

February 4, 2013

ATTN: COFEK

To whom it may concern,

*Mo/Tw
P/S Discuss w/af
4/2*



RE: IRREGULARITIES SURROUNDING THE NATIONAL SURVEILLANCE COMMUNICATION, COMMAND AND CONTROL SYSTEMS TENDER.

Following media reports on Business Daily and the Standard Newspapers on January 23rd 2013 in regards to two Chinese companies in court battle over the awarding of the National Surveillance Communication, Command and Control Systems Tender by the Ministry of Internal Security.

I would like to bring to your attention possibility of irregularities surrounding above mentioned tender.

- Only one vendor qualified in the technical evaluation stage. This means the government is locked to one vendor therefore possibilities of exorbitant pricing (see attached quoted price to the current market price for basic items such as Digital PABXs'(8 times more), UPS (11times more) among others.
- The winning vendor's price was approximately double the government's initial budget for the project i.e. approximately KESH 17 Billion.
- The solution opted by the committee is not an internationally open standard as it was required of the tender therefore many vendors cannot provide
- The solution cannot be integrated with existing systems e.g. the presidential escort
- There was an over delay of the procurement process by 130 days

In light of above revelations, this tender has potential to be another Anglo leasing. We therefore request your organization as the Public Protector to call upon the Presidency and top leadership of this country to urgently cancel, call for urgent investigation, and if necessary retender the National Surveillance, Communication, Command and Control Systems Tender.

PRICE COMPARISON REPORT-FINANCIAL EVALUATION.

ITEM DESCRIPTION	UNIT COST COMPARISON		
	MARKET PRICE FOR UNIT COST IN USD	BIDDER PRICE PER UNIT COST IN USD	BIDDER DOCUMENT REFERENCE- ITEM NO.
SITEBASESTATION with Base Repeaters Includes: - 25Wbaseradiosupportinguptoelevenvoicechannelsandonecontrolchanne - BSR with four carriers - Air Encryption DC Power supply - 8 hour battery backup - Antennas	54,000.00	73,043.74	1.2.1
MULTIPLEXER SYSTEMS Include; All necessary multiplexers and interfaces for all the sites	3000.00	9751.72	1.3
DISPATCH CONSOLES Includes: - Audio switch - Server -Network equipment(switch and a router) -Dispatcher operator console with monitor - Call monitoring screen - Headset with microphone -Microphone with PTT and loudspeaker	1500.00	2183.60	1.8
DESKTOP RADIOS complete with Desk microphone, speaker, end-to- endencryptionenabled, antennaandallother accessories.	1000.00	4539.60	1.9
SECURITY MANAGEMENT Authentication, key management ,facility encryption and key variable loader	85,000.00	903,937.01	1.7
MOBILE TERMINALS complete with GPS,microphone, externalspeaker, acc essoryconnectorkit, end-to- endencryptionenabledandallotheracc essories	850.00	4482.00	1.10
HANDPORTABLES completewithdispl ayandchargerend-to- endencryptionenabled, anintegratedG PSantenna, softleathercase, beltclipan dalotheraccessories. 2LI-ION batteries, carrying case and All accessories and antenna wired concealed harness	550.00	2,574.90	1.11
Remote Speaker Microphones (Audio accessories)	40.00	138.60	1.12
Swivel Leather carrying cases	10.00	138.60	1.13
PROGRAMMING SOFTWARE FOR TERMINALS			
Programming software for desktops 8	400.00	226,980.00	1.14.1
Programming software mobiles 8	400.00	224,100.00	1.14.2
Programming software for portables 8	400.00	382,185.00	1.14.3
Multiple Desktop chargerstosupportchargingof atleast 5terminalsimultaneo usly.	85.00	251.84	1.16
Single Desktop Chargers for a Radio and a battery	16.00	53.64	1.15
Digital PABXs' for each 8-Large County equipped with all accessories inclusive of ;	20,000.00	169,460.91	1.20.1
Digital telephone 48-medium instruments	5,000.00	7,067.00	1.20.2
Standard telephone {18-KP Units			

instruments To have a rectifier to supply DC output Battery pack for a minimum of 8 hours backup	5-AP Units}			
Automatic Voltage Switcher 30 (AVS 30) to be installed in all the sites		60.00	377.78	1.26
Air conditioners 3600BTU for the Control Node sites		1,500.00	10,563.63	1.27
Air conditioners 2400BTU for the Site Base Stations		1,000.00	6,422.21	1.28
IFR3901 Radio test set Marconi type		45,000.00	148,818.90	1.34
IFR3920 Radio test set Marconi type		39,446.00	170,866.14	1.35
IFR2928 Radio test set Marconi type		3,500.00	137,795.28	1.36
Oscilloscope Rohde Schwarz CMD55 type		1,800.00	132,283.46	1.37
Console System (CS)		185,000.00	206,362.20	2.4
Digital Communication Recording System DCRS		9,000.00	48,993.00	2.6
Static cameras for day and night complete with all the accessories; direct fixed focus lens; external housing; wall brackets designed to fit the external housing		200.00	427.85	3.1
Dome cameras; Discreet and compact in design; progressive scan sensor; 360 camera rotation		800.00	4,312.87	3.2
PTZ Cameras complete with integrated Receiver, Pan and Tilt, and housing variable speed; 360° Continuous Pan Rotation; Can withstand wind velocity of 90 mph; Designed for minimal maintenance i.e. no gears to		800.00	4,312.87	3.3
Automatic Number Plate Recognition cameras		2,500.00	13,220.55	3.4.1
UPS for Control Room Equipments with four hour back up		22,000.00	147,170.88	3.14.1
UPS for cameras with one hour back up		1,000.00	2,435.29	3.14.2
Power Back Up with Solar System/UPS and related accessories		2,000.00	3,652.93	3.15.1
Cable stripper		20.00	97.01	3.18.1
Cable crimping tool		30.00	123.46	3.18.2
Connect Tight Compression Tool		30.00	110.24	3.18.3
Wall Mount For 55" Full HD Display		350.00	5,192.72	4.4
Test and Measuring Tools (IP Network Cable Test Tool Kit-01, Etherscope-01, Crimping tools etc		1,100.00	136,665.35	4.15
Desktop computers		1,200.00	3,772.28	1.22.1
Routers		600.00	1,959.28	1.1.7
Printers		500.00	9,673.23	1.1.11
Self-supporting tower 30m high heavy duty		1,970.00	28,422.78	1.30.1.1
Self-supporting tower 40metres high heavy duty		2,492.00	41,143.26	1.30.1.4
Self-supporting tower 50metres high heavy duty		2,925.00	55,810.21	1.30.1.7
Self-supporting tower 70 meters high heavy duty		3,344.00	77,863.67	1.30.1.9
UPS system for one hour		1,000.00	11,486.42	1.1.10

Observations

I. Discrepancies in the bidders' financial document:

Huawei, ZTE in Court Battle over Police Tender

Two giant Chinese telecoms are locked in a battle for the control of a multi-billion shilling tender to supply the police with communication and surveillance system in a row that has seen the High Court freeze the deal. State-owned Huawei Technologies has obtained court orders freezing the awarding of the deal to its privately-owned rival ZTE Corporation that won the tender among six firms, which submitted bids.

The court has now blocked the Ministry of Internal Security from signing a deal with ZTE while the Public Procurement Board has been ordered to look into Huawei's complaints of tender irregularities. The National Police Service telecoms project, which was one of the controversial Anglo Leasing projects, was floated early last year requiring that only Chinese companies bid.

The nationwide project, which is expected to secure police communication, has run into headwinds with Huawei claiming ZTE was allowed to overlook tendering rules and is planning to use "outdated" technology.

"The Kenyan public stands to lose by having an outdated and incompatible technology owned solely by the successful technical bidder (ZTE) taken up by the National Police Service at the cost of current and compatible technology," said Mohammed Nyaoga, Huawei's lawyer, in his application to the court. The secure command and control system encompasses telephone facilities, vehicle and video tracking systems and digital recordings equipment, among others.

The project would be implemented under the Ministry of Internal Security but the winning contractor was expected to do a build operate and transfer contract although they would help with the technical aspects of running it later. Mr Nyaoga told the court that other than ZTE's alleged use substandard equipment, there were anomalies in the firm's tendering that should have disqualified their bid.

Huawei claims that on July 27 — the deadline for submitting and opening of the tenders — ZTE submitted their Power of Attorney past the 10.30am deadline while tender cartons had company logo on them, all contrary to procurement rules.

The company further claims that in ZTE's case, the Ministry of Internal Security allegedly exceeded the 30 days permissible to conduct a complete evaluation of the bidder by more than 130 days. Huawei's appeal to have the alleged irregularities investigated by the Public Procurement Board in order to quash the tender decision was turned down on January 14.

The High Court has now ordered the review appeal be heard afresh while stopping the ministry from going ahead to award the contract to any firm.

“Stay be and is hereby granted of any proceedings or actions towards giving effect to the decision by the first respondent (Public Procurement Board)...by either proceeding with the procurement process or award of any contract to any party...,” said Mr Justice George Odunga.

During the dying days of the Moi regime, the government attempted to establish a similar system for the pre-election Administration Police, expected to cost Sh5.6 billion, and separate ones for the Prisons Department and the military.

The scheme was inherited by elements in the Kibaki government and morphed into the now infamous 18-contract Anglo Leasing deals in which the country could still lose billions in dispute arbitrations arising from the dodgy State-guaranteed projects.

No prosecution regarding the mega scandal has taken place so far. The two Chinese companies have in the past two years filed suits against each other over patents and trademarks bringing their intense rivalry to the fore

<http://www.businessdailyafrica.com/Corporate-News/Huawei-ZTE-in-court-battle-over-police-tender/-/539550/1672624/-/item/0/-/wg4pl6z/-/index.html>

http://www.standardmedia.co.ke/?articleID=2000075660&story_title=Court-halts-award-of-Sh20b-police-tender