19.1 Operation and Maintenance of Mare Chicose Landfill

19.1.1 Background

In 1993, studies were carried out to prepare a National Solid Waste Management Plan for the Government. Landfill was identified as a means of final waste disposal. A plot of land was identified at Mare Chicose for the implementation of the landfill project. The Mare Chicose Landfill (MCL) was to cater for six cells. Since its operation in 1997, five cells have been built under Contract I. Cell 5 has been predicted to be saturated by September-October 2007 and Cell 6 has thus to be ready by that time to receive wastes.

In January 2005, tenders prepared by Consultant A for the Construction of Cells, Operation, Maintenance and Post Closure Management of the MCL (Contract II) were launched. In June 2005, Consultant A carried out the technical evaluation. In October 2005, the Ministry of Local Government (MOLG) requested another Consultant B who is responsible for the supervision of the operation of the MCL, since February 2003 to review the Technical Evaluation Report (TER) of Consultant A as well as the financial evaluation at a cost of Rs 750,000. Consultant B submitted the TER in February 2006 and evaluated the financial bid in June 2006.

Contract II was awarded in September 2006 that is twenty months after the launching of the tenders, to a Joint Venture (the Contractor) for the sum of Rs 1,331 million inclusive of VAT. The total duration of the contract is ten years. The contract comprised the phases shown in Table 19-1

<table>
<thead>
<tr>
<th>Phases</th>
<th>Description of Works</th>
<th>Amount Rs (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I – Site operational period</td>
<td>Preliminary and General</td>
<td>314</td>
</tr>
<tr>
<td></td>
<td>Operation and maintenance of cells</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td>Leachate and Gas Management</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td>Construction of Cell 6, liner &amp; capping systems etc</td>
<td>158</td>
</tr>
<tr>
<td></td>
<td>Other works</td>
<td>155</td>
</tr>
<tr>
<td>Sub Total</td>
<td></td>
<td><strong>1,050</strong></td>
</tr>
<tr>
<td>II - Post closure management</td>
<td></td>
<td>281</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>1,331</strong></td>
</tr>
</tbody>
</table>
Both phases have been projected to last five years each. However, the exact duration of Phase I would depend upon the amount of wastes entering the site that would impact upon the life of the wastes cells. Phase I commenced on 1 December 2006.

19.1.2 Payments for Period December 2006 to June 2007 – Rs 132.8 million

Payments to Consultant B for the period December 2006 to June 2007 amounted to Rs 3.8 million. The total amount certified for Contract II for the seven months for the above period was Rs 157.5 million and as of 30 June 2007, payments totalling some Rs 129 million were made to the Contractor as shown in Table 19-2.

<table>
<thead>
<tr>
<th>Details</th>
<th>Period</th>
<th>Certificate No</th>
<th>Amount Certified Rs(m)</th>
<th>Amount Paid Rs(m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mobilisation costs</td>
<td>Jan 07</td>
<td>2</td>
<td>65.0</td>
<td>68.7</td>
</tr>
<tr>
<td>2. Construction of Cell 6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Advance payments</td>
<td>Jan 07</td>
<td>1</td>
<td>11.2</td>
<td>11.8</td>
</tr>
<tr>
<td>- Materials</td>
<td>Apr 07, May 07</td>
<td>6,7</td>
<td>17.8</td>
<td>-</td>
</tr>
<tr>
<td>- Reimbursement of advance payments</td>
<td>May 07</td>
<td>7</td>
<td>(11.2)</td>
<td>-</td>
</tr>
<tr>
<td>3. Variations</td>
<td>Dec 06-June 07</td>
<td>3-7</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>4. Operation and maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cell and other works</td>
<td>Dec 06-May 07</td>
<td>3-8</td>
<td>52.1</td>
<td>30.2</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td></td>
<td></td>
<td><strong>137.0</strong></td>
<td><strong>113.0</strong></td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td></td>
<td></td>
<td><strong>20.5</strong></td>
<td><strong>16.0</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>157.5</strong></td>
<td><strong>129.0</strong></td>
</tr>
</tbody>
</table>

No Justification of the proportion of payment in different currencies

According to the tender document, “payments of the contract price will only be effected in Mauritian Rupees and no payments will be effected in Foreign Currencies”. Following enquiries by prospective bidders as to whether part of payments could be made in foreign currencies, an addendum was issued in March 2005 to allow for bidding in both local and foreign currencies. The bidders were required to quote and justify the percentage of payment in foreign currencies for each phase. The proportion of payment quoted by the Contractor was as shown in Table 19-3.
Table 19-3 Proportion of payment payable in different currencies

<table>
<thead>
<tr>
<th>Currency Unit</th>
<th>Percentage</th>
<th>Rate of exchange Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Phase I</td>
<td>Phase II</td>
</tr>
<tr>
<td>Local MUR</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Currencies of Bidder’s Country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- EURO</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>- US $</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>

The rates of exchange to be applied were those prevailing in May 2005. Only the percentage of payment was quoted in the financial bid retained but no justification was given for the percentage quoted. In the Financial Evaluation Report (FER) submitted by Consultant B in June 2006, the percentages were not assessed. It was thus not possible to ascertain on what basis the proportion of payment in different currencies quoted by the Contractor for each phase was accepted by MOLG.

Payments to be effected in foreign currencies are normally related to the foreign inputs in the contract works. It has to be pointed that the local component of works was not specified at all in the Appendix to Tender as required under Clause 13.1 of the Conditions of Contract. Further, the local and foreign inputs were not analysed in the FER. Hence, the reasonableness of the percentage quoted by the Contractor could not be ascertained.

Foreign Exchange Losses - Rs 6.6 million

The fact that the proportion of the local and foreign components was not given in the Tender Documents, it was not possible to assess the effect of cost adjustment on the local component, and that of variation in exchange rates on the foreign component over the ten-year contract period. In addition, no analysis was carried out at the evaluation stage for the different scenarios of the average increases/decreases in the foreign exchange rates over the contract period. Hence, the impact of loss on foreign exchange due to the appreciation of the rates over the contract period was not known.

For the past seven months only, the amount of loss on foreign exchange borne by Government amounted to Rs 6.6 million. The Bill of Quantities (BOQ) provided only a sum of Rs 3 million for fluctuation in exchange rates. This was far from being a realistic provision. The MOLG has disbursed some Rs 164.3 million in settlement of invoices relating to the period December 2006 to June 2007 while payments certified in Mauritian rupees amounted to Rs 157.5 million. By using the base rates of 2005 for calculation of payments, Government is bearing significant foreign exchange losses due to the fact that under the Contract, the risk of currency variation is borne solely by Government. The rates of exchange for US $ and Euro as of 30 June 2007 compared to the base rates at May 2005 have appreciated by 5.3 per cent and 8.8 per cent respectively.

Given the above trend, Government would have to disburse substantial amounts over the Contract period of ten years. Had the rates of exchange been fixed for shorter periods, instead of using the same base rates for ten years, and had the risk of currency variation been shared
between Government and the Contractor, losses to be borne by Government might have been minimised.

**Mobilisation Cost - Rs 80 million**

The Contract provided for a sum of Rs 80 million for mobilisation under two items of “Preliminary and General”. A fixed lump sum of Rs 40 million was provided for each of the two items in the BOQ. These items pertain to costs of mobilisation, securities, insurances, statutory compliance, facilities, utilities, plant, tools, labour and equipment. Payments amounting to Rs 65 million were made in January 2007 out of which Rs 15 million were retained in respect of the insurance, construction of the Leachate Treatment Plant, construction of Cell 6 and Gas Management. As the proportion of payment for each of the individual sub items was not known, the basis for the payment of Rs 65 million could not be ascertained.

There was no breakdown of the “preliminary and general” items into fixed and variable components. The duration of the phases would depend upon the wastes entering the MCL and would impact upon the life of the wastes cells. Thus, there might be changes in duration of the phases. However, it is not known how adjustments of the variable components would be worked out being given that lump sum figures were quoted in the BOQ.

**Variation Works - Rs 8.8 million**

Variation works amounting to Rs 2.3 million were paid out of Rs 8.8 million approved as of 30 June 2007. Payments in local and foreign currencies were made in the same proportion specified for payment of the Contract Price. This is contrary to the terms of the contract. Concerning variation works, the MOLG should not have been bound by these proportions but only in terms of the actual percentage of foreign and local inputs in the variation works.

**Omissions**

**Mobile Gas Flares - Rs 400,500.** There was no provision for payment for the operation and maintenance of mobile gas flares in the contract. This was considered to be a “major omission” by Consultant B. An interim payment of Rs 325,000 was made for the period December 2006 to March 2007. In August 2007, Consultant B finalised the cost of the operation of mobile gas flares at Rs 400,500 and the payment would thus have to be subsequently adjusted by Rs 75,500.

**Temporary Cap - Rs 8.3 million.** The Contract provided for Rs 52.7 million for daily natural cover of 150 mm thickness and temporary cap. However, MOLG has opted for the alternative use of synthetic cover which would cost Rs 39.7 million as mentioned in the letter of intent. The thickness for the temporary cap was not specified in the contract. The Contractor and MOLG agreed that the temporary cap should consist of 500 mm of soil. The price of the temporary cap was calculated on a pro-rata basis on that of the 150 mm daily natural cover and amounted to Rs 8.3 million. Hence, the savings of Rs 13 million will be reduced to Rs 4.7 million. The approval of the CTB for the new rates has been obtained in November 2007.

**Advance Payment of Materials.** Materials to be paid in advance were not listed at Tender Stage and indicated in the Tender Document in accordance with the terms of the contract. A
list has been drawn up in April 2007 but was limited to only the imported materials incorporated in the permanent works.

19.1.3 Lease/Acquisition of Land for Construction of Cell 6.

The construction of Cell 6 was due to start in August 2006 and completed in September 2007. However, the construction works started only one year later due to unavailability of land. The works are expected to be partially completed in January 2008.

In November 1993, Government agreed to lease land of a total extent of 22 hectares with a private company for the development of the landfill site at an annual rate of Rs 176,000 that is Rs 8,000 per hectare. The annual rate was revised to Rs 37,000 per hectare with effect from July 1996. In August 2004, Government agreed to lease an additional land to the extent of 10 hectares to accommodate Cell 6 at an annual rate of Rs 74,000 per hectare. In September 2004, Government agreed to adjust the annual rent of the 22 hectares from Rs 37,000 to Rs 74,000 per hectare with effect from 1 July 2005. However, the quantum of the increase was not decided after consultation with the Government Valuer.

In August 2005, Government decided to acquire compulsorily the 32 hectares of land as the cost of purchasing was lower than that of leasing. However, the landowner challenged the legality of the compulsory acquisition and made an appeal against it in January 2007. Government reverted to the decision of a lease as there was an urgency to secure the land. A lease agreement for a period of twelve years was finalised in August 2007 at an annual value of Rs 2.4 million, that is, Rs 74,000 per hectare, which was well above the market rent. Government would have to disburse some Rs 28.8 million for the 12 year period. Had Government acquired the land at the cost of Rs 17.5 million, savings of over Rs 11 million could have been realised.

19.1.4 Impact of Delay in the Construction of Cell 6

The delay to construct Cell 6 has entailed additional cost to be incurred due to contingency measures taken. It might also entail serious environmental problems.

Contingency measures - Extension of Cell 5 - Rs 45.7 million

In view of the saturation of Cell 5 in October 2007, and the availability of only part of Cell 6 in January 2008, Consultant B advised that there was no alternative than to extend Cell 5 to accommodate waste during the period October 2007 to January 2008. In September 2007, CTB approval was obtained for the extension of Cell 5 as a variation order to Contract II for the sum of Rs 45,105,330 and the corresponding Consultancy fees for the design and supervision for a sum of Rs 600,000.

Environmental impact

In March 2007, Consultant B reported that due to the delay in the construction of Cell 6, wastes would have to be stockpiled beyond design height of wastes in the existing cells. He further added that this might entail removal of existing capping material, possibility of failure of existing liner, disruption of gas collection system, increase in depth of new gas well and so
on. These might subsequently impact on the carting away capacity from transfer stations which would in turn affect collection of wastes.

Further, the Consultant mentioned that no additional waste could be added to existing cells as Cells 1 to 3 have already been capped and Cell 4 has temporary capping. Opening waste mass would result in numerous environmental and health problems such as leachate generation, odour and proliferation of rodents amongst others.

19.1.5 The Leachate Treatment Plant (LTP)

In 2003, Consultant B recommended the replacement of the existing LTP with one having a design capacity of 450 m$^3$ per day as leachate was being carted away instead of being treated on site. In March 2005, a cost benefit analysis was carried out by another Consultant who concluded that it would be beneficial to treat leachate on site.

The tender for Contract II in September 2006 made provision for dismantling the old LTP and the construction of a new LTP with a design capacity to treat 500 m$^3$ leachate per day. However, in the letter of intent, MOLG reserved the right to accept the alternative of “carting away of raw leachate during contract implementation”. In view of the reduced scope of works, an amount of Rs 208 million would have to be deducted from the contract value.

The raw leachate of MCL was currently being disposed of at the Roche Bois Wastewater Treatment Plant. With the completion of the Baie du Tombeau house connections and proposed Tianli projects, the Wastewater Treatment Plant would have to be upgraded. A decision has yet to be taken concerning the construction of the LTP.

The volume of leachate increases with heavy rainfall and after the passage of cyclone. After the passage of cyclone Gamede in February 2007, the MCL faced the problem of excessive leachate. Thus, the Contractor had to cart away leachate at night. An additional sum of Rs 933,000 was certified in August 2007 and has yet to be paid.

Conclusion

In September 2006, Contract II was awarded for a total sum of Rs 1,331 million (inclusive of VAT) for a duration of ten years, i.e. five years for Phase I for Rs 1,050 million and the next five years for Phase II for Rs 281 million. An amount of Rs 164.3 million was paid to the Contractor for works carried out from December 2006 to June 2007. Thus, for this period of seven months only regarding Phase I, some 15.6 per cent of the contract value of Rs 1,050 million have already been disbursed. Government had to bear Rs 6.6 million as loss on foreign exchange in view of the fact that the base rate of 2005 was taken to calculate the payments in foreign exchange.

The fact that the proportion of the local and foreign components was not given in the Tender Documents, it was not possible to assess the effect of cost adjustment on the local component, and that of variation in exchange rates on the foreign component over the ten-year contract period. The impact of loss on foreign exchange due to the appreciation of the rates over the contract period was not analysed at the evaluation stage. Had the rates of exchange been fixed for shorter periods, instead of using the same base rates for ten years,
and had the risk of currency variation been shared between Government and the Contractor, losses to be borne by Government might have been minimised.

Payments for contract works including variation orders were made in local and foreign currencies. It was not possible to ascertain on what basis the percentage of payment in different currencies quoted by the Contractor was accepted by MOLG. The local and foreign inputs were also not analysed in the FER.

A total amount of Rs 65 million was paid in January 2007 as mobilisation cost. The basis for these payments could not be ascertained as a lump sum was quoted in the BOQ. There was no breakdown of the fixed and variable components of mobilisation cost.

The finalisation of the award of Contract II took more than twenty months while the construction of Cell 6 started in August 2007 with a delay of one year due to unavailability of land. Government agreed to lease the 32 hectares of land at an annual value of Rs 2.4 million, that is, Rs 74,000 per hectare which was well above the market rent. Had Government acquired the land, savings of over Rs 11 million could have been realised.

Cell 5 was predicted to reach saturation in October 2007. Several environmental problems were anticipated to arise due to the delay in the construction of Cell 6. As a contingency measure, Cell 5 was extended at an additional cost of Rs 45.7 million.

A sum of Rs 933,000 was certified for the carting away of excessive leachate at night in August 2007 following increases of leachate with heavy rainfall in February 2007.

**Ministry’s Reply**

*No justification of the proportion of payment in different currencies*

The transfer of risk of currency variation on the Contractor might have led to a situation of speculation and of higher contract sum. As at tender stage, the bidder cannot predict the trend in respect of changes that will occur to the rates of exchange, he will usually price for this risk and try to pass it on to the client. The recommendations made by the Consultant in the FER were approved by the Central Tender Board on 21 September 2006.

*Foreign exchange losses*

Adjustment due to cost escalation will not apply to the foreign currency component but to the local component only. The amount to be paid on the local component is expected to largely exceed that of the variation in the foreign component in the forthcoming year.

*Mobilisation cost*

In the absence of a detailed breakdown of mobilisation cost, the Consultant had worked an estimated amount of Rs 2.8 million for a Leachate Treatment Plant and Rs 7.2 million for the construction of Cell 6.
Variation of works

The attention of the Consultants was drawn to the Conditions of Contract regarding variation works. The Ministry has requested the Consultant to reassess the currency proportions for the variation works.

Lease/Acquisition of Land

The decision to adjust the annual rent from Rs 37,000 to Rs 74,000 per hectare was taken by Government. The increase in the rental of land was one of the many conditions of the landowner, to lease additional land for the construction of Cell 6.

Impact of Delay in the Construction of Cell 6

Environmental impact has been addressed by the extension of Cell 5.

The Leachate Treatment Plant

The Ministry of Public Utilities has informed that its project for the upgrading the Wastewater Treatment Plant at Roche Bois will not take place until five years. It is most cost effective to cart away the leachate to Roche Bois rather than to construct the LTP.

Urgent action had to be taken to cart away leachate at night after Cyclone Gamede to avoid overflowing in the nearby river, odour and pollution problems and to mitigate health hazards to the nearby village.

19.2 Allocation of Contracts for the Operation and Maintenance of Transfer Stations and Transportation of Wastes.

19.2.1 Background

The main objectives of Transfer Stations (TS) are to receive compactible and non compactible waste, to compact and transport all wastes received in specific Roll on Roll off vehicles and/or other truck trailers/lorries to Mare Chicose Landfill disposal site. There are five TS operational in Mauritius. Contracts for Operation and Maintenance of Transfer Stations and Transportation of Wastes to Mare Chicose Landfill have so far been executed by private Contractors.

19.2.2 Extension and Award of Contracts

Contracts for the Operation and Maintenance and Transportation of Wastes in respect of three of the five TS, namely Roche Bois (RBTS), St Martin (SMTS) and La Brasserie (LBTS) which were awarded in November 2001, expired in October–November 2004. The existing contracts had to be extended on several occasions before new contracts were allocated. Details are given in Table 19-4.
Table 19-4  Award of new contracts

<table>
<thead>
<tr>
<th>Transfer Station</th>
<th>Expiry date of original contract</th>
<th>Date of award of new contract</th>
<th>No. of months between expiry and award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roche Bois</td>
<td>12 Nov 2004</td>
<td>1 July 2005</td>
<td>7.5</td>
</tr>
<tr>
<td>St Martin</td>
<td>21 Oct 2004</td>
<td>25 April 2005</td>
<td>6</td>
</tr>
<tr>
<td>La Brasserie</td>
<td>18 Oct 2004</td>
<td>26 July 2005</td>
<td>9</td>
</tr>
</tbody>
</table>

19.2.3  Payments to Contractors

The MOLG has disbursed a sum of Rs 315 million for the period November 2001 to June 2007. Out of this amount, Rs 223.6 million were paid under the original contract – Rs 149.1 million during original contract period and Rs 74.5 million during extension period as shown in Table 19-5

Table 19-5  Payments to Contractors

<table>
<thead>
<tr>
<th>Transfer Station</th>
<th>Payments during original contract period (Rs (m))</th>
<th>Payments during extension periods (Rs(m))</th>
<th>% over Original Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roches Bois</td>
<td>56.2</td>
<td>42.0</td>
<td>75</td>
</tr>
<tr>
<td>St Martin</td>
<td>56.6</td>
<td>23.3</td>
<td>41</td>
</tr>
<tr>
<td>La Brasserie</td>
<td>36.3</td>
<td>9.2</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>149.1</td>
<td>74.5</td>
<td>50</td>
</tr>
</tbody>
</table>

- Payments totalling Rs 74.5 million were made during the extension periods without competitive tendering procedures. This represented some fifty per cent of the amount paid under original contracts.

- Rates payable during the extension periods for transportation of waste were revised upward to Rs 6 per ton per kilometre, following requests made by Contractors on basis of increase in fuel costs. This represented increases of some 77, 68 and 18 per cent for RBTS, SMTS and LBTS respectively.
19.2.4 Problems Associated with New Contracts

Problems encountered before and after the allocation of new contracts in respect of the three TS are detailed below:

Roches Bois Transfer Station.

Award of Contract. Tenders for the Operation and Maintenance of RBTS and Transportation of Waste to Mare Chicose Landfill were launched for the first time in July 2004. The Upgrading of the RBTS was also included in the scope of works. However, the prices of the lowest bidder for the two components, namely the Upgrading of the RBTS and the Transportation of Wastes were considered to be on the high side. The tender exercise was thus cancelled in October 2004.

Tenders were launched for a second time in April 2005, that is some nine months later but with less stringent criteria as advised by the Central Tender Board (CTB). This time, the Upgrading component was removed from the tenders. The Contract for the Operation and Maintenance of RBTS and Transportation of Wastes was awarded to Contractor A, the lowest bidder on 1 July 2005 for a period of 36 months for a total cost of Rs 125 million.

Rescission and Re-Award of Contract. In July 2005, Contractor A informed MOLG that it would be able to mobilise in six months, that is, in January 2006 as the delivery of the vehicles ordered would be effected after five months. MOLG was agreeable to its proposal. However, on 28 December 2005, after consultation with the Attorney General’s Office (AGO) and the Prime Minister’s Office (PMO), MOLG rescinded the Contract with Contractor A with immediate effect and re-awarded the contract to the second lowest bidder, Contractor B for a period of 36 months at the cost of Rs 126.8 million. There was a difference of Rs 1.8 million between the lowest and the second lowest bid.

St Martin Transfer Station

Award of Contract. Tenders for the allocation of a new contract at SM TS were invited only on 30 September 2004, that is three weeks before expiry of the existing one. On 20 December 2004, the Inter-Ministerial Evaluation Committee set up in order to evaluate the bids recommended that the contract be awarded to Contractor A, the lowest bidder, with the proviso that the Contractor deployed a Station Manager with a diploma in Civil Engineering. This was to be cleared at the Letter of Intent stage. However, on 6 January 2005, the CTB requested MOLG to review its evaluation as the key personnel proposed by Contractor A did not appear to have the required minimum qualifications and experience. This shortcoming was considered to be a major deviation from tender requirements which could not be corrected through a letter of intent. On 12 January 2005, MOLG sought legal advice as to whether the stand of the Committee and of the Ministry was legally in order.

Two different advice were given by the AGO regarding the above matter. On 2 February 2005, the AGO informed the MOLG that it was of the view that the Ministry’s stand was not legally in order. It stated, inter alia, that “there is a strong case for arguing that the failure of the recommended Contractor to satisfy the requirement is a material deviation which may affect in a substantial manner the scope, quality or performance of the works and the rectification of which may affect unfairly, the competitive position of other bidders.”
However, on 15 February 2005, the AGO revised its previous advice following discussions with MOLG. AGO then advised that the Letter of Intent might include a condition that, at the time when the Transfer Station would be actually managed and operated, the Station Manager should be a duly qualified one and that his identity and qualification should be unambiguously shown in the Bidder’s Letter of Acceptance following the issue of the Letter of Award.

Several correspondences were exchanged between the MOLG, the CTB and the AGO. It was clarified that of the two advice given, the second was to be the final one.

The MOLG issued a Letter of Intent to Contractor A on 22 March 2005, following CTB’s approval. On 25 March 2005, Contractor A confirmed the deployment of a Station Manager with a Diploma/Degree in Civil Engineering for the day to day management of the TS and stated that nine Roll on Roll off lorries and two truck trailers would be available within three months of the award of contract. On 25 April 2005, the Contract was awarded to Contractor A for a period of 36 months at the total cost of Rs 84.6 million.

Contractor A started operation of the Transfer Station only on 1 September 2005 instead of mid July 2005. Contrary to what was stated by the Contractor, the vehicles originally expected to be available in June 2005, were delayed by some two months.

**Rescission and Re-Award of Contract.** In December 2005, Government decided that the MOLG, in consultation with the PMO and the AGO, was to consider the termination of the contract allocated to Contractor A.

Several adverse reports were issued by the Enforcement Section of the MOLG on the management of the SMTS by Contractor A. These included among others, frequent accumulation of waste on the platforms leading to queuing problems, disruption of the collection services and also odour problems. Penalties totalling some Rs 194,000 were retained from payments for the period June to December 2006.

On 16 January 2007, MOLG, following the advice of the AGO, rescinded the Contract of Contractor A with effect from 31 January 2007, in view of its repeated failures to comply with the conditions and specifications of the contract.

On 18 January 2007, CTB approved MOLG’s recommendation to award the contract to the third lowest bidder Contractor B of the previous tender exercise for the remaining period of 19 months, that is, with effect from 1 February 2007 at the cost of Rs 51.6 million. This was done in view of the urgency to redress the deteriorating situation at the SMTS and given that a new procurement exercise to appoint a Contractor would be a lengthy process. The MOLG did not recommend the second lowest bidder for award as the latter had, in its bid, proposed several infrastructural modifications to the existing structures at the SMTS prior to operation and also it did not have any experience in the operation of TS. At the request of the CTB, MOLG approached the second lowest bidder but the latter informed that it was no longer interested in the contract.

During a handing over exercise carried out on 31 January 2007 between the outgoing Contractor A and the incoming Contractor B, several shortcomings were found at the SMTS. Several items of equipment were in non-working conditions and the site infrastructure had suffered considerable degradation beyond normal wear and tear that could be reasonably
expected. An amount of Rs 1.1 million was retained from the payment claimed by Contractor A for the month of January 2007.

La Brasserie Transfer Station

Tenders for LBTS were launched in August 2004, that is, two months before expiry of the existing contract. Bids were forwarded by CTB to MOLG for evaluation on 30 September 2004. On 29 October 2004, the tender exercise was cancelled in view of high prices. Fresh tenders were launched for the second time in May 2005, that is, some seven months later but with modified specifications and less stringent eligibility criteria as advised by the CTB. The contract was finally awarded to Contractor B on 26 July 2005 for a period of 36 months at a total cost of Rs 18.5 million.

During the implementation of the contract by Contractor C during the period November 2001 to June 2005, MOLG retained some Rs 1.4 million due to a number of unattended operational shortcomings at the LBTS. The site was left in a non-operational state. Following the final handing over exercise carried out on 15 August 2005, a list of items to be repaired and improved by the outgoing and incoming Contractors was drawn up. However, Contractor C did not attend to the outstanding works.

Thus, in January 2006, MOLG decided with the CTB’s approval to entrust the unattended works to Contractor B for the sum of Rs 925,000 as a variation to the contract and to deduct an amount of Rs 700,000 from payment to Contractor C.

Contractor B did not complete the variation works within the scheduled date of 28 March 2006. The bulk of the works were completed only on 6 June 2006. No amount was deducted from the payment of Rs 855,000 made to Contractor B for failure to complete the works within time.

At a site meeting held in August 2005, it was pointed out that the compacting plant required upgrading works. In September 2005, Contractor B proposed to repair the plant at a cost of Rs 327,000 which was subsequently assessed by MPI at Rs 292,000. The approval of the CTB to entrust the works was sought and obtained in March 2006. The repair works were completed in June 2006.

Conclusion

The MOLG has disbursed a sum of Rs 315 million for the period November 2001 to June 2007, out of which, Rs 149.1 million was paid to two Contractors during the period November 2001 to November 2004. Additional payments totalling Rs 74.5 million and representing some 50 per cent of amount paid under original contracts, were made during the extension periods without competitive tendering procedures. There is a need for proper planning in terms of tender preparation, launching and award of contracts. Tenders for contracts must be invited in a timely manner so as to avoid long delays in awarding the contracts and also ensure that new Contractors can smoothly take over the works at the expiry of existing contracts.

MOLG should carefully work out the tender specifications, eligibility criteria and the scope of works and clearly spell them out in the tender documents. This would avoid any ambiguity.
and the need to have recourse to a new procurement exercise, which is a lengthy process. This will also facilitate the evaluation process.

The MOLG should carry out proper monitoring of contracts and ensure that Contractors comply with the clauses of the contract, mainly in respect of maintenance of site infrastructure and plant and equipment. Prompt corrective action should be taken to ensure that Contractors do not leave the sites in a non-operational state, and thus avoid MOLG incurring additional costs to remedy unattended shortcomings.

The MOLG should ensure that whenever contract or variation works are not executed according to terms of contract, penalty clauses are consistently applied.

**Ministry’s Reply**

I was informed by the MOLG that the delay in launching of the tender for SMTS was due to time taken to finalise the extension of the lease agreement for the plot of land housing the TS.

The decision to rescind the contract of Contractor A for RBTS was taken by Government. The contract was re-awarded to the second lowest bidder after seeking legal advice and obtaining approval of the CTB.

Service providers in the Solid Waste Sector are limited. The Ministry will further endeavour to ensure timely preparation of tenders in order to avoid any delay for the award of contracts.

As regards monitoring of contracts, three new Enforcement Officers have been recruited and this has resulted in an increase in the frequency of site inspections. Penalty clauses are being applied in cases of non-compliance to the contract provisions.