

Auditors Say \$7.3Bln Wasted on Transport

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A lack of “elementary financial discipline” and poor coordination between departments led Moscow transport chiefs to misspend \$7.3 billion during former Mayor Yury Luzhkov's last three years in office, auditors said Friday.

Auditor Sergei Ryabukhin said the transport complex, including the Moscow metro and bus operator Mosgortrans, had misspent 215 billion rubles between 2008 and 2010 — down from a previous estimate of 232 billion rubles cited by the chamber in December.

Mayor Sergei Sobyenin ordered the investigation into the finances of five Moscow government departments as well as the Moscow metro, Mosgortrans and builder Mosmetrostroj after he took office in October.

The final figure is equivalent to more than 37 percent of the 574 billion rubles (\$19.5 billion) spent on transport between 2008 and 2010.

It includes 117.8 billion rubles in mishandled public procurement contracts and 10.8 billion rubles in “misappropriated” budget spending, including subsidies to the Atlant-Soyuz airline to buy new aircraft that were never purchased, Ryabukhin said.

Another 59 billion rubles was lost to inappropriate investments, and 24 billion rubles was wasted on delayed or never completed construction projects, Ryabukhin said.

The revelations will be taken as a sign that the authorities are gearing up to prosecute Luzhkov on charges of corruption, but the chairman of the Moscow Control and Auditing Chamber, Viktor Dvurechensky, said it was too early to say whether the violations amounted to criminality.

If overspending on metro renovation projects could be accounted for by workers' salaries, it might be considered an administrative matter, Dvurechensky said. "But if part of the money went to salaries and the rest in some kind of bills, then of course there would be a criminal investigation."

In an interview with The Financial Times last week, Luzhkov flatly rejected allegations of wrongdoing. “These are completely wild numbers. If this amount of money was truly missing it would have been easy to spot. This is nothing but an attempt at political bullying. They are trying to stun the public with such wild numbers,” he told the paper.

The report by the auditors was delivered days after City Hall said it would review as many as 100,300 investment contracts signed during Luzhkov's administration.

Deputy Mayor Andrei Sharonov said Wednesday that the city had already canceled 30 contracts out of 150 it has reviewed so far.

The auditors also questioned much-maligned annual ticket price increases on public transport, saying the authorities should either make better use of their revenues or lower prices.

Dvurechensky called for a review of pricing policy and said transport chiefs should either “increase investment in the development of the transport industry or reduce the price of the ticket.”

Passenger numbers fell by 200 million from 2.5 billion to 2.3 billion journeys annually between 2008 and 2009, but revenues went up 39 percent “mostly on the back of tariff hikes,” Dvurechensky told reporters.

The cost of a single journey on the metro went up two rubles to 28 rubles (slightly less than \$1) on Jan. 10.

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