

**An Roinn Forbartha
Tuaithe agus Pobail**
Department of Rural and
Community Development



Your reference: Ref: S1148 PAC33

Sarah Cremin,
Committee Secretariat,
Committee of Public Accounts,
Leinster House,
Kildare Street,
Dublin 2.

Via email

13 January 2023

Re: Non-compliant procurement

Dear Sarah,

I am writing further to your letter of 30th December, requesting information on contracts that were non-compliant with procurement guidelines in 2021.

The Department had one contract that was non-compliant with procurement guidelines in 2021. This matter has since been rectified by putting in place a new four year contract that is fully compliant. The new contract came into effect on the 07/06/2022.

As requested in your correspondence, further details have been provided in tabular format in the Appendix to this letter.

I trust the information provided is clear, and if there are any queries please let me know.

Yours sincerely,

Mary Hurley,
Secretary General.

Contract	Expenditure	Reason for non-compliance	Plans to rectify
Air service to the Aran Islands	<p>Non-compliant Contract value was €910,000 excluding VAT for 1st April 2021 – 31st March 2022</p> <p>Expenditure was €989,552.07 excluding VAT for 1st April 2021– 31st March 2022.</p> <p>The additional expenditure related to costs, including passenger baggage and handling charges, which was allowed for and agreed under the contract</p>	<p>The existing contract for the air service to the Aran Islands was extended by 1 year from 1 April 2021 - 31 March 2022, on the same terms, in order to ensure continued provision of this lifeline service while the renewal process for a long term Public Service Obligation (PSO) contract for the air service was being put in place. This extension was non-compliant with procurement guidelines.</p> <p>The State has subsidised the air service to the Aran Islands since 2001. It operated under a public service obligation (PSO) for many years, but in 2021 was being delivered by way of a 'contract for services' due to a number of issues with the operation of the PSO since 2015.</p> <p>The Department engaged with stakeholders to resolve the issues, most significantly the access to the only licenced airport in the region (Aerfort Chonamara). This has been resolved through the State's purchase of Aerfort Chonamara, which was completed in 2020 following an extensive process of negotiations and allowed the Department to revive the PSO status of the route with EU regularity compliance. As the previous PSO was not renewed within a 12 month period, the EU designated PSO status for the air route to the Aran Islands lapsed.</p> <p>The State's intention to impose a PSO status on the air route to the Aran Islands was published in the OJEU on the 07/01/2022 with the new air service PSO to come into effect on the 07/06/2022.</p> <p>This new PSO contract provides long-term certainty of service for the Island communities that are heavily dependent on it. It addresses many of the contentious issues of previous contracts as the Department meaningfully engaged with the island communities. Their views were central when drafting the RFT for the service.</p> <p>The tender document was published on e-tenders on the 03/02/2022. (Lot number: RFT 207151 with a submission deadline of 07/03/2022). A new 4 year contract that is fully compliant with all EU regulations was put in place. The new contract came into effect on the 07/06/2022.</p> <p>The purchase of the airport also provided the Department with the opportunity to review the structures that were in place to manage the airport and the aerodromes on the islands, and two separate contracts for management of the airport and aerodromes were amalgamated.</p>	<p>A new 4 year contract that is fully compliant was put in place.</p> <p>The new contract came into effect on the 07/06/2022.</p>

Note - As the timeline for the completion of the PSO procurement process exceeded 31st March 2022, the contract was further extended to cover the period of 1st April 2022 to the 6th June 2022, at a cost of €215,477, until the new PSO contract came into effect on the 7th June 2022.