

'Transnet's R8bn flawed contract'

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Transnet paid R184.4m in bonuses to staff members who belonged to another company. The breach was allowed to happen under the watch of several executives, who have been accused of failing to put controls in place in order to avoid irregular and wasteful expenditure that resulted from the signing of an irregular contract with the consortium Hatch and Mott MacDonald (HMG).



Unlike Transnet Freight Rail chief executive Siyabonga Gama, those who oversaw the irregular HMG contract were never subjected to a disciplinary process by the state-owned logistics and transport company.

Though HMG consortium was hired as a service provider, its staff members were paid retention, completion bonuses and interest on late payments. This was based on the contract the company entered into with Transnet, a contract drafted after the consortium won a multi-million rand tender with Transnet.

There was no proof that the bonus payments were approved by the Transnet board.

"The payment of retention bonuses in respect of staff of a service provider is not in line with best business practice or with the policies of Transnet," a forensic report compiled by auditing firm Nkonki says.

Competition 'effectively eliminated'

The report also reveals that HMG started working for Transnet before authorisation by the board as required. It also prepared its own contract, disadvantaging Transnet.

"Based on our findings that HMG prepared the contract, we conclude that the gains and penalties clause was never implemented based on the provisions of the original contract," the report says.

HMG, an international firm in a joint venture with a local company, Goba, was awarded a tender as supplier of Engineering, Procurement and Construction Management (EPCM) services to support the implementation of the Transnet infrastructure investment programme.

Transnet prevented the sole remaining HMG competitor, Murray & Roberts, from making a presentation as agreed for this project for which was budgeted R8bn, the report says.

"Transnet effectively eliminated the HMG competition and allowed HMG to be the sole bidder."

More revelations

The report further reveals that HMG received preferential treatment resulting in:

- * Fruitless and wasteful expenditure on rental charge by HMG on behalf of Transnet. It marked it up by 10%,
- * It charged Transnet R11.5m interest, which could have been preventable,
- * HMG started working with Transnet before receiving its letter of appointment and conditions of the contract, and
- * The appointment of HMG by-passed Transnet governance structure and was not authorised by the Board as required.

Source: *Sowetan* via I-Net Bridge

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