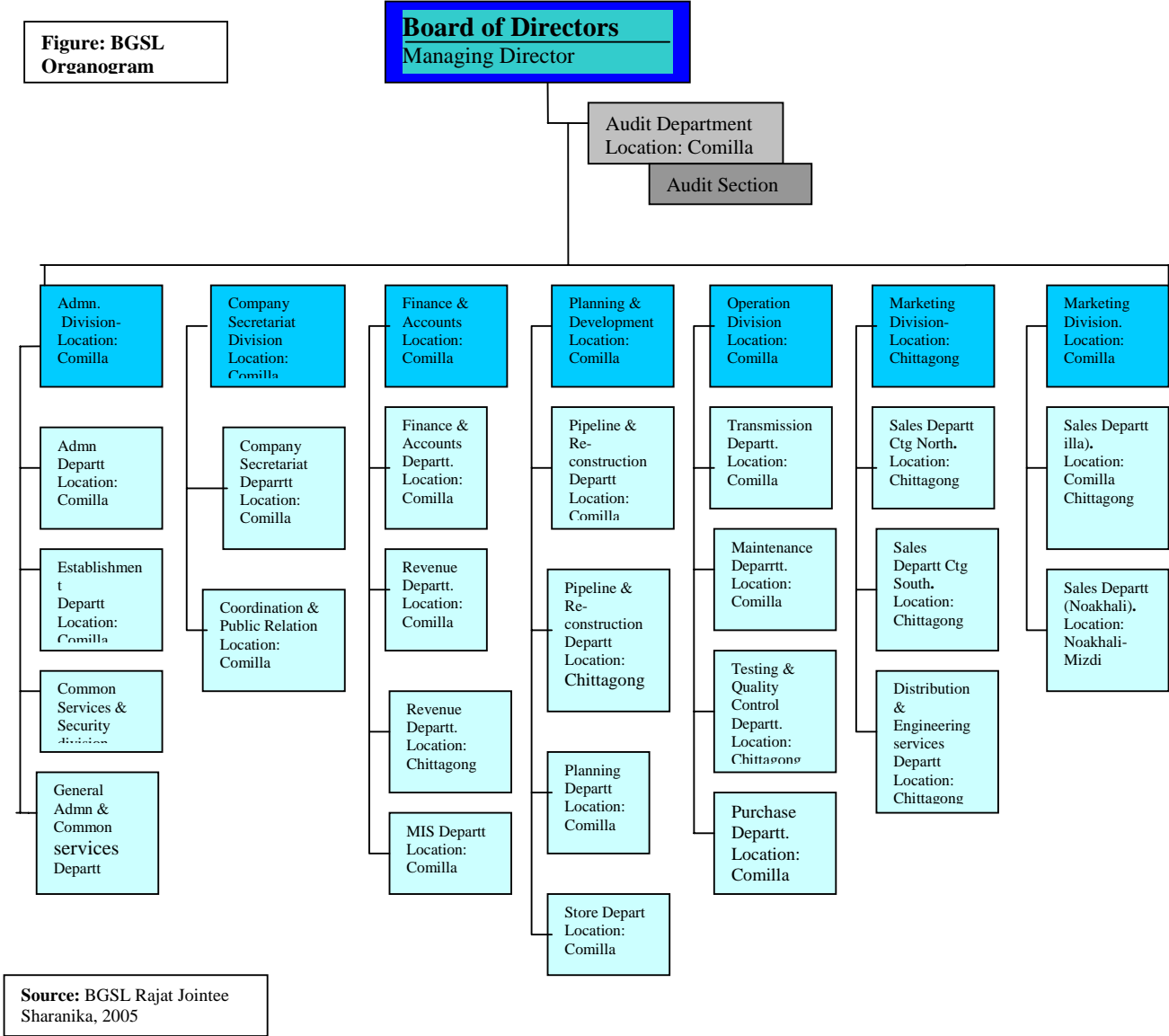
- BGSL should be provided with the character of public limited company as per the Company Act, 1994 and be governed by such laws. And significant portion of shares of the company may be publicly traded.
- Tenure of the Chairman and other board members should be on fixed term basis so that frequent change of the members cannot take place.
- The board of the company should be free from dual control of Petrobangla and the Ministry of Power, Energy and Mineral Resources and political masters of the country.
- Activities of Collective Bargaining Agents (CBA) should strictly be controlled or banned considering the nature of the services being provided by the company.
- The company should seriously consider to stop providing gas connection in the rural areas for domestic use. Because construction of gas pipeline and maintenance cost are higher than the revenue collected from such customers, making the payback period unbelievably longer. Rather the BGSL should provide more connection to local industries which will ultimately contribute to the countries economy and poverty alleviation.
- The company as well as the government should be very meticulous while negotiating for multi-billion taka gas agreement with multinational companies. Otherwise chances of being deprived of huge revenue annually cannot be avoided. The interest of the country and not the interest of any government within or outside the country should be the prime criterion for negotiation. While negotiating for the renewal of gas sales agreement, government must put pressure on the multinational companies to sell a certain percentage of their production at reduced international market rate to help sustain the country's economic growth and thus discharge their corporate responsibilities.

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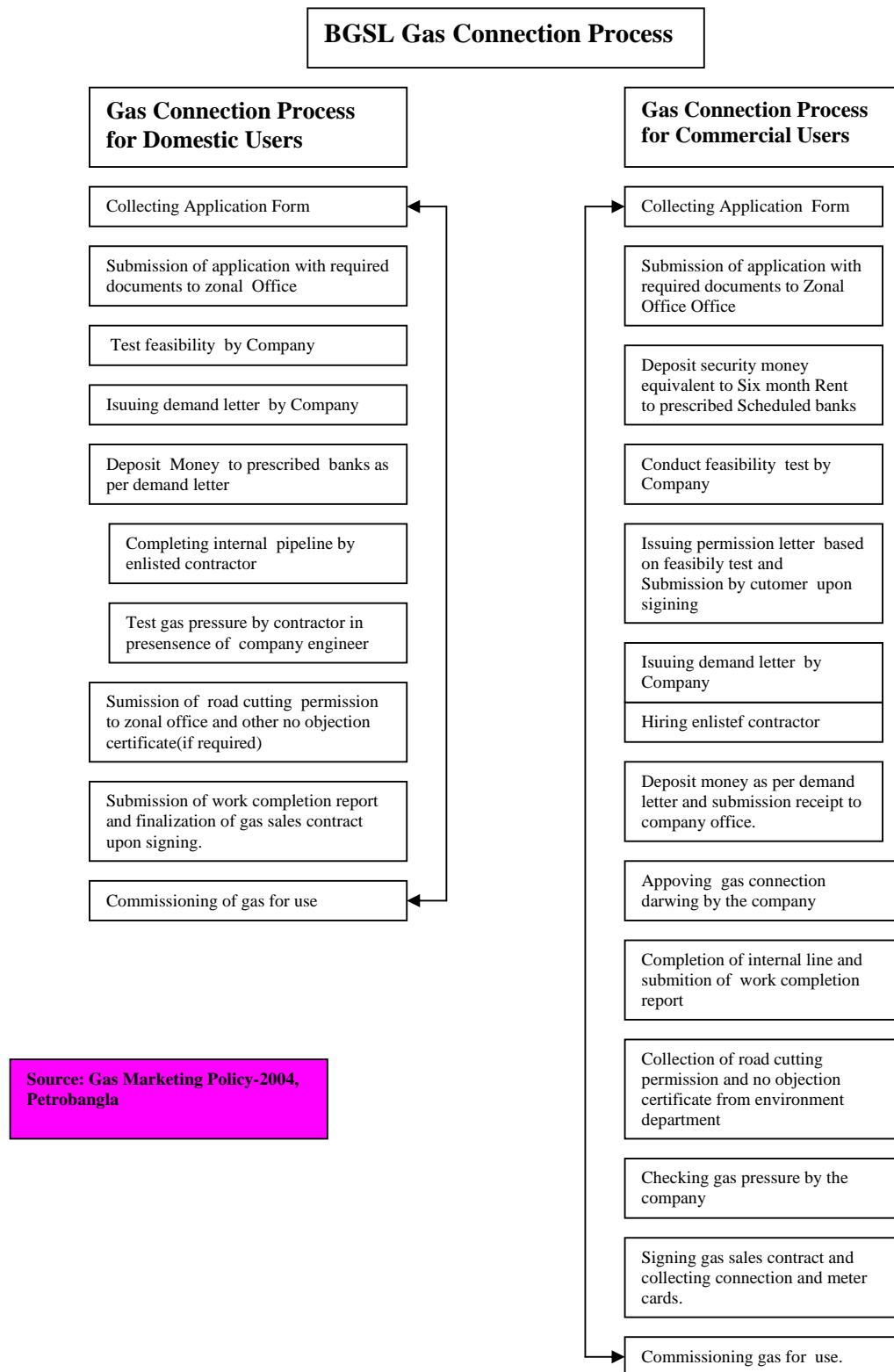
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Appendix: 01



## Appendix-2



## Appendix: 03

### Year Wise Target and Achievement of Gas Connection

SI No.	Customer/sector		May,2007	April,2007	FY-2005-06	FY-2006-07	Till today from inception
01	Electricity	a)Target	-	-	-	-	05
		b)Application received	-	-	-	-	-
		c)Achieved	-	-	-	-	05
02	Fertilizer	a)Target	-	-	-	-	03
		b)Application received	-	-	-	-	-
		c)Achieved	-	-	-	-	03
03	Industry	a)Target	4	4	50	37	932
		b)Application received	5	6	65	61	-
		c)Achieved	4	7	57	57	972
04	Captive Power	a)Target	-	1	10	10	58
		b)Application received	3	3	20	13	-
		c)Achieved	2	2	17	12	109
05	Commercial	a)Target	14	15	180	161	3372
		b)Application received	18	10	339	294	-
		c)Achieved	26	12	328	271	3928
06	Seasonal	a)Target	-	-	-	-	11
		b)Application Received	-	-	-	-	-
		c)Achieved	-	-	-	-	-
07	Tea garden	a)Target	-	-	-	-	01
		b)Application received	-	-	-	-	-
		c)Achieved	-	-	-	-	01
08	CNG	a)Target	-	1	08	10	28
		b)Application received	-	2	08	20	-
		c)Achieved	-	2	07	17	23
09	Domestic	a)Target	1417	1417	20000	15584	286078
		b)Application received	3599	4402	29117	36070	-
		c)Achieved	3629	4357	30609	35759	386924
	Total 1-9	a)Target	1435	1438	20258	15802	290488
		b)Application received	3625	4423	29559	36458	-
		c)Achieved	3661	4380	31018	36116	*391975

\* After disconnection, the number stood at total 391975.

Source: MIS Report of BGSL, May, 2007.