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GOVERNANCE

# Content & Corruption

Parliament gears up for locomotive inquiry  
as Transnet extends corruption probe

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Democratic Alliance (DA) shadow Minister of Trade and Industry **Dean Macpherson** is preparing a list of witnesses to appear before a Parliamentary Portfolio Committee on Trade and Industry inquiry into the failure of China South Rail (CSR) to meet local-content obligations as part of its supply of electric locomotives to Transnet.

CSR is one of four original-equipment manufacturers that were awarded a contract by Transnet in 2015 to supply 1 064 electric and diesel locomotives as part of a R50-billion Transnet Freight Rail modernisation programme.

CSR has been contracted to supply 359 electric locomotives, of which only the first 40 can be manufactured in China. General Electric and China North Rail are supplying 233 and 232 diesel locomotives respectively, while Bombardier Transportation is supplying

240 electric locomotives.

The locomotives are the first to be procured by Transnet in line with an instruction note issued by the National Treasury stipulating that suppliers meet specific local-content thresholds set by the Department of Trade and Industry (DTI). Under the DTI designation, the local-content threshold for electric locomotives is set at 65%, while the minimum level for a diesel locomotive is set at 55%.

The South African Bureau of Standards (SABS) has been appointed as the local-content verification agent. However, the SABS confirmed to *Engineering News* earlier this year that it had not yet conducted any audits for the so-called ‘10-64’ contract and that it also did not have an agreement with Transnet to do so. Funding of the audits has emerged as the main sticking point.

Separately, a report by amaBhungane and Scorpio, arising from the so-called GuptaLeaks

Picture by Senior Chief Photographer Duane Davis



**DEAN MACPHERSON**

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emails, alleges that CSR is paying a facilitating fee to a Hong Kong-based company owned by **Gupta**-family associate **Salim Essa**. The report indicates that the company, Tequesta, is receiving R10-million for each R50-million locomotive being bought by Transnet from CSR, artificially inflating the cost of the contract.

Opposition party the Economic Freedom Fighters has laid criminal charges against various government and Transnet officials in relation to the CSR contract, while Transnet has appointed Werksmans Attorneys to oversee a board-level probe into allegations of corruption relating to the CSR contract.

Transnet CEO **Siyabonga Gama** said on July 3 that the investigation should be completed within three months. However, spokesperson **Molatlwane Likhetho** has confirmed to *Engineering News* that Werksmans has requested, and has been granted, more time to complete the probe. The investigation is now likely to be completed only by mid-December.

In the meantime, the Portfolio Committee on Trade and Industry decided on September 15 to launch a public inquiry into the contract, in terms of National Assembly Rule 227,1(c). In late September, the committee reached agreement on the inquiry’s terms of reference, including obtaining all documents relating to the programme, as well as summoning any individual or entity that may have information of relevance to the inquiry.

“I plan to submit a list of witnesses to be called but also want . . . witnesses with information to be able to testify ‘in camera’, so [that] we are able to get information that might not be forthcoming otherwise,” Macpherson tells *Engineering News*.

The inquiry will focus on the local-content

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provisions and whether or not the flouting of the provisions will result in penalties. “It is quite clear to me that these contracts have been engineered to suit bidders, [and] not to meet their local content provisions,” Macpherson says.

The fact that SABS has not been funded to verify local content meant that there was also no way of knowing whether or not the obligations were being met.

“It is estimated that it would have cost R12-million to R24-million for these audits to be done.

“Transnet has deliberately made all manner of excuses as to why they should not fund it, but, quite honestly, for a R50-billion contract, R24-million is cheap at the price to ensure

local content is adhered to.”

In addition, the DA is concerned about the fact that Transnet Engineering has been subcontracted to do much of the work “in direct competition with local manufacturers”.

The party will also focus on how a Chinese firm won a tender and interrogate whether the Gupta family and its associates secured kick-backs that may have inflated the cost of each locomotive by R10-million.

“This inquiry must get to the bottom of exactly how this contract was awarded and how it was that the law was contravened in order to avoid producing the trains in South Africa, therefore depriving our people of vital jobs.”

No timeframe has yet been set for the start of the inquiry, but Macpherson expects it will begin within the coming two months. ■