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$1.6Bln Military Tender Scrutinized

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The Federal Anti-Monopoly Service promised an investigation Monday after a Moscow-based military unit kicked off several tenders offering a whopping total of 46 billion rubles ($1.6 billion) to private contractors to maintain its fleet of foreign-built cars and buses.

One of the tenders — for maintenance and repairs to 41 Volkswagen cars — was won Monday with a bid of 5.8 billion rubles ($200 million) — or 1,000 times more than actual cost of the automobiles in question.

The unidentified winner beat out three rivals with the bid, which amounted to about half of the starting price, according to the web site of Sberbank's automated trading system, which handles bids for state tenders on Zakupki.gov.ru.

The state tenders system is under scrutiny after the Kremlin announced in October that the state loses 1 trillion rubles a year to bureaucrats and private contractors who pad their pockets. A Kremlin-ordered overhaul of the system is mired in red tape. Meanwhile, President Dmitry Medvedev over the weekend expressed fears that corruption would swallow a chunk of

the $700 billion that the state has earmarked to upgrade the military over the next decade.

Little detail is available on the military unit behind the car maintenance auction other than its number, 28178. A 2006 government decree links a military unit with this number to the Foreign Intelligence Service, but it was unclear Monday whether there is more than one unit with the number.

The state tenders site Zakupki.gov.ru said the unit is registered in southwestern Moscow, while a state tender-tracking web site, Glavsnab.ru, said a unit with this number is actually stationed in the Moscow region.

Repeated calls to the intelligence service's press office went unanswered Monday.

Tenders on Zakupki.gov.ru seek bidders to maintain the 41 Volkswagen cars, as well as 73 BMWs and a number of Scania buses, Fords and Audis.

A contact person named in the auctions' announcement, Semyon Savinkov, confirmed by telephone Monday that Zakupki.gov.ru cited all prices correctly. He declined further comment on the tenders, first reported by LiveJournal blogger Wolfcy.

A new Volkswagen Passat is priced at 1 million rubles on the carmaker's Russian web site, which means some 5,800 vehicles could be purchased for 5.8 billion rubles, the amount of Monday's winning bid.

The Federal Anti-Monopoly Service will examine the auction for possible violations of the legislation on state purchases, Mikhail Yevrayev, a department head at the watchdog, said by telephone.

The service has the authority to cancel an auction if violations are uncovered and fine its organizers a total of 50,000 rubles. Officials may also be charged with unfair competition, abuse of authority or bribery.

Anti-corruption experts stopped short of calling the car maintenance auction rigged but agreed it was odd enough to raise fears of corruption.

The auction's requirements might have been "tailored for a specific supplier," said Anna Zolotaryova, head of the legal department at Yegor Gaidar's Economic Policy Institute.

There are plenty of cases where a "customer inflates the price in order to split the stolen money with a supplier," Zolotaryova said.

But Konstantin Golovshchinsky, a corruption expert with the Higher School of Economics, said current legislation does not require a state agency to "justify the starting price" of a tender, which may imply Monday's tender did not violate any rules.

The military unit behind the car maintenance tender announced another tender this month — for more than 59,000 packs of ice cream. The starting price stood at a reasonable 370,000 rubles, or some 6 rubles per helping, according to Zakupki.gov.ru.

The unit's past tenders also seemed to fall within the pricing norms. Tetre.ru, a web site

tracking state purchases, indicated that in 2007 the unit sought contractors to build a "residential unit" for 1.5 million rubles in Bryansk region and to supply 11 tons of boneless pork for an unspecified price.

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