

Metro Sul do Tejo Concession Audit

Report No. 22/2011 – 2nd Chamber

This report describes a follow-up performance audit carried out in respect of the Metro Sul do Tejo – MST concession, which was mainly aimed at furthering and updating relevant matters regarding the concession at issue, particularly focusing on the performance of the project since the whole of the 1st phase of MST was due to commission in November 2008.

The overall audit objectives were to analyse and identify the government spending on the Metro Sul do Tejo project, to measure the project performance between 2008 and 2010, to analyse the financial repercussions of the new Agreement for the State and to assess the monitoring and control of the Metro Sul do Tejo project.

The Tribunal de Contas found out that the MST project does not appear to be economically feasible. The Concessionaire itself recognizes that the economic feasibility of the MST project, in accordance with the terms defined and subject to the current tariff system, is impossible without government backing, and further stated that the current tariffs fall within the scope of “social tariffs”, which do not bear the running and financial costs of the project.

To this extent, the MST concession has already used up, until 2011, 384 million Euros of public money, which are broken down as follows: 284 million Euros for the initial public investment, 77.5 million Euros regarding the Financial Rebalance Agreement, and nearly 23 million Euros as compensatory fees, including already the sums to be paid to the Concessionaire in 2011.

In addition to the lack of economic feasibility of the MST project, which is due, among other reasons, to the fact that since the initial concession period, the amount of traffic has not reached the minimum limit of the reference traffic interval, it still shows a fraud control problem, with a 25% rate of the transported passengers in 2010.

In light of the foregoing, in 2011, the MST concession is being renegotiated.

According to the findings, the Tribunal de Contas has made the following recommendations:

Within the framework of the renegotiation of the MST concession contract, the State shall be responsible for introducing more stringent and effective traffic control mechanisms that allow mitigation of fraud impacts in terms of ticket payment on the economic and financial balance of the contract.

The State shall be responsible for reinforcing the technical and human means that allow a more effective management and supervision of the contract in its different strands.

When launching a Public-private partnership (PPP), the Awarding State shall be responsible for taking its decisions on the basis of more credible and conservative demand studies and the projects must be based upon rigorous economic and social feasibility studies.

Likewise, the Awarding State shall be responsible for systematically and continuously reassessing the risks arising from any process of negotiation or renegotiation of PPP contracts in order to measure the respective impact on its financial effort.

Aware of the heavy commitments taken on for the future generations, the launch and commissioning of projects within the framework of PPPs should have broad consensus among all stakeholders.