

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

1. INTRODUCTION

The Portfolio Committee on Public Works, Roads & Transport undertook an Oversight Visit on the Lichtenburg-Koster road on the 24 February 2012. The Department on Public Works, Roads and Transport and subsequently held a meeting with the Department on outstanding payments for service providers on the 2nd March 2012. The department briefed the Committee and various stakeholders, which included farmers, taxi association members, construction contractors & scholar transport service providers. This report outlines the purpose, challenges, and recommendations of the meeting.

2. PURPOSE

The purpose of the Oversight Visit was to assess the status of the construction of the Lichtenburg-Koster road.

The purpose of the meeting was to check progress on the outstanding payments for service providers.

3. KEY FINDINGS

LICHTENBURG-KOSTER ROAD

- 3.1 The Construction of the road commenced in April 2009 and it was an eighteen months project but it is still ongoing. The project was to cover construction for the road from Lichtenburg until the R52/R53 (Ventersdorp/Swartruggens) crossing.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 3.2 The department reports that the appointed service provider at the time was Khaulani Civil Engineering and the road construction was supposed to be completed in October 2010.
- 3.3 The Contract for Khaulani Civil Engineering was terminated due to non-performance as the department reported to the Committee.
- 3.4 After the project was re-advertised and procurement process followed, the new service provider named Down Touch Investments CC was appointed on 29 August 2011 to complete the project.
- 3.5 Three months after Down Touch Investments appointment into the construction of the road, another company called Global Roads applied for an urgent court interdict to stop any further construction of the road by Down Touch Investments claiming that their tender price was lower than that of Down Touch Investments.
- 3.6 The Department of Public Works, Roads and Transport was also cited as the second responded on the urgent Court Interdiction papers filled by Global Roads.
- 3.7 The Department of Public Works, Roads and Transport did not defend the urgent application filled by Global Roads against the department.
- 3.8 However it was reported that Global Roads lost the urgent application with costs and the Court ordered the continuation of the construction by Down Touch Investments, but strange enough the Department did not agree with the Court and will appear that the Department is still disregarding the Court order.
- 3.9 It was also reported that the services of two different expects service providers were acquired to reevaluate the bid and they all came out with the same outcome as the original outcome which appointed Down Touch Investments.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 3.10 It was also reported that the two experts reports are regarded as classified documents and not available for the Portfolio Committee.
- 3.11 Based on the urgent application the department suspended Down Touch Investments from Road Construction works by a letter from Engineers on site and later by a letter from the Acting HOD. One letter instructed Down Touch Investments not to remove their Construction plant on site as the suspension was only temporary, which needed to be paid and Down Touch Investments is to be paid by the department an amount of R174 000 per day for his equipment and road maintenance.
- 3.12 Down Touch Investments have sub-contracted another company to CONTROL ~~Stop~~ and Goqstations on the road to Regulate Traffic and manage Public Safety, pays the sub-contractor out of his own pocket for the provided service and also pays for the Construction Plant which he was instructed not to remove, payment of unused construction plant cost R 217 000.00 per day which has not been budgeted for.
- 3.13 Down Touch Investments claims that they have been submitting their invoices but have not been paid for four months.
- 3.14 The Farmers and Taxi Association members threatened they were going to close the Lichtenburg-Koster road on Friday, 2 March 2012 in a form of demonstration for the construction delay.
- 3.15 Children have to wake up early to go to school and their parents are always late at work as a result of this stop & go arrangement.
- 3.16 Other impatient road users uncontrollably speed and dangerously overtake vehicles where they are not supposed to and the road potholes damages vehicles.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 3.17 Fifteen (15) km of the road before crossroad of Swartruggens-Ventersdorp, the road has been dug up for a distance of \pm 8 km as part of the road construction of the first contractor. It is a deep ditch and very dangerous for any motorist who has to stop on the side of the road to avoid the ditch or another motorist.
- 3.18 There is also a signage problem on the R53 to Ventersdorp and R52 to Swartruggens crossing. Motorists that try to cross the road cannot clearly see those on the main road. It is a common spot for motor vehicle accidents.
- 3.19 An incident occurred where a motorist, due to frustration, rode over a stop & go station infrastructure. The motorist allegedly threatens the crew on site and there has been a case opened with the Lichtenburg Police Station. Case number: 12/11/2011. It is alleged that this motorist has since been insulting the crew every time he passes there and the police have not taken any action against this motorist.

BAGALE CONSULTANTS

- 3.20 Bagale Consultants has been appointed by the department of Public Works, Roads and Transport to carry out Infrastructural Project Management on behalf of the department.
- 3.21 Bagale Consultants runs procurement process on behalf of the department, receive claim certificates and if incorrect they sit with the site engineer to correct claim certificates and then only submit to the department for payment.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 3.22 The certified claim certificates by Bagale Consultants get paid in seven days by the department as Bagale consultants are acting on behalf and for the department.
- 3.23 Bagale consultants stated that it has certified all claim certificates for payment by Down Touch Investments.
- 3.24 Bagale Consultants has knowledge of both suspension letters written to Down Touch Investments.
- 3.25 The department need to clear the backlogs of outstanding payments to service providers.
- 3.26 The Chief Financial Officer from the department said they need to improve their internal systems like CAPAX and Supply Chain Management.

SILVER BLUE ENGINEERING & CONSULTING

- 3.27 Silver Blue Engineering & Consulting was appointed to remove builder's rubble in Danville from April to June 2011 by the department.
- 3.28 The first invoice no. 001/15 was for work done on the 22 April 2011 till the 9th of May 2011 for the amount of R707 848,80 and submitted a second claim invoice no. 001/16 for work done on the 13th May 2011 till the 20th of May 2011.
- 3.29 Silver Blue was instructed by the project managers from the department to combine the above two invoices, so that they could be paid as one invoice. Silver Blue produced all necessary documents for their claims to the committee.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 3.30 Strangely Silver Blue received a sms from the project managers, instructing them to stop all the operations with immediate effect until further notice.
- 3.31 Silver Blue kept on phoning the project managers, trying to establish the way forward to no avail.
- 3.32 After long waiting for the response from the Department then Silver Blue submitted the last invoice number 001/18 for an amount of R 422. 784.96 for the work done from the 23rd May 2011 to the 1st of June 2011 and the Department did not pay that invoice.

SCHOLAR TRANSPORT

- 3.33 Service Providers on Scholar Transport render services to the department of Education.
- 3.34 The Department's rate of R16,50 per kilometer for month to month service providers is inconsistent to the rates offered to service providers contracted for five years providing the same service.
- 3.35 Some service providers have been rendering services to the department since 2001/2002 to date with and without formal contracts with the department as some has been verbally contracted to render services.
- 3.36 Some Service Providers awarded contracts from the department do not even have buses.
- 3.37 At the most cases it takes the department about 6 months and more to pay service providers regardless of Government Policy to pay service providers within thirty days.
- 3.38 Service Providers claim corruption in the awarding of the five year contracts as some service providers know long before the awarding

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

of contracts of which school they will provide service, Uitschot Primary School is the case in point.

- 3.39 Allegations that the Chief Director awarded his Son and Brother contracts without disclosure of interest has been raised with the committee

R500 MILLION

- 3.40 R500 million was returned to National Treasury due to failure by the department to gazette the usage of funds.

Some pictures taken at the oversight visit to Lichtenburg/Koster Road:

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport



Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

4. COMMITTEE CONCERNS

- 4.1 At harvest time farmers in the area will be frustrated as the condition of the Lichtenburg-Koster road will make their work difficult.
- 4.2 The non-functionality of the Lichtenburg-Koster road is creating a loss for the North West economy and the loss is estimated at R100 million annually.
- 4.3 There are serious accidents on Lichtenburg-Koster road with a lot of fatalities and car damages which threatens public safety.
- 4.4 How much was Khaulani Civils paid before its contract was terminated for non performance?
- 4.5 The department did not defend the case brought against them by Global roads and allowed Down Touch Investments to construct the road for three months
- 4.6 There are no signages to indicate potholes.
- 4.7 The Committee is concerned with the failure of the department to pay various services providers for work done within thirty days.
- 4.8 The Committee is more concerned about the long outstanding payments for service providers on Scholar Transport and the inconsistencies on rates paid.
- 4.9 The Committee is still awaiting for the report from the department on Uitschot Primary School issues, since last year.
- 4.10 The Committee is concern about the non response from the department on outstanding issues raised with them, with a letter delivered to the Office of the Head of the Department (HOD) on the 23 February 2012.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 4.11 Financial Systems in place when paying service providers has discrepancies.
- 4.12 How does the department inform Silver Blue by sms that it must stop providing services instead of a written correspondence raises a serious concern?
- 4.13 Was there a need to appoint Silver Blue and how was its performance measured? Was its scope of work finished when the department terminated its services through sms, what was the total value of its work and the duration? Why did the Department not honor the invoice number 001/18 for an amount of R 422. 784.96.
- 4.14 How would the department requested the service provider to combine two invoices is tantamount to fraud
- 4.15 The departments budget dry out long before the financial year ends as a result of poor planning
- 4.16 The clear role of Bogale Consultants in the department should be clarified
- 4.17 What was also of great concern was the unfair labour practice by the department in suspending its staff for months and months without any charges brought against them contrary to what is required by the Labour Relation Act no. 66 of 1995 and allege victimization of those who refuse to do illegal things.

5. COMMITTEE RECOMMENDATIONS

LICHTENBURG-KOSTER ROAD

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 5.1 The Committee recommends that the construction of Lichtenburg/Koster road be finalized as soon as it is practically possible.
- 5.2 The committee recommends that department pay Down Touch Investments claim certificates for work done and related works as certified by Bagale Consultants as Bagale consultants are acting on behalf and for the department.
- 5.3 That the department resolve the impulse of the Lichtenburg/Koster road averting wasteful expenditure and in the interest of the NW Government as soon as possible.
- 5.4 That the classified documents be declassified and be submitted to the Portfolio Committee not later than the 15th of May 2012.
- 5.5 That the matter be referred to a Section 9 institution as a matter of urgency.
- 5.6 That a full report of all suspended officials of the department be submitted to the Committee not later than 15 May 2012.

BAGALE CONSULTANTS

- 5.7 That the role of Bagale Consultant be clarified.
- 5.8 That Bagale Consultant should represent the interest of the department wholly as they are consulting on its behalf and for the department.
- 5.9 That Bagale Consulting should not run procurement for the department.

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

- 5.10 That the department, Silver Blue and the project manager must meet and check all supporting documentation and proof of invoices and payment to resolve the problem and report back to the committee.
- 5.11 The Head of the Department will find out from senior officials, why they informed the service provider through an sms that its services has been terminated and report back to the committee on actions taking.
- 5.12 That the use of project managers be limited as they are so reluctant to even terminate contractual obligations through sms.

SCHOLAR TRANSPORT

- 5.13 The department must meet with scholar transport service providers to resolve the issue of appointment letters and verbal contracts.
- 5.14 The Committee requires a report from the department by 15th May 2012 on all the outstanding investigations on allegations of Uitschot Primary School scholar transport contract award fraud.
- 5.15 The Committee recommends a service level agreement to be signed by the department and scholar transport service providers.
- 5.16 That the department launches an investigation on the Directorate of Transport and investigate amongst others i.e Inconsistencies on Scholar Transport Rates, Awarding of Routes and Five Year Contracts and Bokone Holdings
- 5.17 That the department pay service providers within thirty days
- 5.18 That the allegations against the Chief Director be investigated

Oversight Report of Lichtenburg-Koster road and Report of the Meeting with the Department on outstanding payments of Contractors and Scholar Transport

R500 MILLION

5.19 That the department report to the committee on what action has been taken against the official who failed to gazette the R500 million returned to National Treasury

6. CONCLUSION

The Portfolio Committee urged the department to come up with intensified action plans in moving forward.

HON H GALENG

CHAIRPERSON: PC PUBLIC WORKS, ROADS & TRANSPORT

Date : _____