


Chapter 9

Contracts Management in the Brazilian Company of Urban Trains: Fuel Purchases and Governance Issues

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ABSTRACT

This study aims to analyze the contract management in the Brazilian Company of Urban Trains (CBTU), specifically the Urban Trains Superintendency of Recife (STUREC), under the perspective of contract management and corporate governance procedures. STUREC is the local agent of CBTU, a public company whose goal is to modernize, expand, and implement passenger rail transport systems in the country. In one of the acquirement documents regarding fuel purchase, the lack of adherence to governance principles within the management processes led to operational and

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financial issues. CBTU management reports presented no consideration for the contingencies of that particular procurement process, including those related to the changes enacted due to the COVID-19 pandemic. As exposed, it is possible to infer that the procedures adopted by the company need to be revised and modified to guarantee its activities.

INTRODUCTION

The public sector in Brazil is targeted by compelling and harsh criticism, as complaints about the inefficiency of the public sector are common knowledge. The lack of performance in the field has been long a source of much discussion and questioning by society, whose demands are ever more stringent when the subject is the quality of the service developed by public servants.

These issues arise from a series of situations such as development crisis in developing countries, exhaustion of the economic model, as attested by fiscal incapacity and intervention, fragility of the political model leading to insufficient governability, and deficiencies in the administrative model resulting in bureaucratic distortions (Matias, 2010; Correio & Correio, 2019; Teixeira & Gomes, 2019). In addition to this, there have been numerous corruption scandals in Brazil in recent decades, ranging from financial fraud in state-owned companies to “secret budgets” in the federal government.

State-owned companies in Brazil have accrued considerable influence in social, economic, and political spheres, either by the volume of assets and the relevance of state-owned companies at every federal level or by their historical importance in the national development model. Yet, effectiveness and efficiency are hardly employed as success metrics for this kind of entity, due to the unusual market conditions they operate in, as most work in markets without economic interest, and as such, without adequate competition (Sacramento et al., 2021).

Regardless of the company segment, contract management maintains its relevance. Its object establishes rights and duties while guiding the relationship between market participants, be they with clients, suppliers, or outsourcing partners. Contract management encompasses the processes from the creation to the execution of the arrangement, from monitoring the steps, organization, and control of the documents able to subsidize the completion of the contracts, as well as mitigating the default risks for the previously accorded terms (Oliveira et al., 2020).

Meirelles (2000) defines a contract as every settlement of wills, established freely between parties, whose objective is the creation of mutual obligations and rights. Following this interpretation, contract management elevates the chance of

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