

The Secretary of State for the Council of Ministers and
Official Spokesperson for the Government of Timor-Leste
Ágio Pereira

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Díli, Timor-Leste



Correcting misinformation on National Electricity Project.

It is common practice for opposition parties to criticise works conducted by the Government; Timor-Leste is no exception. However, it is equally important to ensure any erroneous and purposefully misleading information is rectified.

Therefore the recent statement released on the 4th of April by Fretilin's Member of Parliament, Mr. Aniceto Guterres, regarding the electrification of the country should be corrected.

The Fretilin media release was titled *Government Incompetence killing the National Electrification Project*. By way of background the National Electrification project was developed and is being implemented under the leadership of the Xanana Gusmão Government. The magnitude of the project, which maps the entire topography of the country, makes it the largest infrastructure project ever to be rolled out in Timor-Leste; a bold endeavour that was not attempted by any previous Government.

Mr Guterres begins his statement saying:

*Timor Leste's National Electrification Project has been clouded by failed contracts let without tender and its estimated cost has almost tripled to US\$ 900 Million
The cost would likely go even higher because the project which started in 2008 is less than half built, although it is difficult to measure how much has been completed*

This statement is incorrect. The electrification of the country is not at all clouded by failed contracts assigned without tender. The tender process is explained below. If Mr. Guterres is referring to reparation and maintenance works required to the Comoro power plant generators then he should be aware Government procurement laws allow emergency works to be procured by Direct Appointment procedure where criteria are met. Concerning the cost, which he says has tripled up to US\$ 900 Million - Mr. Guterres must explain how he calculated such a figure. He goes on to say:

In 2008 the Gusmão Government contracted the China Nuclear Industry N.22 (CNI22) company without tender

This statement is incorrect. An Expression of Interest for the 'Construction of a Nationwide Electrical Power Grid and Power Plant and its Facilities' was publicly advertised on the Ministry of Finance website, with proposals requested by 4 July 2008. Fifteen Letters of Interest/Proposals were received. One company failed to qualify because of a late submission. Of the final 14 companies, nine did not comply with the full proposal with the remaining five shortlisted as they had satisfied the required terms of reference. Following evaluation, the contract was awarded to the CNI 22 Construction Company. The Fretilin statement claims the contract was awarded to:

CNI22 to provide and install old and highly-polluting heavy fuel generators, substations and a national medium voltage transmission line at a total cost of US\$ 377 Million – almost one third of the sum now budgeted to be spent by completion

The price of US\$ 377 Million was based on the deployment of reconditioned generating sets and to supply a power grid of 110 KV. Mr. Guterres, as a Member of National Parliament, should be aware that as a matter of due diligence and oversight, the Government appointed a Consulting Company to monitor and supervise the project. The Italian consultant ELC &

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Bonifica (Joint Venture) was selected as a result of an international tender. Mr. Guterres should also be aware that the Italian Consultant ELC & Bonifica redesigned the CNI22 proposed power grid upgrading from 110KV to 150KV and expanded the network from 630 km of lines to 715 km covering the whole nation without increasing the original contract price. This upgrade of the power grid will result in the better distribution of power to all districts. The Fretilin release goes on to say:

However, in November 2009, after opposition from FRETILIN and national civil society groups, Mr. Gusmão ditched the Chinese heavy fuel generators in favour of new dual fuel capability generators from Finnish company Wartsila – again without a tender.

This statement is incorrect. Mr. Guterres should be acutely aware that in November 2009 a delegation of Members of National Parliament went to visit recently constructed power plants in Indonesia. The delegation was impressed and enthusiastic about a power plant built with Wartsila Generating Sets. During an open debate in the National Parliament it was decided that the two power plants in Timor-Leste would be built with brand new Generating Sets with a dual combustion system (HFO and Natural Gas). CNI22 was instructed to cancel the (reconditioned) generators and to submit a proposal for new generators. In the CNI22 Contract Amendment No. 2 this information is specified.

In order to have a comparison of prices for the Power Plants using the generators requested by National Parliament, the Government invited two Indonesian companies to submit quotations: Puri Energi and Akraya International. The two companies submitted a joint proposal. The assignment of the contract for the two Power Plants was therefore done through an accurate analysis and a selection was made after considering which proposal represented the best offer between two bidders: CNI22 and Puri Akraya. Mr. Guterres' confusion becomes more apparent as he states:

China's CNI22 would remain contractually responsible for building the power stations, substations and transmission lines, under the supervision of Italian Consultant ELC & Bonifica , who were retained by the Government

This statement is incorrect. CNI22 is not responsible for building the power plants. CNI22 was officially notified by the Government that in accordance to the clause 44 of the contract (Termination for Convenience of the Owner) the two power plants Hera and Betano have been removed from the scope of work. CNI22 remains responsible for the Power Grid (transmission lines and substations) plus the Oil Tanks of Hera. Mr. Guterres continues to demonstrate his misunderstanding of the facts saying:

Mr. Gusmão had never explained why he was determined to give the original contract to the Chinese CNI22 company without a tender

This statement is incorrect. As explained clearly above, CNI22 was selected for the project through a transparent tender procedure. Guterres insists:

Other companies put forward better alternatives but the government specified it had to be heavy fuel, meaning the process was a charade to ensure the contract went to CNI22

The Government invites Mr. Guterres to give evidence of those better alternatives submitted.

the Government has refused to show parliament copies of the contract documents nor any of the technical studies , if any were ever done

The contracts documents are bound by clauses of Non Disclosure of Information. Further Mr. Guterres says:

other National Electrification project contracts let without tender went to the Indonesian company Tehate for the construction of the Liquica – Maliana – Suai – Betano part of the power

transmission grid, and the Indonesian company Puri Akraya Engineering Limited, for Procurement.

Again this statement is incorrect. Tehate company is a subcontractor of CNI22 and the Tehate company has been contacted and appointed directly by CNI22 who has the right to subcontract, as normal operating procedure for infrastructure projects of this scale. The Government has only to approve Tehate company as subcontractor of CNI22. Puri Akraya Engineering Limited has no affiliation to procurement for this part of the transmission grid. The statement continues:

*Monitoring and oversight of the works by ELC & Bonifica points to costly delays, very poor workmanship and mismanagement of environmental and workplace safety by CNI22
In its report of January 2011 ELC & Bonifica said; with the present trend we believe that the Contractor is not able to meet the completion dates given to H.E. the Prime Minister.*

ELC & Bonifica as Owner's Engineers have been mandated by the Government to report on the progress of the works. As per the mandate, ELC & Bonifica has been encouraged by the Government to report with full transparency. This demonstrates a transparent process by all parties involved from the Government to Contractors. ELC & Bonifica reported the works performed by CNI22 had not been satisfactory in terms of quality or in terms of scheduled benchmarks. After strong pressure from the Owner's Engineers, the Management of CNI22 enacted remedies including amongst others replacing underperforming staff with more expert and qualified personnel and shipping additional equipment from China. Results in March have been encouraging. The quality of the workmanship notably improved as well as accelerated progress in construction achieved. CNI22 Management reiterated its determination and commitment to the completion date of the power grid. Puri Akraya Engineering Limited continues to be firmly committed to having three of the seven generators operating at the Hera Power Plant by November 2011.

Mr Guterres is certainly aware that a delegation from the National Parliament joined representatives from EDTL on March 16, 2011 to witness the Wartsila Factory Acceptance Test in Europe. The test results of the three Generating Sets were very successful, signalling the process is on schedule for the set completion dates. **ENDS**

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