

Memorandum for Cabinet by the
Hon. Minister of Trade, Industry and Agriculture

Tenders for Turbo-Alternators
(Generators) for Malta Electricity Board

There were nine tenders for these turbines, from the following firms:

<u>Firm</u>	<u>Nationality</u>
M.A.N.	German
C.A. Parsons & Co.	British
Ansaldo Meccanico S.p.A.	Italian
Assoc. Elec. Industries Ltd.	British
Escher Wyss	Swiss
Brown & Boveri & Co.	Swiss
English Electric Co.	British
Franco Tosi S.p.A.	Italian
Hitachy	Japanese

2. The estimated value of this contract for two Turbo-Alternators of 30 MW each was £975,000. The tenders closed on the 29th August, 1967; and are valid till the 29th December, 1967.

3. The original prices tendered, together with delivery periods offered, were as in Appendix A. For deferred payment terms, other prices were offered, as per Appendix B. It is relevant to mention at this stage that two tenderers, namely, Messrs. Escher Wyss and Franco Tosi, did not abide by the requirements of the tender specification, which stipulated, 'inter alia', that prices were to be quoted in Maltese Pounds, based on the rate of exchange prevailing, for the currency of the country of the tenderer at the time of the tender. They insisted on the contract prices being based on the current rate of exchange, with the contract value remaining firm in the currency of the tenderer.

4. The report on the tenders, by the Consultants, had just been received in Malta when the £ sterling, and the Maltese £, were devalued.

5. From Appendix A, with the Ansaldo tender ruled out on delivery period, it is evident that the three most competitive tenders were Escher Wyss, Franco Tosi and A.E.I. The Consultants approached these three tenderers, and asked them how their offers were affected by devaluation. The replies were as follows:

Escher Wyss	No response *
Franco Tosi	1650 It. Lire to Maltese Pound
A.E.I.	Unaltered.

6. As a result of this response, the Consultants, after having evaluated the effect of the new exchange rates on the respective tenders, came to the conclusion that the A.E.I. tender still remained the lowest on both tender price and comparable costs.

7. Initially, Franco Tosi had offered a discount of 5% on the price tendered by them for the boilers, if they were also awarded the turbine contract. This was tantamount to their boiler tender subsidizing their turbine tender, making them globally the cheapest overall. The same 5% discount offer was confirmed by Tosi after devaluation. This offer, however, could now no longer have such an effect as to counteract the setback suffered by the Tosi tender through devaluation.

8. The Engineers of the Malta Electricity Board, making an appreciation of the tenders and of the Consultants' report, after devaluation, reached the same conclusion, namely, that the offer by Associated Electrical Industries Ltd., for two Turbo-Alternators of 30 MW each, was the most advantageous, as well as being according to specification and technically acceptable.

9. The Board have endorsed the recommendations of their Consultants and their Engineers, and recommend acceptance of the A.E.I. tender. The Board's financial position rules out deferred payment terms, and therefore the usual cash-on-delivery terms would apply, on the assumption that Government continues to assume responsibility for the procurement of the necessary funds.

* Later, on November 29, cabled to confirm original tender.

10. Hon. Ministers are therefore requested to agree that the A.E.I. tender for two turbines should be accepted, on direct payment terms, on the assumption in para. 9 above.

7th December, 1967.

TURBO-ALTERNATORS AND AUXILIARIES

TENDERS RECEIVED

SCHEDULE OF PRICES AND DELIVERIES

TENDERER	PRICE		COMPLETION	
	TOTAL	LOCAL COST	1st TURBINE	2nd TURBINE
ANSALDO	3 942,000	123,400	92	100
ESCHER WYSS	1 970,000	69,900	80	92
	70		**	
A.E.I.	1 976,792	104,843	95	108 +
M.A.B.	2 998,700	108,070	100	108
FRANCO TOSI	4 1,001,608	126,836	84	97
BROWN BOVERI	1,015,000	82,000	-	188
C.A. PARSONS (1)	1,032,040	109,800	84	103
(2)	1,045,790	111,190	-	-
HITACHI	1,088,870	147,920	112	126
ENGLISH ELECTRIC	1,107,000	102,000	-	130

** Commissioning period later revised to 84 weeks;

+ Subject to revision

L-ARKIVJI NAZZJONALI TA' MALTA

APPENDIX (B)

DETAILED BALANCE SHEET OFFERED BY SUPPLIERS

TENDER	CONTRACT VALUE	PAYMENT WITH ORDER	ON SHIPMENT	BALANCE	TERM PERCENT
ANSALDO	991,500	-	15%	85% - 10 years	6%
ASCHER WISS	1,020,000	10%	10%	80% - 8 years	6%
PBALICO TOSI	1,060,100	5%	10%	85% - 8 years	6%
A.E.I.	1,025,690	5%	10%	85% - 7 years	5%
M.A.I.	1,043,700	5%	10%	85% - 10 years	5%
BROWN BOVERI	1,015,000	10%	10%	80% - 10 years	6%
C.A. PARSONS	109,850	5%	10%	85% - 7 years	5%
ENGLISH ELECTRIC	-----	-----	NO DETAILS	-----	-----
HITACHI	1,152,030	-----	NO DETAILS	-----	-----