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PRESS RELEASE

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Contract with Leisure Centre bowling company will raise eyebrows

The new Government has been closely examining the terms of the contract which was entered into by the previous GSD administration for the running of the bowling facility in the Leisure Centre. There are aspects of this deal which will raise eyebrows.

The terms of the contract effectively means that the commercial entity takes no financial risk in the operation as the taxpayer foots the bill for any losses and pays them a 30% profit on top. The reality is that the facility has not made a profit since this system has operated and that the taxpayer has had to bear the cost of the loss-making operation and artificially pay an additional sum to Kingsbowl.

The way the system works is that the operator (Kingsbowl) is required to submit every year, just before the start of its own financial year an estimate of operating expenses for the following year. The expenses included in this are staff costs, maintenance costs, utilities etc but not the purchase of items for resale. This is required to be approved by King's Bastion Leisure Centre Ltd, which in the past has meant approval from Mr Caruana himself at No 6 Convent Place. Then, once approved, the operator manages its own finances and is not authorised to exceed the approved estimate unless special approval is given by King's Bastion Leisure Centre Ltd.

If the income exceeds the expenditure, which has not yet been the case, a profit sharing system applies as detailed in the Licence. This has not happened in any of the preceding years and is not expected to happen in the future either under the current arrangements. If there is a net loss, then King's Bastion Leisure Centre Ltd is required contractually to pay the net loss to Kingsbowl. For example, for the year 2011/2012 the payment due is approximately £213,000. This has not yet been paid.

The operating losses +30% have been paid as follows:

01/01/08 – 31/01/09 - £ 16,639

01/02/09 – 31/01/10 - £109,003

01/02/10 – 31/01/11 - £169,517.60 (+£22,162.60 re-imburement of legal fees)

The budget for 2011/2012 was referred to Mr Caruana for approval but remained pending, however, in the absence of written approval, the company continued trading anyway as if

the budget had been approved. The new Government has not yet considered this year's estimates which were submitted in January 2012 for the period 1/2/12 to 31/1/13.

The position at present is that the staff of the Gibraltar Sports and Leisure Authority manage the Leisure Centre and that different concessions are operated by Licencees on the same basis. There are other entities that also make a loss, but not on the same scale as the bowling facility.

It will be recalled that the construction of the Leisure Centre was originally estimated to cost about £5 million. However, it ran hugely over-budget, in part due to the constant personal interventions of Mr Caruana, and it ended up costing about £11 million instead. In addition to this, it lost £1.5 million a year at the last count. It is obvious that in this, as in many other areas like the air terminal, the new administration has been saddled with a liability owing to the lack of foresight and prudent financial planning on the part of Mr Caruana and the GSD.