

**DONGFANG ELECTRIC CORPORATION (DEC)**333 SHIHAN AVENUE,
CHENGDU, SICHUAN, 610030, P.R.CHINA,
Tel: 86-281-87013480, Fax: 86-281-87019555

DEC-ADMIN-180601

Page 1 of 4

01 June 2010

Secretary/Chairman Pakistan Railways
Ministry of Railways
Block D, Pakistan Secretariat,
Islamabad.
Fax: 051-8203445

Sub: More PPRA Violations during and after Pre-Bid Conference for Pakistan Railways International Tender No. DP/150 Locomotives/2010 for procurement of 150 locomotives

Dear Sir,

This is further to our letter No. DEC-150DEL-20100528A dated 28 May 2010 in which we had requested minimum 30 days extension for your subject tender for procurement of 150 locomotives. We attended the Pre-Bid Conference for this tender yesterday, and have just received the official Minutes of the Pre-Bid Conference from Director Procurement's office (copy enclosed) vide their letter No. DP/150 Locomotives/2010 dated 31.05.2010. We regret that no extension in bid submission has been granted, which remains fixed at 07 June 2010 i.e. 6 days away.

We are quite shocked to receive these minutes as they DO NOT INCLUDE many of the important points that were made, and instead INCLUDE NEW AND UNCALLED FOR points that were never raised or even mentioned in the Pre-Bid Conference.

As such, we are constrained to bring to your kind attention to the following items of the Minutes of the Pre-Bid Conference, over which we have serious reservations.

Preamble: The preamble before item 1 is one sided. It does NOT record that after General Manager/M&S complained about a media campaign against this procurement for 150 locomotives, the representative of Dongfang had also pointed out that there was only one person in the room who had been directly quoted and had given statements in the media and that this person was none other than General Manager/M&S himself. Dongfang representative expressed his resentment on record at General Manager/M&S's false and defamatory statements published in THE NEWS of 15.05.2010 wherein General Manager/M&S had stated that 32 of the


DONGFANG ELECTRIC CORPORATION (DEC)

 333-SHUIHAN AVENUE,
 CHENGDU, SICHUAN, 610036, P.R.CHINA
 Tel: 86-281-87013480 Fax: 86-281-87019666

DEC-ADMIN-180691

Page 3 of 4

01 June 2010

- Item 3 As mentioned in our version of Item 1, two out of the three serious bidders wanted extension which was denied. Not 2 out of 6 bidders as PR has recorded.
- Item 4 Dongfang representative (and even EMD representative) placed on record several times that the tender specifications appeared to mirror the specifications present in General Electric's proposal dated 12 February 2010. This fact has not been recorded.
- Item 8 This Item is not recorded properly. Both EMD and Dongfang representative wanted to know how PR had come up with the figure of USD 9.5 million for the bid bond. Dongfang representative pointed out that Railways normally kept 2% bid bonds, and 2% of the GE Proposal dated 12 February 2010 (worth approximately USD 475 million) was also equal to USD 9.5 million. PR had no answer to give regarding this 'coincidence'.
 PR confirms in this Item 8 that the tender has been called on two stage two envelope bidding procedure i.e. PPRR Rule 36(d). However this is contradicted by the later Item 21 which states out of the blue that the tender will now be governed by PPRR Rule 42(d): NEGOTIATED TENDERING.
- Item 18 Dongfang representative had also mentioned that in case Railways insisted to purchase these locomotives in Completely Built Up (CBU) condition, then the freight charges (and custom duties) would be very high, and in case the offer of GE dated 12 February 2010 was made a base then the freight charges alone for transporting these CBUs from American would be huge, say USD50 to 75 million. (The extra custom duties on CBUs would of course be another huge sum).

Two items listed in Minutes of Pre-Bid Conference were never discussed, i.e.

- Item 21. It is clarified that as the prime mover has been restricted either from M/s General Electric, USA or M/s General Motors, USA, therefore this particular tender is being dealt under Rule 42 (d) of PPRR-Rules 2004.

The above Item 21 has created confusion and changed the whole basis of the tendering.

- Item 19. It was clarified that as the prime mover of only M/s General Electric, USA and M/s General Motors, USA has been prescribed, therefore, the bidder must

**DONGFANG ELECTRIC CORPORATION (DEC)**

233 SHUMAN AVENUE
CHENGDU, SICHUAN, 610036, P.R.CHINA
Tel: 86-281-87013480 Fax: 86-281-87013558

DEC-ADMIN-100601

Page 4 of 4

01 June 2010

attach the authority from either of these two manufacturers for participating in the tender.

The above item 19 restricts the competition to only two bidders, and is against PPRA rules as already repeatedly brought to the notice of Railways.

It is quite apparent that the Minutes of the Pre-Bid Conference are not in line with the discussions actually held, and have been framed to suit the intentions of General Manager M&S and General Electric. More violations of Public Procurement Regulatory Authority (PPRA) have been committed through these Minutes of Pre-Bid Conference, instead of correcting the previous ones.

As such, we would humbly approach you to kindly direct your urgent personal attention to this matter, and carry out true International Competitive Bidding by providing more time and removing the restrictions in the tender specifications, for this important tender which is worth several hundred million dollars for procurement of 150 locomotives.

Thanking you, and with best regards,
Yours sincerely

Huang Xue Hui
Project Manager
DEC International

Copy:

- Director Procurement, Pakistan Railways. Fax: 051-9258348
- Managing Director PPRA. In continuation of our letter dated 31.05.2010.
- Chairman, Transparency International. In continuation of our letter dated 31.05.2010.
- DEC Head Office, China