

Caracas, April 11, 2008

Mr. George Russell  
Executive Editor  
**FOX News**

Dear Mr. Russell,

English is not our native language; we apologize for any inconvenience this may cause. After reading your recent articles published in the international news channel Fox News and noticing your rising interest in the United Nations Development Program (UNDP) - SENIAT project regarding walk-through body scanners, it is a pleasure for us to give you an overview of our company business activities, and to make some comments about the article published at the Fox News, dated April 01, 2008, dealing with this recent purchase of walk-through body scanners purchased by the UNDP-SENIAT office in Venezuela.

Seguridad Electrónica Rayos X, SETRONIX, C.A. is based in Caracas, Venezuela, and its core business involves advisory services, sales, installation, spare parts and technical support for high-tech security systems.

In the following article, we will highlight in blue all our answers to your doubts regarding The United Nations scanner deal, hoping to clear up misunderstandings. The following comments are strictly expressed from our point of view as a state contractor, and are not based on politics or UNDP internal procedures.

## **U.N. Agency Provided \$2.3M Worth of Equipment for Venezuela — Or Did It?**

Tuesday, April 01, 2008

By George Russell

**FOX NEWS**

“Why did the United Nations Development Program (UNDP) buy \$2,375,000 worth of walk-through airport body scanners for the radical leftist Venezuelan government of Hugo Chavez? Or did the agency purchase the high-tech equipment at all? And if not, what happened to the \$2.3 million?” **All the security systems supplied by SETRONIX, C.A. aim to safeguard people, identifying threats specially in national and international airports in order to guarantee passengers safety in domestic and international flights in different airlines, including American Airlines, Lufthansa, Aeropostal, Delta Airlines, Air France, among others. If some day you wish to come**

and visit our country, you will benefit from a high-tech and innovative security system.

Certainly, UNDP purchased the walk-through body scanners (ProVision Units), according to purchase order 2301, dated August 01, 2007. The ProVision units were delivered in two different shipments. The first shipment was of one (1) unit from Miami International Airport, Florida - USA on November 11, 2007 to Simon Bolivar International Airport, Venezuela. The second shipment was of sixteen (16) units from Portland, Oregon - USA on November 19, 2007 to Port of La Guaira - Venezuela. The 17 Provision Units are currently located in Venezuela and we have installed two (2) of them as a demo and training process for the final client, the national customs and taxation authority – Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT).

Regarding the payment issue, SETRONIX, C.A. has received 90% of advanced payment, and the remaining 10% will be paid once the scanner installation is totally completed in different airports.

“According to UNDP, not only did the 2007 purchase take place, it was arranged in order to ensure “objectivity, transparency, efficiency” of the procurement in a country that, under Chavez, supports terrorists in neighboring Colombia and has aligned itself with sponsors of international terror such as Iran and Cuba,”

“According to UNDP spokesman David Morrison, the contract was awarded by UNDP on behalf of Venezuela’s national customs and taxation authority, after a free and open competition that guaranteed fairness and openness in the deal” **SETRONIX, C.A. went through the international bidding process PNUD – SENIAT No. LPI/099/SENIAT/2006. Tender documents analysis took some months due to UNDP internal verification process, and afterwards we were awarded the contract (Buena Pro). As of the publication announcement, our company requested and submitted a letter of credit to guarantee the advanced payment in U.S. dollars, which only would be received once the equipments were shipped from the supplier. When all requirements were fulfilled, the scanners arrived to Venezuela on November 11, 2007 and December 17, 2007.**

“But according to UNDP internal documents examined by FOX News, things didn’t quite happen that way. In the confidential minutes of UNDP’s top headquarters procurement committee, the contract was awarded to a Venezuelan firm named Setronix C.A., without competitive bidding. The same waiver of competition is also cited in internal UNDP procurement records that finalized the transaction” **There was a truly competitive bidding with various companies, as you already should know. In order to guarantee our economic offer, we arranged and offered a stand by letter of credit. It could be possible that your source has not provided you with the right information and he/she is changing facts regarding the really bidding process development, prompting you to publish information, considering your respectful business carrier as executive editor in Fox News.**

“The highly reputable U.S. defense contracting firm that manufactured the 19 ProVision scanners procured by UNDP, L3 Communications, says that the only shipment of scanning machines it sent to Venezuela under UNDP auspices last year was for the country’s correctional system. A company spokesman said the firm had no information to add about any other Venezuela procurement involving UNDP” **SETRONIX, C.A. is exclusive representative of L3 Communications – Security and Detection Systems since 1997 (formerly EG&G Astrophysics), who provides our company with X Ray machines, one of the huge range of products it supplies. One of our outstanding clients is The Narcotic Affair Section (NAS) – U.S. Department of State, who had made donations of security systems to international airports in Venezuela, with the main purpose of fighting together against terrorism and traffic of drugs in United States international flights or any other airlines flights.**

**We do have a project with the correctional system in Venezuela. However, it is completely different from the one agreed with the UNDP (walk-through body scanners). Last year, SETRONIX, C.A. supplied the correctional centers in Venezuela with 40 x ray machines purchased to our supplier L3 Communications. The project stands for a correctional improvement program.**

**We have documentation to support purchase transactions of scanners, as well as information supporting the scanners installation process in Venezuela. However, our supplier L3 Communications will provide specific documentation certifying and reconfirming the transactions. This documentation will be submitted to the UNDP, and we can assure that these documents could be available to you if it is requested to the UNDP.**

“Since March 20, when FOX News first began asking questions about the deal, UNDP has hastily begun publishing an electronic “paper trail” that apparently aims to justify the purchase that may or may not have taken place the way the UNDP says it did — if it took place at all.” **We confirm that the walk-through body scanners (ProVision Units) are stored in a warehouse located in Port of La Guaira, State of Vargas, Venezuela. We have pictures from the crates during the storage unloading process.**

“The focus of concern is a contract known in UNDP’s financial system as RBLAC/07/066, covering the \$2.3 million scanner purchase. UNDP asserts that it did absolutely nothing wrong in the way it handled the deal. In defense of that assertion, a UNDP spokesman in New York referred FOX to a page on the website of UNDP’s Venezuela regional office, which describes a joint UNDP-Venezuela Project #58054, “support for the consolidation of the modernization of the customs system.”

“The Venezuelan regional website page only appeared shortly after midnight on March 24, 2008 — four days after FOX News began sending questions to UNDP headquarters about the deal. And the document embedded in the page refers to a \$70.7 million modernization of the customs process that extends from October 2007 to September 2009 — months after contract RBLAC/07/066 was completed.”

“Beyond the scanner deal are serious issues about the intimate relationship between UNDP, the United Nations’ premier development agency, and governments like the Chavez regime, which pursues an aggressively anti-American global strategy and has forged alliances with the Castro regime in Cuba and radical Islamist Iran to pursue those objectives.” **We are very respectful about your political tendency and ideals. Nevertheless, we cannot share with you a negative approach about the purchase of security systems because they minimize risking situation, drug dealers or terrorist attempts penetrated against airport facilities, ensuring safety of American citizens or any passenger traveling to our country, as well as Venezuelans who travel to USA, specially in the last years when rising oil prices in Venezuela and commercial relations with the United States have reached the highest levels, breaking records in both countries.**

“Along the way, according to knowledgeable critics of the Chavez government, the regime has siphoned off billions of dollars in Venezuelan oil revenues to line the pockets of Venezuela’s militarized ruling elite and further its aggressive agenda.”

“Everyone knows that Venezuela has had historically high levels of corruption,” says Gustavo Coronel, the former Venezuelan head of Transparency International, an anti-corruption watchdog organization, who now writes from Virginia about Venezuela’s ugly finances. “But we are now seeing something we have never seen before.”

“(On the most recent Transparency International worldwide survey of business perceptions of corruption, Venezuela ranks close to the worst end of the scale, 141st out of 163 countries, barely ahead of Nigeria and Turkmenistan.)”

“It was precisely to combat possibilities of self-dealing and dishonesty, according to UNDP spokesman Morrison, that the anti-poverty organization took part in a “fully competitive” bidding exercise, open to “all companies around the world,” in order to purchase the U.S.-made airport scanners.” **There was a competitive bidding process with companies that offered American and German products, among others. However, it was proved that the most high-tech and high-quality products in the security area are being manufactured in The United States by the company L3 Communications - Security & Detection Systems.**

““UNDP participation in such processes helps to ensure competitiveness, objectivity, transparency, efficiency, wide international reach, and, ultimately, value for money,” he told FOX News.

Morrison said that UNDP’s involvement was included in its approved program for Venezuela, under a mandate to “improve capacity of the public sector to manage and to provide public services.” “There was no waiver of competitive bidding,” he also insisted.”

“But confidential UNDP internal documents obtained by FOX News say otherwise.”

“These include the minutes of a top level UNDP committee known as the headquarters Advisory Committee on Procurement (ACP), chaired by UNDP Assistant Secretary General Akiko Yuge, who is also head of UNDP’s Bureau of Management and its Chief Procurement Officer (CPO).”

“The minutes obtained by FOX News state that on March 16, 2007, the local Venezuelan branch of UNDP requested just such a waiver of competitive bidding (“solicitud de excepción a un proceso competitivo”) on contract RBLAC/07/066, for the “acquisition of non-intrusive inspection equipment for human beings (passengers and those in transit).” The procurement was done on behalf of the Venezuelan customs revenue and taxation service, a branch of the Venezuelan Finance Ministry known as SENIAT.” **The security systems technical specifications went through a detailed analysis and it was concluded, as mentioned previously, that the American security equipments fulfilled all technical requirements specified in the bidding process. The technical analysis process was not only a result of an administrative process, but also a result of an impartial technical decision-making process, reconfirming North American worldwide leadership in high-tech security system manufacturing.**

“The documents specifically mention 19 ProVision scanning machines to be provided by a firm called Setronix, C.A. (Venezuela), manufactured by L3 Communications. The deal also involved a three-year sales and service agreement on the part of Setronix. The \$2.3 million to pay for the scanners was to come, not from UNDP itself, but from the Venezuelan government.” **In the first place, the UNDP intended to purchase 19 ProVision scanning machines, but instead it just could purchase 17 scanning machines, as you mentioned in your article. The main reason is that our company rendered a “Gold” technical support service, including spare parts and technical support assistance, before 24 hours of problem report. Almost all of these costs should be paid in a 3-year period, and UNDP-SENIAT could not afford costs and decided to purchase 17 units. This information is available in the documents you have consulted.**

**Other companies’ economic offers were of approximately US\$5,000,000 and US\$4,800,000, which doubled SETRONIX, C.A. economic offer. Based on this fact and considering L3 Communications proven high-tech quality products, we absolutely agree that this process would have been a real scammer deal if the UNDP would have awarded the contract to another company.**

“UNDP, in other words, was acting as a middleman in the scanner purchase, just as Setronix apparently was, (Setronix did not respond to a series of email questions by FOX News about the procurement.)” **SETRONIX, C.A. is exclusive representative for L3 Communications – Security Division and Detection System in Venezuela, with the same rights and responsibilities of a L3 exclusive representative in any other Latin American country, from Mexico to Chile.**

We welcome all your interest in this process. It is gratifying to express our opinion as an UNDP-SENIAT contractor, if it could help to clear up any doubt about the procurement transparency. We also want to highlight that we never received any email from Fox News. Please check out our company contact data and update it with the information listed below.

Do not hesitate to contact us if you require further information.

### Company data

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“The local UNDP office recommendation was taken up by Yuge’s headquarters ACP on April 30, 2007, according to the committee minutes. The Venezuelan recommendation of waiver was endorsed. According to the ACP minutes, Yuge herself approved the contract in her procurement capacity on June 15, 2007.”

**To see the confidential UNDP minutes, click here ([pdf](#)).**

“Yet another confidential UNDP document obtained by Fox News confirms the waiver of competitive bidding recorded in the ACP minutes. It is a posting from

the UNDP internal system of approved procurements, which officially records the outlay of \$2,375,000 on contract ACP-RBLAC/07/066. (The addition of the initials ACP to the contract title indicates that headquarters has recorded the transaction as completed.)”

“The entry is dated as first entering the UNDP headquarters’ system on March 8, 2007, roughly a week before the local Venezuela office asked headquarters to endorse the waiver of competitive bidding rules. It is marked for review explicitly as a waiver. Its final status is recorded as “approved contract — CPO.”

“The entry on contract ACP-RBLAC/07/066 is only one in a string of Venezuela waiver entries, which show that in 2007, UNDP’s Venezuela office itself waived competitive bidding on at least a dozen contracts, with the grand total of all waivers reaching nearly \$4.6 million.”

“The second-largest of those contract waivers, worth nearly \$600,000, listed Cuba rather than Venezuela as the “requesting unit,” yet was recorded among the Venezuela entries.”

“Since contract ACP-RBLAC/07/066 is the only contract valued at more than \$1 million, it is the only one that under UNDP rules had to be referred to New York headquarters for approval.”

**To see the list of 2007 Venezuela waivers, [click here](#).**

“UNDP documents such as the ACP minutes and the financial payment listings are normally not made public by UNDP’s top management. In fact, they are not disclosed to the 36-nation UNDP executive board, which is charged with oversight of the organization. (The U.S., which is on the executive board, pays roughly 22% of UNDP’s \$5 billion annual budget.)”

“Yet another mystery involves the ultimate customer for the scanner units. SENIAT was founded in 1993 as a customs tax collection service. While SENIAT controls customs operations, the Chavez-funded Venezuela Information Office in Washington told FOX News that airport passenger scanning in Venezuela is a security operation carried out by a special branch of the Ministry of the Interior and Justice, the department that also controls the national police forces.”

“That special branch is known to Venezuelans as “the DiEx”, an abbreviation of the term for National Office for Identification and for the Registry of Foreigners. According to some critics of the Chavez government, that office is now heavily infiltrated with security agents from Cuba.”

“According to UNDP, however, the scanner purchase is not part of a security operation, but part of an agreement between UNDP and SENIAT to “improve capacity of the public sector to manage and to provide public services” — a category of UNDP assistance that was approved by its executive board in an official five-year-plan covering the years 2003-2007.”

“That Country Program Document, as it is known, was examined by FOX News and actually seems to say something different. It lists an “increase in the public

sector's managerial capacity and its capacity to provide services" as an "intended outcome" of UNDP support for Venezuela. But the document indicates that UNDP support would take the form of "advisory services and advocacy," rather than facilitating the supply of goods such as high-tech hardware."

"The country program document also says that measurable Venezuela outputs as a result of the UNDP support would be "establishment of information and management systems which can improve internal processes and the provision of services by public entities," rather than greater use of high-tech equipment."

"The documents hastily posted on UNDP's Venezuela website on March 24, after FOX News began asking questions, consist of documents outlining and sealing the deal known as Project 58054, and are signed by UNDP's Resident Representative in Venezuela, David McLachlan-Kerr, and a Venezuelan official who is entitled "National Coordinator of the Project of Modernization of Customs."

"The 58054 accord was signed on Nov. 9 — roughly eight months after McLachlan-Kerr's office asked UNDP headquarters for a waiver of competitive bidding on the 19-scanner deal known as RBLAC/07/066."

"Most of document 58054 describes a much broader plan for customs modernization over the two years of the deal. It includes a UNDP role as a general procurement agent, described as an "agent of technical and administrative support" of SENIAT, but with the Venezuelan government agency holding the final power of decision."

"The ultimate aim of the project is described more specifically in an annex as support for SENIAT "in the reorganizing the taxation system in correspondence with the productive socialist model of the State and the Institution."

"In return, UNDP will be paid about \$3.37 million, or 5% of the total value of the deal. Venezuelan payments for goods and services, as well as UNDP's share, is to be channeled through a specified UNDP bank account in New York."

"The deal also provides that UNDP "promises to acquire for SENIAT all the equipment, goods and software necessary for the execution of the project."

"Among the goods and services mentioned in an annex are "non-intrusive" scanners and radiation detection equipment for up to 16 airports, but there is no specific mention of human body scanners."

"Behind the foggy complexities of UNDP's role in the airline scanner puzzle lies a deeper question: what role is an agency devoted to alleviating international poverty playing as a general contractor for the authoritarian rulers of an oil-rich nation, who are also avowed supporters of terrorism in the Western Hemisphere?"

"And another question: whether the close, often secretive, and apparently quite profitable relationship that UNDP has forged in Venezuela really serves the high-minded goals of the United Nations as a whole."

“Sums up Republican Senator Tom Coburn of Oklahoma, a member of the U.S. Senate’s homeland security and government affairs committee: “We simply cannot afford to give President Chavez or the UNDP any benefit of doubt.”

*George Russell is executive editor for FOX News.*

**Sincerely yours,**

**Carlos Flores  
President  
Setronix, C.A.**