

# 'I can give out a direct order whenever I think it's the right thing to do' - Gonzi

Millions in euros were bled at Mater Dei over a security direct order and car park contracts to the private sector. Now a National Audit Office report confirms MaltaToday's investigations last year. Gonzi's reaction: 'I would do it again'.

Matthew Vella

PRIME Minister Lawrence Gonzi yesterday ignored a warning by the Auditor General that the government was not securing value-for-money contracts, after blessing a €2 million direct order for Group 4 Securitas (G4S) to run internal security at Mater Dei Hospital, just two months before the 8 March general elections.

"As prime minister I feel I can give out a direct order whenever I think it's the right thing to do. I had the moral duty to see the hospital was functioning in the best way possible. I couldn't wait for six months for a new tender to be issued. If the same situation arised, I would do it again." MaltaToday's reportage of millions in euros in direct orders and contracts outsourced to the private sector back in August 2008 were fully confirmed this week by the National Audit Office (NAO).

Labour MP Charles Mangion, who petitioned the NAO to investigate, told MaltaToday: "There's been complete disregard of good governance with such irresponsible decisions on these direct orders. The result was no value for money. It's a red light warning. It's unacceptable that taxpayers' money is squandered in this way and government must stop this practice immediately in the light of the state of its finances."

## The €1.7 million direct order

In late 2007, the Foundation for Medical Services, falling under Lawrence Gonzi's finance ministry, issued a direct order to Group 4 Securitas (G4S) "as a continuation of the service" that G4S had previously provided Skanska, the Swedish firm entrusted with the construction of Mater Dei.

"This was authorised by the director of contracts in the best interest of the patients and staff to minimise disruption and risk by providing continuity through the people who knew the building and its security risks best at that point in time."

According to the NAO report, the FMS wanted to issue the direct order for the duration of 3-5 years and that "for technical or artistic reasons" the services could be only provided by a particular operator - namely G4S, the firm previously employed by Skanska.

But while G4S was kept on to

run security from January 2008, the FMS only request approval of its direct order in March when it asked DG Contracts to approve a €544,000 one-year contract.

But DG Contracts stated that "early action should be taken to regularise procurement in accordance with regulations" and queried why the direct order was for 12 months and not less.

The request was amended, and in April the DG gave FMS approval for a €317,000 contract running from January to July 2008.

But in May 2008, FMS informed DG Contracts of a miscalculation in its estimate, revising the cost for the January-July period to €768,000.

The NAO noted it was "not in a position to state whether this

understatement could have influenced... whether the tender would have been approved if the correct value of the direct order were known."

The NAO noted irregularities in procurement - FMS sought approval of the direct order in March after G4S was given the order in January; and although the contract ran till July, a new tender was only made in January 2009.

In fact G4S kept running security until March 2009 - the cost for its 2008 contract turned out to be €1.7 million.

## €800,000 to guard empty hospital

The NAO noted that the government wanted to outsource security contracts because it was cheaper to employ private

guards than the 50 St Luke's security officers, experience in hospital security and even army-trained.

"A security company is paid the same flat rate for replacements. Government saves on sick leave and vacation leave costs through outsourcing."

But what happened was that the 50 employees were left to guard the empty St Luke's Hospital, costing the government €800,000 in wages.

"Various factors influenced the health ministry not to transfer St Luke's security personnel to Mater Dei... including concerns on frequent industrial action as well as an unresolved union directive of October 2000.

"St Luke's needs to be guarded against a number of risks,

including vandalism and theft or squatting, but this should be achieved with less human resources and at a lower cost."

## Gonzi's decision to waive concession fee

G4S managed to secure an even bigger slice of the cake at Mater Dei through the public tender it won for the provision of external security services by Parksec Ltd - which is owned by both G4S and Kenneth Demartino - for five years.

Originally, Parksec had to pay government an annual €326,000 concession fee to operate the car park, in return for the car park fees that it would retain.

But in October 2007 Cabinet ordered a drastic reduction of the high parking prices after a public outcry. This resulted in:

## SO, WHAT'S THE DAMAGE?

	2008
Salaries for 50 government security guards at St Luke's	€800,000
21 G4S private security guards (internal security) up till March 2009	€1.7 million
Waiver of Parksec (G4S) contribution	€326,000
Government payment to Parksec (G4S)	€695,000
88 G4S clerical staff at €5.01/hour	€1.08 million
<b>TOTAL EXPENSE OF DIRECT ORDER, ERRONEOUS INVOICING AND COST OF REDUCING MATER DEI PARKING FEES</b>	<b>€4,601,000</b>

## And to Parksec go the spoils...

WHAT THE COMPANY EARNED IN PARKING FEES IN 2008:

Mater Dei records show a total of 514,852 cars entered the car park in 2008

	Maximum estimates
34% parked up to 1 hour (€0.80 if they spent between 30-60min between 6am-10pm)	€140,040
41% parked 1-2hrs (€1.65 if parking between 6am-10pm, or 80c during remaining time)	€348,296
14% parked 2-3hrs (€2.45 if parking between 6am-10pm, or 80c during remaining time)	€176,593
5% parked 3-4hrs (€3.25 if parking between 6am-10pm, or 80c during remaining time)	€83,661
<b>MAXIMUM TOTAL EARNED BY PARKSEC in 2008</b>	<b>€748,590</b>



Emergency direct orders and rushed contracts at Mater Dei Hospital cost taxpayers €4.6 million and earned private companies millions in waived concession fees, parking fees and advertising revenues

a waiver of the concession fee; and government paying Parksec €489,000 every year to run external security services with 23 security officers - a compensation for the estimated decrease in revenue from the cut in tariffs.

Additionally, FMS agreed to pay Parksec €63,000 every year to manage an additional car park for hospital staff - but staff would still be charged for parking, and all revenue would be given back to FMS;

And FMS agreed to pay Parksec €37,000 for 50 reserved spaces for renal patients and disabled patients.

Parksec was allowed to use the parking space areas for advertising - another revenue opportunity for the company.

Yesterday, the Prime Minister referred to the car park issue as one of "the few problems" in the otherwise smooth migration to Mater Dei.

"The car park was too expensive so I issued a direct order in the spirit of solidarity with patients' families."

By the end of 2008 however, the FMS paid Parksec €577,219 for external security; €74,214 for the staff car park (taking back only €36,000 in fees, but this amount has not been endorsed by FMS due to lack of verification); and €44,000 for the renal/disabled spaces - just over €695,000.

As the NAO notes, the decision to go for lower parking fees cost the government both the concession fee and the new security fee it was paying:

€815,280 ever year or €4 million for the next five years.

Of more concern is that Parksec is obliged to deploy 23 security officers working a total of 184 hours daily. This minimum requirement was not met, according to a sample of timesheets seen by the NAO:

monetary value of this shortage cannot be determined," the NAO said.

According to a breakdown of the parking times taken by the 514,852 cars that entered the Mater Dei car park in 2008, Parksec may have earned anything up to a maximum



these, the last weeks of January, March, and July, show that the service given was short of 466 hours, 303 hours, and 483 hours respectively.

But since the contract is a lump sum contract, "the exact

€748,000 in fees.

## More contracts to Group 4

In addition to the two security contracts, G4S also won a contract for the provision of secretarial and clerical services at Mater

Dei. G4S had to provide 56 clerical staff for an estimated annual cost of €542,651 - it won a public tender by offering the cheapest hourly rate of €5.01.

Once again, the NAO noted that approval from the DG contracts for this tender was only sought after the publication of the tender in April 2007.

No financial capping was imposed on the contract, so the number of clerks increased to 88.

The contract ended up running from August 2007 to November 2008, having been granted a six-month extension - the final cost ballooned to €1.08 million its original estimate.

The NAO noted that missing signatures and no rosters led to some 1,637 hours (costing €8,186) not corroborated by the actual hours worked.

"Missing, incomplete and inconsistent documentation confirms neither Mater Dei nor G4S maintained adequate documentation... leading to erroneous payments."

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