INDEPENDENT REVIEW PANEL

In the matter of:

JV-OTV/Colas (Maurice) Ltée/Veolia Water

(Applicant)

v/s

Central Water Authority

(Respondent)

(Cause No. 17/14/IRP)

Decision

A. History of the case

The procurement for the construction of the Bagatelle Water Treatment Plant was launched on 09 April 2013. Request for proposals was addressed to the short listed bidders, after the pre-qualification exercise.

The revised closing date for the submission of bids was fixed to 05 November 2013 at 13.30 hrs. Six bids were received at the public opening as listed below:

1. JV-OTV Colas (Maurice) Ltée – VEOLIA WATER
2. China International Water & Electric Corp (CWE)
3. GCC/PCI Africa JV
4. Joint Venture Sotravic/Biwater C2012/13
5. JV HWPC/First Bureau/HUPD-CWA C2012/13
6. Sinohydro Corporation Limited
B. Scope of Work

As regards the procurement work, it consists of the construction of a new rapid gravity sand filter with a production capacity of 60,000 m$^3$/day comprising its ozone contract tanks, flash mixers, flocculators, dissolved air flotation units, chlorine contact tanks, clean water tanks, chemical building, administration building, dirty backwash settling tanks, sludge balancing tank, gravity thickeners, sludge holding tanks and sludge treatment building.

It also provides for some ancillary works such as construction of a boundary wall around the perimeter of the treatment plant, construction of access roads to all structures within the treatment plant compound and laying of pipeworks complete with all necessary fittings and accessories.

The closing date for submission of bids was revised on four occasions to be finally closed on 05 November 2013.

C. The Notification of Award

The Central Water Authority through a letter dated 08 May 2014, informed the Applicant of the particulars of the successful bidders as follows:

“Pursuant to Section 40(3) of the Public Procurement Act 2006, I am to inform you that an evaluation of the bids received has been carried out and your bid has not been retained for award.

The proposed successful bid is from JV HWPC/First Bureau/HUDP – CWA/C2012/13, Henan, Water & Power Engineering Consulting Co. Ltd, No. 16 Kangping Road, Zhengdong New District, Zhengzhou, China in the corrected Contract Sum of Rs1,024,194,437.00, inclusive of 15% VAT.”

D. The Challenge

By letter dated 13 May 2014, the Applicant challenged the award on the following grounds:

“Bid Price
(i) The bid price of the successful bidder is abnormally low. The budget of the Public Body for the contract was assessed at Rs1.4 Billion whilst the highest bid amount of the successful bidder is Rs1,024,194,437.00 that is 37% less than the estimated budget
cost. At the public opening of the financial proposals, the successful bidder’s financial proposals should have been rejected outright. Given the abnormally low price of the successful bidder, there is a great risk that successful bidder will either fail to execute its obligations under the contract which consist of major works, resulting in the public body incurring substantial financial losses or there is a high possibility that the technical proposal has missed out an important element like the essential foundation works necessary for such a plant given the geotechnical data available.

(ii) The abnormally low price of the successful bidder creates doubt as to its compliance with the technical specifications of the bidding documents. Given the complexity and size of the project and the unrealistically low price, the successful bidder may have omitted to submit the price on certain specifications of the bidding documents.

(iii) Moreover, in light of the abnormally low price of the successful bidder, the public body should have serious concerns as to its ability to perform the procurement contract and to reject the bid. This plant should be able to produce drinking water for the population.

**Technical specifications**

(iv) The bid of the successful bidder is not in compliance with all the requirements and technical specifications mentioned in the bidding documents. In view of the numerous requests for clarifications/queries which the public body has received from the bidders regarding the sludge treatment, it appears that the successful bidder does not meet the technical specifications of the bidding documents in relation to the sludge treatment.

**Alternative proposals ITB 20.1**

(v) The bidding documents clearly provided at ITB 20.1, that “Bidders wishing to offer technical alternatives to the Employer’s Requirements of the bidding documents must first place the Employer’s Requirements as described in the bidding documents and shall further provide all information necessary for a complete evaluation of the alternative by the Employer, including drawings, design calculations, technical specifications, breakdown of prices and proposed construction methods. All technical alternatives which comply with the performance specifications for the Works shall be considered by the employer on their merits”.

JV-OTV/Colas (Maurice) Ltée/Veolia Water v/s Central Water Authority
(CN 17/14/IRP)
(vi) The bidding documents do not allow for two offers/options to be submitted but bidders have to first make a base offer(s) per the requirements of the bidding documents and further provide all information necessary for a complete evaluation of the alternative proposed. At the public opening of the financial proposals, it is clear that the successful bidder had submitted two options as opposed to an alternative proposal, thereby rendering its bid substantially unresponsive. When the successful bidder submitted two options, it failed to comply with the requirements of the bidding documents.

(vii) The first option proposed by the successful bidder failed to comply with the technical requirements of the bidding documents as a result of which the second option should not even have been considered. On this score, the bid of the successful bidder should have been declared substantially unresponsive and rejected.

Qualification Criteria – Section I – Instructions to Bidders: Appendix A

(viii) The Bidder whose bid has been retained for award does not have the required qualification, expertise and experience for the construction of the water treatment plant, more specifically, the works to be carried out in the design, construction, operation and maintenance thereof as required by the bidding documents as per Section 4 of the Appendix A – Section 1 – Instructions to bidders.

(ix) Section 4.1 provides that each member of the JV must meet requirement that is experience under construction contracts in the role of prime contractor, JV member or sub contractor, for at least the last 10 years and Section 4.2 provides that one member must meet requirement that is a minimum number of similar contracts specified below that have been satisfactorily and substantially completed as a prime contractor, joint venture, or sub contractor during the last 10 years (i) 1 (one) contract comprising the design, construction and operation of at least one (1) rapid gravity water treatment plant of capacity of at least one 45,000 m3/day. Documentary evidence was required to be submitted by the bidder.

(x) The Applicant considers that the technical evaluation has not been carried out properly as the bid of successful bidder which does not have expertise and experience for construction of the drinking water treatment plant should have been declared non-responsive and rejected outright.
Qualification and lack of competence of the members of the Bid Evaluation Committee

(xi) The Bid Evaluation Committee (BEC) did not have the required expertise to evaluate the technical proposals of the bidders inasmuch as no clarifications have been addressed to the bidders on the process and on other technical aspects such as operation and maintenance costs, although the design of the plant is a major component of the project. The BEC was not assisted by an expert/specialist in the water treatment plant. It was utmost important that an expert/specialist sit on the BEC given the estimated budget cost of the construction is Rs1.4 Billion. The choice of the contractor here is of utmost importance as it will impact on the next 30 years of drinking water production at this plant.

(xii) The Applicant considers that the examination and evaluation of the technical specifications of the successful bidder was not carried out properly by the BEC in order to obtain the best value for money in terms of price, quality, and delivery having regard to the set specifications. It is apposite to note that a wrong choice at this stage may have serious consequences later on in terms of added costs which will have to be passed on to the consumer.”

E. The Reply to Challenge

By letter dated 20 May 2014, the Respondent replied to the challenge on the following grounds:

1. Bidder JV HWPC/First Bureau/HUPD is substantially responsive to the employer’s requirements of the bidding documents.

2. With regard to option submitted by the successful bidder, answer to query No. 4 in addendum no. 2 mentioned that:

“The Bidder must price for both the discharge to the river and for a dewatering method as per the requirements of Section 3.20. He can offer either the filter press or the centrifuge system as per section 3.25.18 of Section 4 (Employer’s Requirements).”

The JV HWPC/First Bureau/HUPD has complied with this requirement by pricing both alternatives.

3. The Bid Evaluation Committee has been set up by the Central Procurement Board as per Section 11(1)(d) of the Public Procurement Act 2006.
4. The Bid Evaluation Committee has not found the contract value to be abnormally low, the more so, as the bidder has satisfied all the requirements with respect to experience, General and Specific, and technical specifications.”

F. Grounds for Review

By letter dated 26 May 2014, the Applicant seized the Independent Review Panel for review on the following grounds:

“A. Bid Price

(xiii) The bid price of the JV HWPC/First Bureau/HUPD is abnormally low. The budget of the Public Body for the contract was assessed at Rs1.4 Billion whilst the highest bid amount of the successful bidder is Rs1,024,194,437.00 that is 37% less than the estimated budget cost. At the public opening of the financial proposals, the successful bidder’s financial proposals should have been rejected outright. Given the abnormally low price of the successful bidder, there is a great risk that successful bidder will either fail to execute its obligations under the contract which consist of major works, resulting in the public body incurring substantial financial losses or there is a high possibility that the technical proposal has missed out an important element like the essential foundation works necessary for such a plant given the geotechnical data available.

(xiv) The abnormally low price of the successful bidder creates doubt as to its compliance with the technical specifications of the bidding documents. Given the complexity and size of the project and the unrealistically low price, the successful bidder may have omitted to submit the price on certain specifications of the bidding documents.

(xv) Moreover, in light of the abnormally low price of the successful bidder, the public body should have serious concerns as to its ability to perform the procurement contract and should have rejected the bid. This plant should be able to produce drinking water for the population, a matter therefore of national importance impacting on the population directly.

B. Technical specifications

(xvi) The bid of the successful bidder is not in compliance with all the requirements and technical specifications mentioned in the bidding
documents. In view of the numerous requests for clarification/queries which the public body has received from the bidders regarding the sludge treatment, it appears that the successful bidder does not meet the technical specifications of the bidding documents in relation to the sludge treatment.

C. Alternative proposals ITB 20.1

(xvii) The bidding documents clearly provided at ITB 20.1, that “Bidders wishing to offer technical alternatives to the Employer’s Requirements of the bidding documents must first place the Employer’s Requirements as described in the bidding documents and shall further provide all information necessary for a complete evaluation of the alternative by the employer, including drawings, design calculations, technical specifications, breakdown of prices and proposed construction methods. All technical alternatives which comply with the performance specifications for the Works shall be considered by the employer on their merits”.

(xviii) The bidding documents do not allow for two offers/options to be submitted but bidders have to first make a base offer as per the requirements of the bidding documents and further provide all information necessary for a complete evaluation of the alternative proposed. At the public opening of the financial proposals, it is clear that the successful bidder had submitted two options as opposed to an alternative proposal, thereby rendering its bid substantially unresponsive. When the successful bidder submitted two options, it failed to comply with the requirements of the bidding documents.

(xix) The ‘first base option’ proposed by the successful bidder failed to comply with the technical requirements of the bidding documents as a result of which the second option should not even have been considered. On this score, the bid of the successful bidder should have been declared substantially unresponsive and rejected.

(xx) In reply to paragraph 2 of the letter of the CWA dated 20 May 2014 with regards to the alternative proposals, the Applicant contends that in view of the answer to query no. 4 in addendum no. 2 which clearly mentions that “the Bidder must price for both the discharge to the river and for a dewatering method ….”, a Bidder therefore had to provide for both situations. Given the reply of the CWA wherein it is stated that the JV HWPC/First Bureau/HUPD has complied with this requirement by pricing both alternatives, clearly the JV HWPC/First Bureau/HUPD had not priced for both the discharge to the river and a dewatering method, thus it has clearly failed to
comply with the requirement of the bidding document. The bid should have accordingly been rejected.

(xxii) The Applicant refers to Section 1 – Instructions to Bidders – 1. Scope of Bid, paragraph 1.1(a) regarding the main features of the construction of the water treatment plant, which comprises of “the construction of a new rapid gravity sand filter with a production capacity of 60,000 m³/day, complete with its ozone contact tanks, flash mixer, flocculators, dissolved air flotation units, chlorine contact tanks, clean water tanks, chemical building, administrative building, dirty backwash settling tanks, sludge balancing tank, gravity thickeners, sludge holding tanks, sludge treatment building, ....” The settling tanks and the sludge treatment plant form part of the main features of the water treatment plant and therefore any bidder should have provided for both the settling tanks and sludge treatment plant not in the alternative. The Applicant will also refer to the plants provided in the bidding document Volume2/3. (Drawings)

D. Qualification Criteria – Section 1 – Instructions to Bidders: Appendix A

(xxiv) The Applicant considers that the technical evaluation has not been carried out properly as the bid of successful bidder which does not have expertise and experience for construction of the drinking water treatment plant should have been declared non-responsive and rejected outright.
Qualification and lack of competence of the members of the Bid Evaluation Committee

(xxv) The Bid Evaluation Committee (BEC) did not have the required expertise to evaluate the technical proposals of the bidders inasmuch as no clarifications have been addressed to the bidders on the process and on other technical aspects such as operation and maintenance costs, although the design of the plant is a major component of the project. The BEC was not assisted by an expert/specialist in the water treatment plant. It was utmost important that an expert/specialist sit on the BEC given the estimated budget cost of the construction is Rs1.4 Billion. The choice of the contractor here is of utmost importance as it will impact on the next 30 years of drinking water production at this plant.

(xxvi) The Applicant considers that the examination and evaluation of the technical specifications of the successful bidder was not carried out properly by the BEC in order to obtain the best value for money in terms of price, quality, and delivery having regard to the set specifications. It is apposite to note that a wrong choice at this stage may have serious consequences later on in terms of added costs which will have to be passed on to the consumer.”

G. Evaluation Process

The Bid Evaluation Committee under the Chairmanship of Mr P. Sookram, met for the first time on 11 November 2013.

1. The Technical Evaluation Report was submitted on 28 January 2014:

At Para 6.1, the Committee concluded that the 5 bidders listed below were substantially responsive and were retained for further technical evaluation subject to providing satisfactory response to clarifications:

Bidder No. 1 - JV-OTV Colas (Maurice) Ltée – VEOLIA WATER
Bidder no. 2 - China International Water & Electric Corp (CWE)
Bidder No. 4 - Joint Venture Sotravic/Biwater C2012/13
Bidder No. 5 - JV HWPC/First Bureau/HUPD-CWA C2012/13
Bidder No. 6 - Sinohydro Corporation Limited
2. **Supplementary Bid Evaluation Report for Technical Proposals was submitted on 01 March 2014**

Following technical evaluation, the Bid Evaluation Committee concluded that the bids from the following Bidders listed below be retained for further technical evaluation, subject to the respective Bidders providing satisfactory responses to clarification requested.

Bidder No.1 – JV-OTV Colas (Maurice) Ltéé – VEOLIA WATER  
Bidder No. 2 – China International Water & Electric Corp (CWE)  
Bidder No. 4 – Joint Venture Sotravic/Biwater C2012/13  
Bidder No.5 – JV HWPC/First Bureau/HUPD-CWA C2012/13  
Bidder No.6 – Sinohydro Corporation Limited

Further to the approval of the Central Procurement Board, letters of clarification were issued to the above mentioned respective Bidders on 7 February 2014.

The deadline for submission of clarifications was 21 February 2014.

All the Bidders responded with their respective clarifications by the deadline date.

At Para 5.1, the conclusion of the supplementary report based on the assessment and evaluation of the clarifications submitted by each bidder is as follows: the bids from Bidders as listed below were considered non-responsive to the Employer’s Requirements.

(i) Bidder No.2 – China International Water & Electric Corp (CWE)  
(ii) Bidder No.3 – GCC/PCI Africa JV  
(ii) Bidder No.6 – Sinohydro Corporation Limited

At Para 5.2, the Bid Evaluation Committee recommends that the offers from the following remaining substantially responsive Bidders be retained for opening of their price proposals:-

(i) Bidder No. 1 – JV-OTV Colas (Maurice) Ltéé – VEOLIA WATER – Base Offer and Alternative Offer  
(ii) Bidder No. 4 – Joint Venture Sotravic/Biwater C2012/13  
(iii) Bidder No.5 – JV HWPC/First Bureau/HUPD-CWA C2012/13
3. **The Financial Evaluation Report was submitted on 25 March 2014**

Public opening for financial offers was carried out on 11 March 2014 at 11:00 hrs in the Conference Room at the Central Procurement Board (Annex 1). The financial proposals from the three (3) retained bidders were opened and details of the prices during the public opening are given in the table below:

<table>
<thead>
<tr>
<th>Bidder No.</th>
<th>Bidder</th>
<th>Bid Amount inclusive of VAT</th>
<th>Abbreviated Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JV-OTV Colas (Maurice) Ltee – VEOLIA WATER – BASE OFFER</td>
<td>Rs. 1,379,189,165.00</td>
<td>JV OTV – COLAS-VW</td>
</tr>
<tr>
<td></td>
<td>JV-OTV Colas (Maurice) Ltee – VEOLIA WATER – ALTERNATIVE OFFER</td>
<td>Rs. 1,301,181,692.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Joint Venture Sotravic/Biwater C2012/13</td>
<td>Rs. 1,349,949,255.93</td>
<td>JV SOTRAVIC - BIWATER</td>
</tr>
<tr>
<td>5</td>
<td>JV HWPC/First Bureau/HUPD-CWA C2012/13 – Option 1</td>
<td>Rs. 979,903,967.00</td>
<td>JV HWPC–FB-HUPD</td>
</tr>
<tr>
<td></td>
<td>JV HWPC/First Bureau/HUPD-CWA C2012/13-Option 2</td>
<td>Rs. 1,024,194,410.00</td>
<td></td>
</tr>
</tbody>
</table>

4. **At Para 4.0 of the report, with respect to the financial proposals for Bidder No. 5 – JV HWPC-FB-HUPD, during the technical evaluation, it had been clarified with the bidder that his proposal consisting of a system based on continuous discharge of sludge generated, including scum from DAF, to the nearby river was not acceptable. It was further clarified that only the alternative proposal of sludge treatment complete with gravity thickness, sludge holding tank and sludge treatment building is the only acceptable proposal.**

From a scrutiny of the evaluation of the Technical and Financial Evaluation report, it is clear that the successful bidder did not comply with the express requirements of the Public Body as laid down under para 20.1 which is reproduced hereunder:
“Bidders wishing to offer technical alternatives to the Employer’s Requirements of the bidding documents must first price the Employer’s Requirements as described in the bidding documents and shall further provide all information necessary for a complete evaluation of the alternative by the Employer, including drawings, design calculations, technical specifications, breakdown of prices and proposed construction methods. All technical alternatives which comply with the performance specification for the Works shall be considered by the Employer on their merits.”

5. The Dilemma of the Bid Evaluation Committee on the Financial Proposals

The Bid Evaluation Committee has noted that in the absence of a defined mechanism and methodology, the assessment of the operating costs as required under clause 39.4 cannot be undertaken. The Bid Evaluation Committee concluded its report, that it cannot complete the financial evaluation and therefore did not make any recommendation for award.

For ease of reference, the conclusion of the Financial Bid Evaluation Committee is reproduced below.

The Bid Evaluation Committee noted that in the absence of a defined mechanism and methodology the assessment of the operating costs as required under Clause 39.4 could not be undertaken. As highlighted, these operating costs were considered to form a major part of the life cycle cost of the facilities which were to be evaluated and added to the Bid Price for evaluation. It is observed that the O&M cost quoted for the one year post commissioning period as required under the Employer’s Requirements vary significantly from Rs32,753,941 to Rs69,989,575 as compared to the Employer’s Estimate of Rs46,495,000.

It is nonetheless noted that O&M cost over the life cycle of the facilities would be solely to the account of the Employer and on the basis of consumables to be purchased at commercial rates only.

Thus in the absence of a properly defined methodology and mechanism in the bidding document, the Bid Evaluation Committee could not conclusively assess the operating costs over the life cycle of the facilities.

The Bid Evaluation Committee finally concluded that they will seek the guidance of the Board on the methodology for the computation of the operating costs as at ITB 39.4(b) so that same could be used for
completing the financial evaluation exercise. No recommendation for award was made at that stage of evaluation.

H. **Review Committee Evaluation Report for Financial Proposals**

1. Instead of responding to the request for guide from the Bid Evaluation Committee, the Board set up a Review Committee. Following the submission of the Technical Evaluation Report, the supplementary Evaluation Report and the Financial Proposal Report from the Bid Evaluation Committee of the Central Procurement Board, a Review Committee under the chairmanship of a Barrister at Law, was set up by the Central Procurement Board to re-evaluate the financial bids for the project “Construction of Bagatelle Water Treatment Plant (Design and Build) – Central Water Authority”.

2. A report was submitted by the Review Evaluation Committee on 10 April 2014.

   At Para 6.1, the Review Committee agrees with the financial evaluation and ranking established by the BEC. However, it strongly disagrees with the conclusion reached to the effect that “in the absence of a properly defined methodology and mechanism in the bidding document, the BEC cannot conclusively assess the operating costs over the life cycle of the facilities, and add same to the Bid Price for evaluation.”

   At Para 6.2, the Review Committee also disagrees with the recommendation that in the absence of a conclusive financial evaluation, the BEC recommends that no award be made for the contract for the project ‘Construction of Bagatelle Water Treatment Plant (Design and Build) – Central Water Authority’.

   The Review Committee concluded at Para 7.1 that the financial evaluation made by Bid Evaluation Committee taking into account the Operation & Maintenance costs for one year, is in line with the requirements contained in the bid documents, and is therefore quite in order. As previously mentioned, there was no requirement for the BEC to carry out an additional assessment of the bid on the basis of the whole life-cycle of the facility.

   The Review Committee therefore recommends that an award made for the contract for “Construction of Bagatelle Water Treatment Plant (Design and Build) – Central Water Authority” on the basis of the ranking established by the BEC.
J. **Findings**

1. The Panel is of view that the failure of the successful bidder to comply with the employer’s requirement as per para G(4) disqualifies it, and to that extent the evaluation committee was wrong to have assessed the bid on the alternative offer, qualified as option 2, when the question of option does not arise at all in the requirements.

2. Following the conclusion of the Financial Evaluation Report by the Bid Evaluation Committee, guidance was sought by the Bid Evaluation Committee. At that stage the Central Procurement Board ought to have given due consideration to the problems faced by the Bid Evaluation Committee. The Panel is of considered view that the Central Procurement Board ought to have exercised its power under Section 12(1) of the Public Procurement Act particularly as defined under para 1(d) and to request relevant professional or technical assistance from any appropriate person in Mauritius or elsewhere.

3. It is the Panel’s view that the Board had no power under the law to appoint a Review Committee under the Chairmanship of a
Barrister which appears to have sat as an appellate body which quashed the decision of the Bid Evaluation Committee.

4. The Panel also notes from the reply of the Chairman of the Bid Evaluation Committee during the hearing that the successful bidder has not submitted any documentary evidence as to the requirement for specific construction, operation and maintenance experience with their bids.

5. In relation to the complaint that the successful bidder has quoted an abnormally low price, the Panel is of the view that the difference in price estimated by the Public Body and the price quoted by the successful bidder, as compared to the price of its close competitors should have rung the bell for a closer assessment. Given the technicalities of a “Design-Built-Operate contract” and the qualitative nature of the product required, the least expected of the Evaluation Committee was to proceed with a detailed scrutiny of the price quoted in respect of each of the items involved in the process. As an illustration, the Panel has noted the striking difference in price with respect to one item quoted for in rapid gravity filters section. The price quoted is Rs111,583.00 by the successful bidder as opposed to the price of Rs17,640,103.00 quoted by the Applicant JV-OTV/Colas (Maurice) Ltee/Veolia Water.

However, the Panel takes note of the fact that in the final analysis the Bid Evaluation Committee concluded that they were not in a position to make any recommendation for award.

K. Decision

In the light of our findings and discussions under paragraph J hereinabove, the Panel recommends a re-evaluation of all the bids with the assistance of experts in the relevant fields.
(Said Toorbuth)
Chairperson

(Siv Potayya)      (Jacques C. Nauvel)
Member            Member

Dated  31 October 2014