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Zondo Commission – procurement processes were opaque and inconsistent across Transnet group

One of the reasons for state-owned freight and rail entity Transnet’s vulnerability to capture was that although it had an extensive governance structure on paper, it applied only to tenders under a certain value, and on many occasions, contracts were signed off without the stipulated processes of evaluation being followed.

Transnet’s executive manager for governance, Peter Volmink, testified before the commission of inquiry into state capture on Thursday. He covered the governance structure implemented by the current board, comparing it to what Transnet had before the new regime.

“State capture happens through a process that is designed to override controls,” said Volmink. “When we talk of deviation from the open bidding process ... this helps to facilitate capture, it enables those who have all sorts of nefarious motives to do what they wish to do.”

The new Transnet board has brought much-needed changes to the structure, he added, in an effort to promote transparency, as well as centralising tender decision-making powers with the executive management, with no involvement of the board in awarding tenders. Some of the key steps taken by the new board include:

- The decisions on the awarding of tenders lies anywhere between the procurement committee and executive committee for tenders above R700-million and R1-billion, respectively;
- Acquisition councils, which in the old structure gave the signing-off powers to sole individuals such as the COO and CFO, have been abolished;
- Where provisions were historically made for confidential confinements – which allowed deviations from open tender processes under certain circumstances – these have been removed. Confidential confinements now go through the same stages as open tenders, to promote transparency.

Current board chairperson Popo Molefe told the inquiry on Tuesday that one of their most serious concerns was that when the board arrived in May last year, the delegation of authority on procurement was applied in such a way that people could sign off on a contract for as much as R500-million to R1-billion – without consulting the board.

“That opened up a space for lots of contracts signed off in this manner, and contracts that favoured certain selected individuals,” he told the inquiry.

Because there is no single tender processing structure across the Transnet group, explained Volmink, the chief procurement officers of each operating division have had the task of overseeing the evaluation processes for tenders, up to a certain amount. Under the old process, this meant that the provisions for confinements could be abused.

In some cases, confinements were applied repeatedly to the same service providers, and because this practice was not easily detected, there was no accountability for the decisions made thus.

For the most part the senior officials who placed undue pressure on supply chain management officials who had to manage these contracts, could do so because of an overriding bullying culture that prevailed.

“Many of the staff at operating division level are junior, so they are more susceptible to pressure from above,” Volmink said.

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