

Auditor-general highlights inconsistencies in major Prasa deals

The auditor-general has found numerous discrepancies in contracts issued by the Passenger Rail Agency of SA (Prasa), which could have cost the agency billions. They include an escalation of R8bn in a contract for new trains for Metrorail, noncompliance in awarding a R17.9bn contract to broad-based black economic empowerment (BEE) equity partners and inadequate hedging on a controversial locomotives contract.



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In Prasa's 2014-15 annual report, Auditor-General Kimi Makwetu said Prasa, in awarding a R17.9bn contract to empowerment partners for its near R60bn deal to buy new trains, did not "disqualify the bidders in terms of conflict of interest" as required by the Public Finance Management Act.

Prasa is procuring 600 new trains as part of a fleet renewal programme for Metrorail from Gibela Rail Transport Consortium. French power and transport group Alstom is the largest shareholder in the consortium with 61%, and empowerment consortium Ubumbano Rail Proprietary Limited holds 30%. The remaining 9% is held by New Africa Rail.

Exceeding and increasing contract prices

Prasa itself selected the BEE partners from more than 70 proposals.

Axed Prasa CEO, Lucky Montana said in last year's annual report that a transparent selection process would not have been possible if the "large firms" had been allowed to choose empowerment partners "behind closed doors".

The deal, signed in 2013, was valued at R51bn but the contract price had escalated to R59.6bn, the auditor-general said. The Treasury stipulated that the contract price should not exceed R53bn in 2014 terms, subject to price adjustments due to inflation and foreign exchange.

According to the auditor-general, Prasa is not exposed to foreign exchange risk as Gibela is responsible for this risk.

The auditor-general also confirmed Business Day reports that a lack of foreign currency hedging on a deal to procure locomotives from Spanish manufacturer Vossloh Espana, had resulted in the contract value increasing to R4.8bn from R3.5bn, and reducing the locos to 70 instead of 88.

Prasa yesterday refused to comment until the report was presented to Parliament tomorrow.

Source: Business Day

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