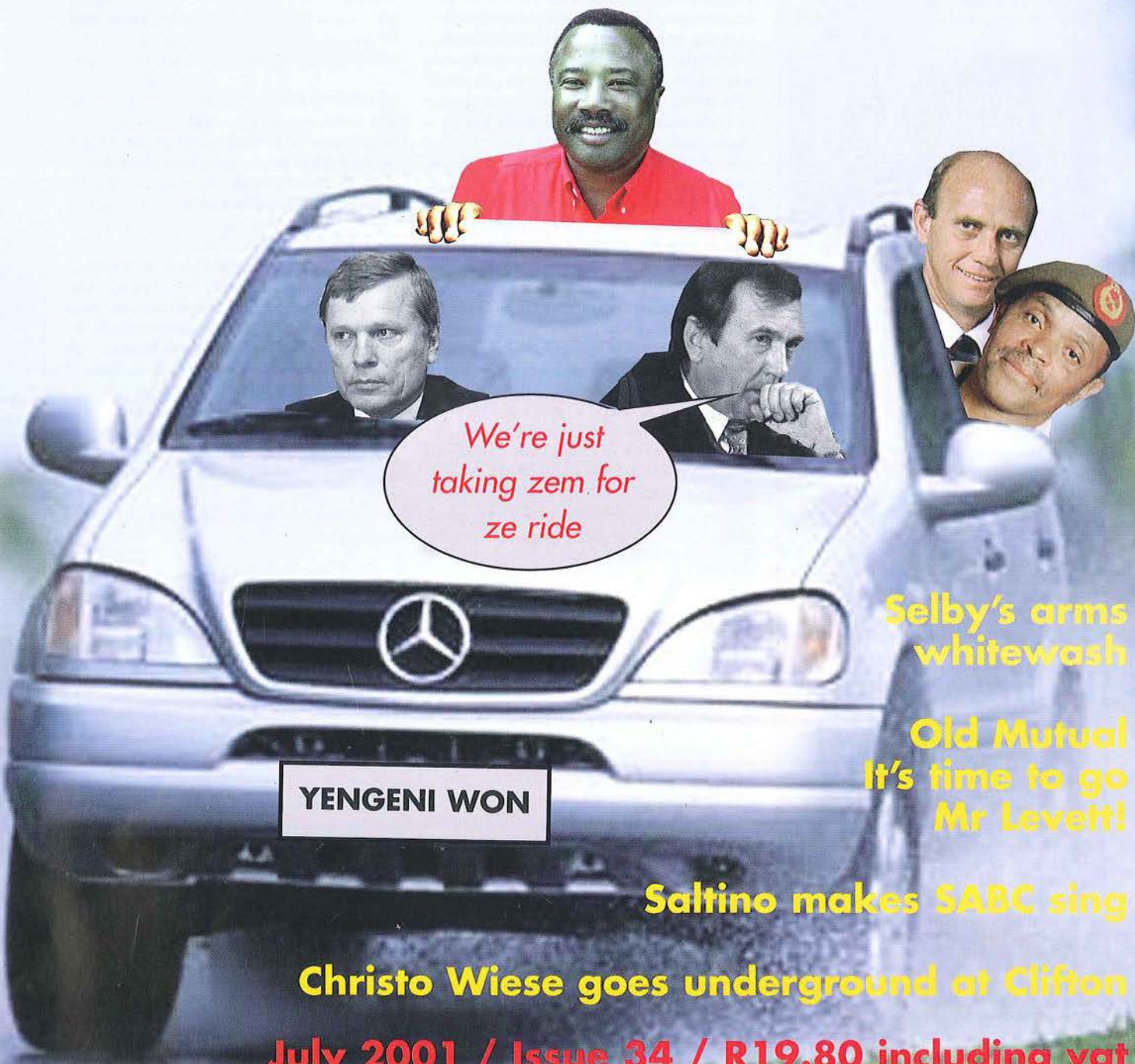


news you're not supposed to know

noseweek



We're just taking zem for ze ride

YENGENI WON

Selby's arms whitewash

Old Mutual
It's time to go
Mr Levett!

Saltino makes SABC sing

Christo Wiese goes underground at Clifton

July 2001 / Issue 34 / R19.80 including vat

THE WILL OF AUDREY SIDEBOTHAM

Your scurrilous article is notable for its half-truths and omissions, and serves only to produce innuendo and inference of impropriety concerning my brother Dr John McMullen [the vet], and myself, among others. For my part I reject the inference that my brother referred Mrs Sidebotham to me for dental treatment. In fact she personally requested to seek my professional opinion. I had met her socially on several occasions over the 25 years that she knew my brother.



In our report on Mrs Sidebotham's will we omitted to mention the R200 000 she left in trust for the care of her beloved bulldog, Lucy. (The bequest is particularly notable when compared to the R20 000 legacy she left to her lifelong housekeeper and companion, Philda Kambi.) Needless to say, Lucy is able to maintain the lifestyle to which she had become accustomed. A Ford Sierra stationwagon has been purchased to take her on her weekend trips to the beach. Her keepers get R720 per month to pay for her regular ration of knuckle bones and fried chicken breasts (plus vienna sausages for special treats). They also get R400 per month for petrol and extra payments to cover her regular check-ups at the vet.

I agreed to attend to dental problems worrying her, in advance of a planned world voyage. You insinuate that I was party to persuading her to have unnecessary dental treatment. My clinical records and radiographs indicate otherwise. Furthermore your article errs in stating that I removed *all* her lower teeth. As you placed [*the matter*] in the public domain and the patient is now deceased, I am at liberty to correct your error: only irretrievably diseased teeth were removed and replaced with an immediate prosthetic appliance to serve her until return from the voyage. I never saw her again as she passed away [*shortly*] after her return. I demand and expect a published apology. I note that in your disclaimer you claim that every reasonable effort is taken to ensure the accuracy and soundness of published article content. No attempt was made to contact me prior to publication.

This failure on noseweek's part constitutes an unauthorised invasion of privacy as guaranteed by our constitution.
DR B K MCMULLEN (BDS QUB), Cape Town

Your views on the use of Dormicum, Dr? – Ed.

**I read with interest about the actions of my local vet, Doctor Mac. I was heart broken to find that my vet likes drinking whisky almost, it would seem, as much as I. Gosh! If Dr Mac is indeed a scoundrel then he conceals it behind the facade of a very hard-working man who has tended to my various sick animals with the utmost kindness and dedication. If he drinks whisky morning noon and night I wonder how he manages to run his practice, and how I have failed to spot this disposition – it takes one to know one. I'm going shortly to see my sick Mom. She's 79 and doubtless we'll knock back a few glasses of Nederberg Stein, get pissed and talk of old and new times. Isn't this what friends are for? Is this really what Dr Mac is guilty of? Of being supportive to Mrs Sidebotham? And all dressed up by others to seem sinister because he got some big reward from her will? Oh, I can't believe what you wrote!
TERRY MACKENZIE HOY, Cape Town**

Write to us again when next you call at your Mom's house with a bottle – and find her doped up on pills supplied by her vet. Or her housekeeper refuses to let you in – on instructions from the vet! – Ed.

Loved your article, which is full of fabrications, hearsay and journalistic disclaimers. Please phone John the Vet. JOHN MCMULLEN, Cape Town

We phoned and arranged a meeting, but it was called off by Dr McMullen on the advice of his lawyers. – Ed.

FANCLUB

**Have just devoured nose33. As great a read as ever. Thank you for the dedication and diligence with which you prepare each issue. I admire your persistence in getting to the bottom of each story. If only the rest of SA's media would take a leaf out of your book (so to speak) – we'd be far better informed of the real issues, and enjoy reading about them too! PS Do you have a fanclub?
BARBARA SURMON, Cape Town**

BOUNCING SALARIES

The recent case of judges' salary cheques bouncing in the E Cape, says a lot about what banks think of the Treasury's creditworthiness. What do the banks know that we don't?
DOUGLAS WADE, Reading, UK

THE DE BEERS SAGA

Will the last one to leave the country please turn off the light? It is said the De Beers deal was sanctioned by Thabo Mbeki himself, who claims to have an MA degree in economics from Sussex University. Why has Mbeki sanctioned something akin to GM's de-listing and withdrawing from the American economy? De Beers shares have helped sustain the JSE for over a hundred years. Once the buyout and de-listing is finalised, De Beers will vanish from the stock market floor – mostly into the hands of the (cunningly) already-disinvested Anglo-American Plc in London, and the Oppenheimer family. Presumably using struggle economics, Mbeki gave as his reason for sanctioning the deal the fact that there will be a R24b inflow of capital into the country. Maybe this *will* sustain the value of the Rand over the next few months. After that, however, the Rand will continue its downward spiral. Only this time it'll be more dramatic as international income from diamond sales is lost to SA forever. De Beers and other companies disinvesting from SA are clearly doing so to keep their money out of reach of Third World politicians.
FRED RUNDLE, Johannesburg

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CRIME DOES PAY!

I love your magazine! Please investigate how much government is earning through crime. We pay VAT on all services and commodities. For example: My car is hijacked. An insurance claim of R150 000 is paid. I buy a new car and an amount of R21 000 is paid to the Receiver. I was hurt in the hijacking and the ensuing medical expenses are subject to VAT. The same applies should you get burgled. TV sets, cameras and so on must be replaced, all subject to VAT. Crime does pay – even for the government!
HENNING BUITENDAG, Pretoria

'I WAS DE CRESPIGNY'S 5TH WIFE'

I saw your piece on A de Crespiigny in nose32. As one of his many wives, I'm interested to know when the next issue is coming out. De Crespiigny has been married 5 times – I was his fifth.
LOLLY DE CRESPIGNY

BMW DRIVERS RALLY

Your crude reporting on BMW Drivers arising from your "independent test" and "own unique survey" will do you little good with your readership. You should check how many subscribers are BMW drivers, and will not be endeared by your definition of them. The appalling caricature illustrating your report is tasteless in the extreme. I hope BMW may institute legal action against you for using their trademark without permission. Is your report prompted by envy? Do what

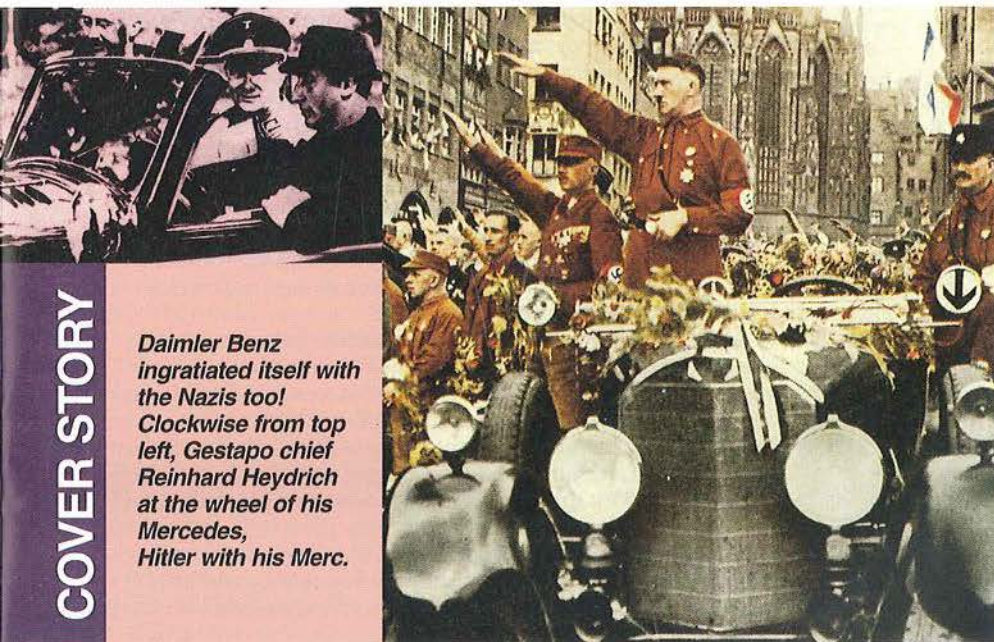
the BMW spokesperson suggested: drive a BMW – then you will understand, and hopefully be able to write a responsible report. Stick to what you are good at, instead of trailing off into this useless, page filling rubbish.
GRAHAM HIGGO, Kenilworth (subscriber and BMW owner)

Take comfort from the thought, expressed in the following letter from Canada, that Audi drivers might be worse oinkers! – Ed.

TUNDRA VIEW ON YANKEE DOO AND BEE EMS TOO

Your fine rag is very much like our own *Frank*, published here in the frozen tundra wastes of Canada. noseweek's stories sound awfully familiar! Yankee appointee to national air carrier results in dubious aircraft orders and sudden disappearance of same so-called "Savvy Sky Saviour". Hmmm! Air Canada got sucked into a deal to buy a flock of Airbuses at a greatly inflated price. Monies were kicked back and forth, from the Prime Minister's office to retired Newfoundland premiers appointed to the airline's board and taking a big cut. German arms dealers, bank accounts in Switzerland, Lichenstein and Andorra. After all was said and done, the Government privatized the airline! Beemer drivers Rude? I suspect Audi drivers are worse, as they are wannabe Beemer owners. Nothing worse than a person with an inferiority complex driving a German car!
DAN WHALEN, Toronto, Canada.

It's all been done before!



COVER STORY

Daimler Benz ingratiated itself with the Nazis too! Clockwise from top left, Gestapo chief Reinhard Heydrich at the wheel of his Mercedes, Hitler with his Merc.

Front cover, clockwise from top: ANC Chief Whip Tony Yengeni, Armscor chief executive Llew Swan, SANDF General Siphwe Nyanda, EADS MD Michael Wortel, and Christoph Kopke, chief executive at DaimlerChrysler.

Think Pink!

Those who know what's good for them will tell you that a few drops of Angostura Bitters transforms a glass of boring mineral water into an irresistible slimmer's delight. Add a dash of colour to your drink and titillate your tastebuds. After all, you do deserve it, and it does keep you feeling in the pink.

ANGOSTURA
BITTERS

...famous for flavour since 1824

It's time to go, Mr Levett!

Let's be honest. Implicit in the argument of many critics of the Government – who point at its disreputable arms programme and its failure to deal with the spiralling crime rate – is the assumption that (white) big business is law-abiding and civic minded. But now ponder this: Old Mutual is not just another company with a board that reports to shareholders. With De Beers having left the JSE, Old Mutual remains as by far the largest player – a colossus – on the SA stock market. It controls a myriad other companies. Huge numbers of South Africans have invested tens of billions in the company's life insurance policies and in the annuities and pension funds that it administers. Their reasons for doing so are of great social importance – life insurance and pension funds are there to provide for those who cannot provide for themselves: the maimed, the young and the elderly. The extent of its interests and the nature of its business give Old Mutual an importance in the nation's affairs almost on a par with that of Government itself. The public interest in how the company conducts its affairs is, therefore, profound. Perhaps because Old Mutual has existed for more than a century, and because of the nature of its business, South Africans have come to assume that the men who run the company accept – and are worthy of – the responsibility. They were mistaken in that assumption. In retrospect, the signs were already there for all to see two decades ago, when Old Mutual was amongst the eager players contending behind the scenes for "homeland" casino licences; when it installed disgraced Nat ex-Finance Minister Owen Horwood as chairman of Nedbank. We should certainly have seen the writing on the wall in 1990. It was then that it first emerged that almost the entire management of Old Mutual's investment department – men entrusted, inter alia, with the management of hundreds of pen-

sion funds, worth as many billions of rands – had become fabulously wealthy as a result of their participation in "insider" share trading scams. They'd been at it for at least eight years. Old Mutual's top executives, including executive chairman Mike Levett, apparently can't add two and two. They did not notice the curious discrepancy: while their fund managers seemed to be able to earn extravagant personal fortunes on the stock exchange, the pension funds whose investments on the stock exchange they managed were performing more and more abysmally. Year after year. (See our story on page 8.)

Two plus two makes four, Mr Levett. You didn't know your managers' incredible profits were your pensioners' losses? As in most such cases, the real story lies in the cover-up that followed. Dear pensioner and Old Mutual policyholder, have you ever received a letter from Mr Levett explaining what happened and what he would do to recover your losses? No? The reason why not is obvious: to have done so would have been to admit liability. It might've undermined the blissful confidence the ignorant masses still have in Old Mutual. It might have put profits and – horrors! – executive's bonuses at risk! That gives a clue to Levett and company's line of thought: this year's profits are more important than next year's pensions. Personal/company interest takes priority over public or national interest. The move to London and the sale of Safmarine (see nose 27) were certainly in line with that thinking. Other companies in the Old Mutual stable are clearly taking their cue from the top. Are we surprised that the 16 top executives of Nedcor (majority shareholder: Old Mutual; chairman: Mike Levett) secretly approved an improper – and unearned bonus for themselves that would instantly have made each of them richer by more than R10m? Are we surprised that executives of South African Breweries (majority shareholder: Old Mutual) are prepared to lie in court and see several newly "empowered" beer distributors go to the wall, rather than admit to a R50m "miscalculation"? (See nose 31.)

And now we have the Appeal Court's judgement in the case of Mostert NO versus Old Mutual to confirm all our worst fears. Old Mutual will fight pensioners all the way to the Appeal Court (for years that pensioners don't have and at a cost most pensioners can't pay) to protect its profits, rather than pay them what it owes them. Old Mutual's spokesmen in court raised some staggering arguments, amongst them that pension funds administered by the company have no rights when it comes to claims against Old Mutual! And that it has become "accepted practice" at Old Mutual to ignore the laws designed to protect the interests of pensioners – because it found them inconvenient. All that said shamelessly in the Appeal Court, on the arrogant assumption that we – and the court – would accept that what Old Mutual says is The Law. (See our story on the next page.)

The Appeal Court, to its – and our – credit, did not. Knowing what we now know, we would normally simply have suggested to our readers that they do not invest in Old Mutual products for so long as the company retains Levett as its chairman. Unfortunately, for too many of them, it's too late. They're in already and can't afford to get out.

It's for their sake that we say: The buck stops with you! It's time for you to go, Mr Levett.

(Naturally you should fire the head of your legal department first! And, maybe, just before you go, we should be told what share options you have awarded yourself and your fellow executives over the years ...)

Go, Mr Levett! For the sake of Old Mutual. For the sake of its policyholders and pensioners. For South Africa's sake!

The Editor

Old Mutual Exec. Chairman M J Levett



Laurie Korsten, Old Mutual

and the great pension fund

rip-off!

OLD MUTUAL reckons itself beyond the law when it comes to its administration of pension funds. Pensioners have no right to complain – or claim compensation – if Old Mutual pays their pension funds to a passing thief (or his gardener). You'd better believe it! Not only has OM done just that with the entire capital of a pension fund it administered – and then denied liability for the loss; it actually claims that it has become accepted practice for it to ignore the laws designed to protect pensioners! The fact that Old Mutual was recently ordered by the Supreme Court of Appeal in Bloemfontein to refund R32m (plus six years' worth of interest) to a pension fund it had recklessly mismanaged, has been widely reported. But all the reports we read missed the central, devastating point of the story: what it reveals of the irresponsible and opportunistic style of management that has apparently for some time already held sway at South Africa's largest financial institution. The case of Mostert NO versus OM is a most damning indictment of the South African life insurance industry – and of the current state of SA business. Judging by what Old Mutual's spokesmen have said and argued in court, the average South African has more reason to fear that Old Mutual will lose his pension and retirement savings – and resist all attempts to have itself held accountable for the loss – than he need fear being held up by armed robbers or car hijackers.

Read the story that follows and judge for yourself.

Laurie Korsten is a Christian Afrikaner who credits the Lord with his success in the world of high finance. In case you should have doubted it, he frequently carries a Bible tucked under his arm, and opens and closes business meetings with prayer.

"Ja," says a detractor, "and between prayers he's screwing everybody." (A Volkskas directorship was one of his early achievements.)

"I said to Korsten he must raid the family jewels to pay the Fund back." But nothing of that kind happened.

Korsten qualified as an accountant at Wits before joining the IDC in 1964. (Which raises the question: Is his talent for spotting the main chance inherent or acquired?) In 1970 he was a founder director of Finansbank (together with that other expert in how the Bible can be used in business, Piet Liebenberg – see nose17). In the early 80s he was a director

of Volkskas Merchant Bank. Then, in 1986, he acquired a stake in Hill Samuel Merchant Bank (later sold to Investec). By 1990 Korsten and his family had consolidated their business interests in a holding company called Corporate Acceptances Finance (CAF), which was controlled by the Korsten family trust.

Early in 1994 Korsten instructed his associate, Jonathan Bulwer, to make inquiries about an insolvent company he was considering buying for the nominal sum of R100. As the asking price suggested, the company itself was near worthless. Less well known, however, was that the company, AM International (formerly Addressograph-Multigraph, later AMK Technologies), had R32m in its staff pension fund. Equally fortuitously, the fund did not have any trustees, since it was underwritten and administered by Old Mutual. (By law pension funds administered by a registered insurer are deemed to be so professionally and prudently managed – and have their assets so well secured – that they do not need a board of trustees.)

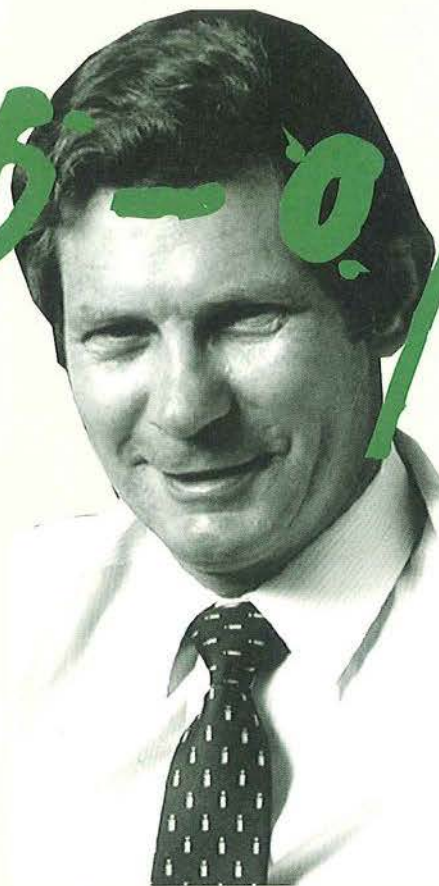
At Korsten's suggestion, Bulwer went off to consult Gert van der Linde, an actuary – and a friend of Korsten's. (They at one time served on the same kerkraad. How did we guess?)

Laurie, it seems, wanted to know if they could lay their hands on all that pension money, although in the more careful language of the Appeal Court, Bulwer "inquired from Van der Linde whether a company pension fund could invest its funds in the employer company's business".

Van der Linde later claimed he made it clear to Bulwer, and to Korsten, that a pension fund can by law only invest in its



rip-off!



Laurie Korsten – giving Christianity a bad name.

participating employer with the written consent of the Registrar of Pension Funds; and then only to a maximum of 10% of the fund's assets.

Korsten would have known this anyway: in 1991 he had chaired a commission of inquiry into Government Pension Funds. The fact that he had Bulwer ask van der Linde for advice on this obvious point suggests a strategy to confuse the issue of who was to blame for what was to follow.

In March 1994 Korsten did the deal. Korfinans (Pty) Ltd, a subsidiary of CAF, became the holding company of AMK.

On 26 April 1994 AMK, now under Korsten's control, purported to appoint Van der Linde's company as "actuaries, consultants and administrators" of its employee benefit schemes – including its pension fund.

On 6 June, following a discussion with Renier Botha of the Financial Services Board, Van der Linde applied to the Registrar of Pensions for his consent for the Fund to invest in AMK and Korfinans.

In the course of their discussion, Botha had explained to Van der Linde that, in order for the fund to invest even 10% in Korsten's companies, it first had to be changed from an underwritten fund, whose assets could only be held by a recognised insurer, to a privately administered fund. (This could, of course, only happen with the consent of the members of the pension fund.)

These and other requirements would need to be complied with before such an investment could be considered.

But on 17 November 1994, without any of these requirements having been met, Laurie Korsten sent a note to Van der Linde asking him to instruct Old Mutual to transfer all the AMK Pension Fund's moneys to the bank account of his holding company, CAF. A letter to this effect was duly sent to Old Mutual. By law OM may

trustees, they could approve their own actions as grasping employers. In June 1995, the Financial Services Board (FSB) gave consent for the conversion of the AMK Pension Fund into a privately administered fund (not knowing that Old Mutual had already, six months earlier, paid out all the fund's money to Korsten's company – without security).

The FSB believed that new auditors had been appointed to the Fund and that its trustees had obtained fidelity insurance. Korsten, through Van der Linde, had told them so. None of it was true.

By that time 60 pensioners had already retired since CAF took over. They remained blissfully unaware of developments: Korsten provided Van der Linde with money to pay them their monthly pensions from CAF's operating expenses to cover the deception.

Employees continued to contribute to the Fund, even though, by this time, it had effectively ceased to exist. The contributions went into the Korsten kitty. In mid 1996 the FSB noted that the AMK Pension Fund had not filed its audited annual financial statements, and began making increasingly alarmed inquiries.

Extension after extension was granted until, in December 1996, the Registrar's inquiries could no longer be avoided. Korsten then disclosed that there were "problems".

When FSB official Renier Botha found out what had happened he was appalled: "I said to him (Korsten) he must go and raid the family jewels to pay the Fund back." Needless to say, nothing happened.

KPMG, who were brought in to audit the mess, found that so-called loans had been made from CAF to Korfinans and to AMK amounting to more than R25m, most of it pension fund money. Korsten had approved the transfers.

KPMG reported the matter to the Public Auditors and Accounts Board. The board did not pursue the case against

only transfer a pension fund it administers to another underwritten fund administrator – and then only with the Registrar's written consent.

However, on the strength of Korsten's letter alone – and without first obtaining the Registrar's written consent or checking anything – Old Mutual on 7 and 20 December 1994 paid the AMK Pension Fund's entire capital – in excess of R32m – into CAF's current account at Standard Bank.

On the same day Korsten transferred R30m of it into another CAF account at FNB. From there, within days, the money went to various companies in which the Korsten family had interests.

Van der Linde would later claim: "I was pressurised by my clients. They wanted the money as quickly as possible." Although he knew it was illegal for pension fund money to be mixed in with the money of a business, Van der Linde, a chartered accountant, claimed he was helpless in the face of Laurie Korsten's instructions.

In the interim, Laurie and his brother, Jan Korsten, appointed themselves as trustees of the fund, so that, as benign

Laurie as he was not registered as an accountant and the case involving Jan is still pending. Incredibly, there has been no Board inquiry into the actions of Gert van der Linde.

At the beginning of January 1997, Korsten tried to do a deal to settle his debt to the fund. The FSB found his proposal to be "totally unrealistic" and, in March 1997, the Registrar of Pensions applied to court to have the AMK Pension Fund placed under the curatorship of Johannesburg attorney Tony Mostert (of AL Mostert & Co). Within a month Mostert had put the CAF group of companies into liquidation and launched an inquiry in terms of the Companies Act. The inquiry revealed that, shortly before liquidation, large sums of money were paid from the group's accounts to members of Korsten's family.

Mostert went after the money, applying for the sequestration of the Korstens' estates. In a bid to avoid formal sequestration (which would preclude them from continuing to serve as company directors) Laurie and Jan proposed surrendering their entire estates to the curator on an informal basis. Mostert rejected the offer when Laurie claimed that his net estate was worth less than R800 000 – against a pension fund loss which, with interest, amounted to R50m!

On the day before final sequestration orders were to be granted, the Korstens agreed to hand over cash and assets in the order of R6.25 million. Mostert accepted the deal.

In Sept 1998 Korsten and his brother were arrested on charges of fraud and theft. Two years later they were acquitted on all charges, following a truly dismal prosecution by an inexperienced prosecutor in the Johannesburg High Court.

The prosecutor forgot to prove the most basic elements of the fraud: he failed to prove that the Fund existed as a legal entity and no evidence was led of the Korstens' obvious criminal intent. "The accused must be shown to have known that they were acting illegally," Judge Labuschagne noted.

Instead, Van der Linde, who was called as a prosecution witness, took the blame. He (conveniently?) testified that the idea and the recommendation for the scheme was his, and that Laurie Korsten "must have believed the transfer was legal".

The judge gave prominence to the family's efforts to rescue the situation, the same efforts which had so overwhelmed both the curator and the FSB. He found that the transfer of money from the pension fund was done "completely in bona fide fashion" – despite the fact that it was in conflict with all the rules.

In September 2000, fresh from his acquittal, Korsten set about restoring his reputation, issuing a press release claiming his family was setting up a trust fund to assist with hardship cases among the unfortunate pensioners.

He claimed the family would "donate another R1m" to the JC Trust fund. (JC, geddit?). Pensioners were invited to apply to the trust for assistance. Pensioners, in return, demanded representation as trustees and further details. Korsten refused and, as far as is known, no money was ever paid out.

In his public statement Korsten pleaded ignorance: "I took certain decisions and delegated investment to others. I should have trained better and kept the reins on. There was never a question of enriching myself. In the process (of sorting out the problem) my family and I wrote off R20m." The FSB and Mostert weren't impressed. They pointed out that the Korstens were, by their own admission, responsible for the

**Korsten had an acronym
HIT, which stood for
Honesty, Integrity and
Trust. He missed the S.
(For Sincerity, of course!)**

"unlawful and wrongful" transfer of pension fund money to their family company. "The claim that his family has contributed R20 million is also false."

Undaunted, Korsten went on to declare on Alec Hogg's business programme that when the money was transferred into CAF's account, "we thought this was fine, we could now do with those funds as we pleased". Ignorance is truly bliss.

At Christmas he sent messages to a number of AMK pensioners, praying that the Lord would "satisfy their earthly needs". No surprise, really. At AMK he had a little acronym he liked to promote: HIT. It stood for Honesty, Integrity and Trust. He missed out the S for Sincerity.

To get back to Old Mutual, where the business culture was easily epitomised by the acronym: S-H-I-T.

Just to recap: Mutual had on the strength of a letter from Korsten simply

paid over the money – in conflict with the Pension Funds Act and the Financial Institutions Act, and without making any inquiry about who they were paying.

When, in December 1997, Mostert issued summons in the Cape High Court against Old Mutual for damages, the Pinelands (sorry, London) mafia tried every trick in the book to wriggle out of it's responsibilities. (As counsel in the case remarked, Old Mutual could have been paying the money out to the Korstens' gardener for all they knew. Judge Blignault's riposte – that perhaps the money would have been safer if Old Mutual *had* paid it to the gardener – was jocular, but telling.)

First they argued the pension fund's claim was stale since Mostert had served his summons one day over the three year deadline (calculated from when Old Mutual paid out the money to Korsten's company). Quite apart from the fact that this was so obviously wrong – prescription would have run from the date on which the victims, or the curator, discovered the deed – and that it was clearly only a tactic being used by Old Mutual to push up costs and delay proceedings, the fact that Old Mutual was prepared to raise the point at all was a terrible reflection on its integrity.

On the eve of the trial, Mutual abandoned this argument, but fought on on every other possible technical ground. *Inter alia* they argued that the Fund (in the form of its trusty new trustees, the Korstens) had retroactively agreed to the improper payment and had therefore acquiesced in the breach of contract.

Judge Blignault found that Old Mutual had acted wrongfully – but, he said, the Fund had not shown OM's act was the cause of the actual loss. He dismissed the curator's case with costs.

Old Mutual was cock-a-hoop after this victory over pensioners who had trustingly paid their contributions into its coffers for decades. The head of OM's legal department, Koos Stassen, made a personal appearance at the press conference held to celebrate the outcome.

The company had not reckoned on Mostert's outrage and determination. The curator launched an appeal, which he succeeded in having heard by the Court of Appeals in Bloemfontein in record time.

At the Appeal Court there were more technical arguments from Old Mutual, some old, one new. They now went so far as to suggest that a pension fund is not a legally recognised entity ("persona") and cannot, therefore, conclude a valid contract or sue! By virtue of the same argument, the members of a pension fund administered by OM have no contractual



claim against the company. That argument alone, we would have thought, would be enough to frighten off anyone from entrusting his pension savings to Old Mutual.

But the recklessly confident Old Mutual team went further: they claimed that, while *technically* it had been illegal for OM to pay the pension fund's money to Korsten's company without written permission from the Registrar of Pensions (and before the necessary legal changes had been made to the structure of the fund), it was not *in fact* illegal. The reason? It has over the years become accepted industry practice to transfer pension funds without such approval! (They called a witness, one Reynecke from Momentum Life, to testify to that!)

True, these outrageous arguments all received short shrift from the Appeal Court. But there you have it from the horse's mouth, Ladies and Gentlemen: as far as Old Mutual itself is concerned, all those lovely adverts inviting you to trust it with your retirement savings and the care of loved ones are pure fantasy.

In finding against Old Mutual, Appeal Judge Smalberger noted: "It seems clear that if Old Mutual had complied with the conditions of exemption, the Rules of the Fund and the Policy, [then] the payments to CAF in December 1994 would not have been made. However, if its thinking at the time accorded with that reflected in the argument presented to us ... then it is unsurprising that events took the course they did. Mr Gauntlett SC, for Mostert, has typified these arguments on behalf of Old Mutual as cynical. There is much to be said for that."

There is also much that could be added: how about criminal and corrupt?

It took a three-and-a-half year court battle – and hundreds of thousands of rands in advance legal fees – to bring OM to account for its misdemeanours.

What, now, of Mutual's executive directors and their legal chief, Koos Stassen? Will they resign or be fired? Have they no shame? Probably not.

Stassen, who was present at the Appeal Court to instruct his legal team, is back at Old Mutual's SA headquarters in Pinelands, apparently confident of having served the company entirely to his bosses' satisfaction.

By all accounts – read our next story – Chairman Levett and his fellow executive directors share his arrogant cynicism.

That leaves you, dear reader, to reconsider your position – and to ponder the lot of the hundreds of thousands of pensioners still trapped in their cool embrace. *n*

Old Mutual's teflon man Mr Greyling and friends

Don't we remember the saga of stock exchange whiz-kid Greg Blank's arrest and incarceration for his part in 1991's Old Mutual scandal!

Even then it was widely believed that only half the story had been told – and that, in a sense, Blank had taken the fall on behalf of other, bigger, players.

That story is now beginning to unravel.

The OM scam worked as follows:

Fund managers and dealers on OM's staff would secretly purchase stock, for their own account, in companies whose market capitalisations were small. (The small size of these companies made it easy to chase up the share price.) Having chased up the price, the conspirators would arrange for Old Mutual to buy stock in the company they had targeted.

Assume that the conspirators had bought stock at R1 per share. When the share price reached R3 per share [*easy enough to manage in a small cap counter but impossible with an Anglo or De Beers*], they would ensure their shares were made available to Old Mutual for purchase. They would arrange this anonymously, either through the broker who had executed their original purchases, or through another broker.

This process is commonly known as "front running" but, of course, it is actually fraud and a gross abuse of the positions of trust held by the OM fund managers and dealers involved.

We now know they were running such scams as early as 1983. By 1988 they were brazenly flaunting mansions and flash cars. (Mario Celotti had a larger Mercedes than chairman Mike Levett's, which he parked in a neighbouring OM parking bay.)

As obviously, the OM pension funds they managed were performing abysmally – but OM's general manager investments, Johannes van der Horst, and his assistant, Rob Lee, saw nothing. (A quality, apparently, which recommends them to OM. They are still there, looking after pensioners' interests as diligently as always.) What does Levett do at OM?

When, in February 1991, the scam was officially brought to the OM board's attention by disaffected brokers, a range of personalities and institutions were drawn into the fray. They included the

JSE, Cape AG Frank Kahn, and the Office for Serious Economic Offences.

As a result of their investigations many fund managers and some traders [*dealers*] lost their jobs. OM executives handled their exposure variously: Celotti fled South Africa, never to be seen again; David Shapiro committed suicide; Colin Harper (OM's principal trader) had retired in splendour to Hermanus before the bust. He sang for Kahn, whereafter his old mates at OM apparently decided to leave him to enjoy his ill-gotten gains in peace. (After all, he had only defrauded policyholders and pensioners!)

Their collaborating stockbroker, Greg Blank, served a small – comfortable and cheerful – part of his eight-year jail sentence before being released on parole.

The brokers most involved – Ed Hern Rudolph and Frankel Kruger – laboured for years under the JSE's protracted investigations. Initially they denied guilt, but in the end pleaded guilty to lesser charges, and paid large fines. Both firms were ultimately sold off to banks.

A surprising number of the main players apparently succeeded in persuading Kahn to grant them immunity from prosecution in exchange for a (sometimes) full disclosure of their own – and others' – involvement. Chief amongst them was Peter Rawson, an ex-Zimbabwean stockbroker who now lives in London and is a frequent visitor to SA. (His London-listed company, called RND, was subsequently bought by Rand Merchant Bank.) Rawson only agreed to co-operate with the SA authorities after being granted indemnity from prosecution. No attempt has been made to sue him civilly for damages.

What has only emerged now from records of a victim of a Rawson scheme – and from scrutiny of Blank's biography (by former Star editor Rex Gibson) – is how selectively the law was applied.

A re-reading of Gibson's book – coupled with examination of other publicly available information – reveals the scheme operated at OM for much longer than has been admitted – and involved big players who have escaped unnamed.

One of them was Alan Greyling, formerly the OM manager charged with superintending the health of its invest-

ments in small market cap stocks. Greyling has been described by a colleague at the time as mild-mannered, charming and inoffensive. As it now transpires, Greyling was a key figure – perhaps the central mastermind – of the syndicate whose kindergarten was the OM in Pinelands, the steward of billions in pensions and savings painstakingly accrued by individuals over many years.

Greyling is currently CEO of a Cape Town-based company called Attorneys at Law, formed last year. Curiously, KPMG holds a 50% equity stake in the company. (KPMG is already wrestling with the fallout that followed the recent arrest of one of its forensic directors allegedly involved in customs irregularities.)

It is reasonable to argue that individuals who falter once (perhaps even twice) can be forgiven and rehabilitated once their debts are repaid to society. But Greyling has consistently avoided even a mention, let alone prosecution. He was granted a blanket indemnity in return for something – information, presumably.

It seems that not only was Greyling a key member of the syndicate that took root in OM corridors; he was also a member of an inner cabal which made profits by running the same scams for a second, perhaps even third time!

More extraordinary is that this wasn't known to other syndicate members.

It transpires that Greyling and Shapiro connived to hold another account through Jo'burg stockbroker Johnny Solms. They dealt using the same structures in small market cap stocks – but these dealings were hidden from their erstwhile partners in crime. (The received wisdom of the time was that Solms had merely acted as the syndicate's laundromat.)

We now know that Greyling received moneys for the second scam for as long as three to four months after he left Mutual, at least until March 1991. Neither Greyling nor Solms were ever charged, prosecuted or fined by any institution involved in safeguarding SA's investors.

It appears Greyling has enjoyed indemnity from prosecution for his role in two fraudulent schemes – the first being for the OM scam we all know about, the second being for a scam within the scam.

Greyling resigned from OM to take up a position with Prima Bank. Prima, it will be remembered, managed to get its hands on Cape Investment Bank (CIB) in December 1990. After CIB was put into liquidation, its auditor Philip Wessels, then with Deloitte & Touche and now MD of Boland Bank, was asked to advise on the integrity of CIB's management. Wessels reported to a meeting on May 13 1991. Among those present were Frank

Kahn, Col Max Olckers of the SA Police, John Louw and Tjaart du Plessis of KPMG (in their capacities as CIB's liquidators), Koos Stassen and David Walker of Old Mutual, and Charles van Staden of the Reserve Bank. According to the minutes, Wessels confined his comments to Alan Greyling, at the time of CIB's liquidation, its head of operations:

"Prior to Greyling joining CIB, he held the position of manager of the Small Company's portfolio at Old Mutual. [Privately] Greyling, in partnership with David Shapiro, formed an investment partnership called Comores Investments at broker M du Toit Solms. The broker statements, showing the movement of this account over a period of time were brought to the attention of Old Mutual, where Philip Wessels became aware of the information [Wessels was also Mutual's auditor at the time]. The registered address of Comores Investments was Alan Greyling's home address. The cheque payments for the profits made by Comores Investments, were split



50/50 and paid to Alan Greyling and David Shapiro. It became evident after studying the trading of Comores Investments as well as purchases by The Small Company Portfolio at Old Mutual (which was under Greyling's management) that Comores Investments sold shares to the Old Mutual."

At the same meeting, Kahn told KPMG that his investigation "would not be harmed" if the CIB liquidators confronted Alan Greyling with this information. "Greyling should be dismissed from his present position," he suggested.

It's hard, then, to understand, two years later, the same Alan Greyling became a founding member of KPMG's forensics division. Those investigating others with a view to criminal proceedings, are expected to conduct themselves with the same propriety as Caesar's wife.

Asked to explain Greyling's appointment, John Louw says "we cleared Greyling's position with OSEO. They gave an undertaking that Greyling wouldn't be prosecuted. He [Greyling] was fine as far as they were concerned."

This isn't, unfortunately, the end of the Greyling saga. During early January 1991, CIB's management became aware of what they termed Greyling's "reckless and fraudulent" behaviour concerning

Prima Bank. They made a fruitless effort – a one-day stand – to wrest control of CIB from Prima, whose main players have long since scattered – some under mysterious circumstances. We now know that on December 17, 1990, Greyling took charge of CIB management on behalf of Prima. According to an affidavit sworn by Freddie Marais, then GM of CIB's Treasury, within the first week Greyling issued and/or enticed holders of R75m of CIB loans to join him in issuing fraudulent liquid bankers' acceptances (BAs). Some co-operated, some didn't.

Again according to Marais (in an affidavit made out to the Master of the Supreme Court and handed to KPMG), these BAs were issued to obtain funding for CIB by discounting them to the Reserve Bank. The scheme was fraudulent, he told the Master, because the underlying transactions didn't exist and neither did the necessary supporting letters of credit.

Sometimes the best laid plans go awry. In this case, one CIB client, Riaan Janse van Rensburg, CEO of Transvaal Distillers, put Greyling's proposal before senior counsel. The answer was swift – if he went ahead he'd be party to a fraud. Van Rensburg declined to sign the BAs and then lodged them with noted Cape Town attorneys Sonnenbergs.

Greyling was so angered by Van Rensburg's response that he tried to have him arrested for theft of the bills, which were in trust at Sonnenbergs. Eventually, in Feb 1991, Greyling [CIB] applied for liquidation of Transvaal Distillers Holdings. Justice Conradie had this to say in his judgement on the application:

"If the respondents are correct in their allegations [which we now know were true], serious irregularities were committed by the applicant [CIB under its new management led by Greyling]. Mr Greyling's affidavit in reply was certainly unsatisfactory and deserves some of the scorn poured on it by Mr [Peter] Hodes, SC. Prima facie this is a matter which I consider ought to be investigated by the Attorney-General and ought to be brought to the attention of the Registrar of Banks to take whatever steps may be considered appropriate."

Nothing came of that recommendation, either. So, since 1994, he has been involved with one of the world's foremost and most prestigious accounting firms, KPMG, in the delivery of forensic investigations and opinions. Last year KPMG and Greyling joined in a 50/50 partnership in a new company, Attorneys at Law.

He clearly leads a charmed life with many friends in the right places. n



Picture by ANNA ZIEMINSKI

Nothing looks as good and clean and fresh as a sailor in his summer whites. Nothing looks as crisply authoritative as an admiral in the same, plus lots of gold braid on his cap and strapping shoulders. Which might explain why Vice-Admiral Robert Simpson-Anderson, SAN, was one of the first to be called to publicly testify before Public Protector Selby Baqwa in support of the government's controversial arms procurement programme.

Vice-Admiral Simpson-Anderson, who retired as chief of the navy in October last year, looked the soapie role to perfection. He also played it to perfection.

The admiral described the former minister of defence, Joe Modise, as "an outstanding visionary", crediting Modise with the idea of counter-trade or offsets to fund the arms purchases. He said he had no reason to doubt the integrity of anyone who was involved in the navy's projects. Of the arms procurement programme he said: "I think the whole process was extremely well managed. I felt comfortable throughout."

On the delicate subject of Chippy Shaik's possible conflict of interest, while chairman of the Project Control Board and chief of acquisitions, the admiral played it to perfection. "At the first

'Joe Modise is an outstanding visionary'

Admiral Simpson-Anderson

Control Board meeting, held on 4 December 1998, the chairman, Mr Shaik informed the meeting of [his brother Shabir Shaik's] connection with one of the parties [ADS] tendering for the corvette combat suite. He proposed to recuse himself [and] it was agreed that whenever the combat suites were discussed, I would take over the chair and he would not take part in any discussions or decisions. ... This process was followed throughout the period."

Now here's just one of the questions Mr Baqwa discretely failed to ask Admiral Bob: What do you have to say, then, Admiral, about the memo the programme manager for Patrol Corvettes wrote to the CEO of Armscor on 11 February 2000 about the rejection of an ADS competitor's bid for the navy's information management system. In it he writes: "The matter has been referred to and discussed at the Project Control Board where the final decision not to use [ADS competitor] CCII's data bus was exercised, with Mr S Shaik indicating that he had cabinet support in this regard."

No recusal there.

And what about the minutes of the PCB meeting held on 24 August 1999, which list Mr Shaik in attendance as chairman. Admiral Simpson Anderson is recorded as having been present. Again no mention of a recusal, or of the admiral taking the chair. On the contrary, paragraph 10 of the minutes records a discussion about the same ADS competitor's bid. It starts: "Chief of Acquisitions [Chippy Shaik] informed the board that the CEO of Armscor had presented this matter to the AAC, and that the minister

supported the issue of the main contractor carrying the overall risk" It continues to record Chippy's participation in the debate for some while longer. The minute is signed by Chippy Shaik as chairman.

In our next issue we might just remind the admiral of some other interesting meetings and discussions he attended.

It's taken a few extremely dedicated journalists a year to gather just some of the facts about the scheme Daimler Chrysler and its associate in the arms trade, EADS, secretly contrived to ingratiate themselves with public officials by offering them "discounts" on expensive luxury vehicles.

And then Daimler Chrysler SA's chief executive, Christoph Kopke has the cheek to be outraged about the South African media's "aggressive" reporting on the matter! Gentlemen, you ain't seen nothing yet!

They have undermined our democracy by deliberately "schmoozing" and corrupting our elected representatives and those who are paid to serve the public interest.

In the face of growing public disquiet about the matter, the two companies steadfastly refuse to name all those whom they persuaded to take advantage of the offer. Their continued refusal to reveal the names of the large but select group of MPs and officials they are believed to have targeted simply confirms their probable criminal intent.

Another question they need to answer: what qualified those MPs and officials for inclusion on the gift list? n

what Selby WON'T be asking

It's little wonder that the two men who were the driving force behind the Auditor General's original probe into SA's defence purchase package, Wally van Heerden and Etienne Smith, have resigned from the investigation team.

So far the public hearings led by Public Protector Selby Baqwa – which Smith and van Heerden opposed – have had all the incisiveness of a limp handshake. They appear calculated to give government a chance to re-state its case in a “more constructive” atmosphere than that once provided by Parliament's Standing Committee on Public Accounts.

No cross-examination of witnesses is allowed and Baqwa appears either too poorly informed, or unwilling to test the witnesses with details of the acquisition process – which was a lot messier than the neat flow charts, favoured by the securocrats, would have us believe.

We have decided to put a spanner in this thinly disguised spin session. First, let's deal with some of the myths about the arms procurement process that government would like you to swallow. Then we'll raise some questions which seem to have got stuck in Baqwa's throat.

MYTH NO.1: The defence force's shopping list was approved by Parliament, where it had the support of all parties.

THE REALITY: The Defence Review which years ago was presented to Parliament contained a design for a defence force which South Africa might aspire to – but it was made subject, inter alia, to affordability and the needs of the poor. Certainly implied was that Parlia-

ment would first have to debate and approve a budget for the arms shopping-list – *before* the government concluded multi-billion dollar arms deals

The cost of the acquisitions suggested in the Defence Review were, in any case, a fraction of what government has since opted to spend on the Strategic Defence Package. So much for that myth!



The Gripen

MYTH NO.2: The decision-making process involved so many people at so many levels that it was impossible for any individual to determine what should be acquired and at what cost – therefore any possible conflicts of interest that may have existed are of academic interest only.

THE REALITY: EADS (European Aerospace & Defence Systems – formerly Daimler Chrysler Aerospace) didn't rely on one – they offered inducements to a whole spectrum of people who were jointly in a position to influence the outcome.

Consider also the history of the bid by Aeromacchi for the supply of fighter

trainer aircraft. The Arms Acquisition Council met on April 30 1998 to determine its “preferred choice” for a fighter trainer. The minutes record that (then) Defence Minister Joe Modise told the gathering that “the most inexpensive option was not necessarily the best option”. He instructed Defence acquisition staff to “bear this in mind during the selection process”. (Wink, wink.)

This broad hint had no place in a process where judgements are supposed to be made on the basis of detailed pre-set criteria (so-called value systems). And the hint obviously didn't have the required effect. The Acquisition Council made its assessment strictly in terms of the rules.

So, on July 2 1998, the Strategic Offers Committee (co-chaired by Chippy Shaik and Llew Swan) had another try. They told the fighter trainer project team to determine both a costed and non-costed option when evaluating bids. This was said to be an instruction from the minister. (Nudge, nudge.)

In terms of the officially approved procedure, however, there was only one option to be considered: the costed option. To rate all the “costed” options, a value-for-money score was arrived at for each aircraft on offer, by dividing its expertly

assessed military value by its cost. The until now unheard of “non-costed” options were to be rated, on the minister's (or Mr Shaik's) instructions, by military value alone, regardless of cost.

Even so, Aeromacchi's MB339 still came first – under both options. In other words, the joint Air Force and Armscor technical team still preferred the Italian trainer, even when money was no object. (Which, of course, makes nonsense of subsequent claims that the Italian jet was “inferior technology”.)

Defence experts have also rejected the notion that once the Gripen was chosen as the fighter, then British Aerospace's

Hawk presented a closer fit as trainer. In fact, modern trainer cockpits can be fitted out to be close to the layout of any fighter.

But here's a clue as to what was up: rated on the approved "costed option" basis, BAe's Hawk, 72% more expensive than the MB339, had come third. Now, when assessed regardless of cost, it moved up to second place.

Maybe someone, somewhere, was trying to influence the selection process in BAe's favour. (What did you say, Mr Irwin, about this being impossible?)

In fact, ex Armscor General Manager of Acquisition, Erich Esterhuysen, has claimed that minutes of his technical committee were changed in a way that benefited the BAe Hawk when recommendations were passed on up the line.

There has been no whisper of this claim at Mr Baqwa's public hearings.

With success in sight, the Strategic Offers Committee made yet another intervention, this time ordering the technical team to adjust their scoring to incorporate an assessment of risk. You guessed right: once again some points were added to the Hawk's score sheet. But still not enough to clinch the race in its favour.

At the penultimate stage of proceedings, when points for offsets and finance were taken into account, the MB339 was still first on the costed option list – but, as a non-costed option, the Hawk now, finally, shifted to first place!

Surprise, surprise! A cabinet committee, chaired by then Deputy President Thabo Mbeki, opted to go for the more expensive Hawk, supposedly on the basis of the superior offset (industrial participation) package offered by BAe.

But which offset package are we talking about? Reliable sources now claim that the list of counter-trade offers (promises to procure foreign investment in South African industries) attached to BAe's final tender proposal in April 1998, was not the same as the list which was put before the cabinet – and on which it supposedly based its decision. A new, expanded list had mysteriously been substituted at the last minute.

After the official committee evaluated them, and before they went to cabinet, the British offset figures were apparently "padded up" by adding items which did not qualify for inclusion in terms of tender specifications.

"The Hawk offsets that went to cabinet included a whole lot of rubbish that was out of bounds in terms of the rules," an official has told us. "For instance, they included an offer by Britain's National Power to buy up Eskom power stations. That did not qualify for inclusion in the

list, because it would be investment in infrastructure, whereas the tender specifications called for industrial participation. [But note the curious echoes of this offer in our MAP update on page 18.]

According to these accounts, someone had clearly set out to influence the selection process – and succeeded.

BAe's promised offsets were valued at R2b in the list that so impressed the cabinet. Not long thereafter, however the value dropped to only R200m, when a new team, set up to negotiate a final contract with the chosen preferred bidder, discovered the padding.

And what about the case of FBS, Logtek and ALE?

The allegation that Chippy Shaik encouraged bidders to enter into partnership with a politically well-connected local company, Futuristic Business Solutions (FBS) has been widely published – but have another look at the

Is there any truth in the allegation that FBS and Nkobi promised a percentage of their profits to the ANC?

sequence of events. In 1999, FBS (its four shareholders are all well-connected in senior ANC circles) was awarded the logistics contracts for virtually every programme in the defence package – without having any of the infrastructure necessary to fulfill them. (Value of the contracts: about R750m.)

During the same period, recently departed Defence Minister Joe Modise buys about 6% of the shares of Conlog Holdings, which has a subsidiary called Logtek ... which just happens to have the experience and wherewithal to fulfill those contracts already awarded to FBS. What a happy co-incidence!

Armscor chairman Ron Haywood is also on the board of Conlog. So are a whole slew of serving and former Armscor and Denel directors, including Dr Diliza Mji. Dr Mji is, of course, also chairman of BAe SA – another fortunate co-incidence.

The Conlog Holdings board then decides to sell Logtek to its management and a mystery black empowerment

partner – at a loss. How kind. Surprise, surprise – when the bridal veil is pulled aside, who should emerge as Logtek's new partner but old friend Fabulous Business Solutions! This marriage made in heaven was to be called Applied Logistics Engineering. FBS had the contacts and the contracts; Logtek had the wherewithal to carry them out.

IT ALL ADS UP! Now the case of African Defence Systems (in a previous era, called Altech Defence Systems).

ADS was part of the Altech group controlled by Bill Venter. Thanks to a regular flow of defence contracts and hundreds of millions of taxpayers' money, ADS developed the capability to put together navy combat suites – that is the electronics and hardware that make up a ship's weapons systems.

That commitment of public funds explains why one of the terms of the tender for the Navy's new corvettes was that the successful foreign bidder would have to use combat suites provided by ADS and a list of other similarly financed local companies.

After this was already known, Venter sold ADS to French armaments supplier, Thomson for a sum believed to be about R140 million – an oddly low price, considering that ADS was set to get a R3b chunk of the new arms contracts. And it would still have maintenance contracts for the navy's existing, older vessels!

We can only guess what other considerations might have induced the Venter family to sell ADS for so few rands. The deal does, however, follow a pattern: a SA defence company is sold to a foreign investor, who happens to be a foreign arms manufacturer seeking an outlet for its goods; in order to justify its effective displacement of a genuinely SA defence supplier, it then takes on a token "empowerment" partner.

In this case, Thomson bought 100% of ADS and then resold (or gave?) 40% of it to empowerment groups: half to FBS and half to Nkobi Investments Holdings.

FBS is of course led by Modise's long-time associate and relative by marriage, Lambert Moli. Nkobi is led by Shabir Shaik, whose brother Chippy managed the arms acquisition process.

Given ADS' history as a preferred supplier to the SA Navy, Minister of Trade Alex Irwin might have had some justification for brushing aside charges that arms procurement chief Chippy Shaik had a conflict of interest when it came to ADS's contract to supply (where another Shaik is company chairman).

The real questions relate to how FBS and Nkobi were able to secure a stake in

such a surefire company. Was political pressure applied on Thomsons to offer them their stakes in ADS? Is there any truth in the allegation that FBS and Nkobi promised a percentage of their profits to the ANC?

The notion of conflict of interest only becomes truly significant when we look at what happened after the German Frigate Consortium was selected as preferred bidder for the corvette contract. (This despite the fact that the Spanish ship originally favoured by the navy was cheaper and offered higher offsets.)

In that case, ADS was both player and referee and had the Navy over a barrel. Which brings us to the next great myth so fondly nurtured by the powers that be:

MYTH NO.3: Government, it is said, did not get involved in choosing sub-contractors, so could not have been influenced by the fact that several sub contracts bene-

being trying to sell – that “procurement does not deal with subcontractors” – is completely off the mark. The bid document told the foreign bidders – known as the prime contractors – that “allowance must also be made in the offer for prime contractor responsibility”. That presented both a problem and a loophole.

They would have to take responsibility for subcontractors, arguably also those local ones nominated by the Navy. Foreign bidders were required to provide for risk (such as if the local supplier went bankrupt, or if its equipment didn't work) in their overall bid.

But it appears that this provision was rather loosely applied by Armscor. After the German Frigate Consortium was chosen, it then joined forces with Thomson/ADS.

The price of the combat suite suddenly went up dramatically from R1.47b to R3.9b. By March 1999 the chief project

price to R18.9m. This time the competitor won the contract, with a quote of R14.1m!

No provision was apparently made in the tender contract to allow for independent adjudication of so-called risk and the premium that ADS could charge on preselected local subcontractors' tenders. Eventually the navy assumed some R600m-worth of risk on subcontracts in order to reduce the price.

REALITY 2: RENK AND GEAR RATIO.

One of the subsystems on the corvette was the contract to supply the massive gears which form the link between engine and propellers. There were two bids: the one from Maag, the other from Renk, both foreign. The GFC chose Maag, as did the navy's technical team. (The navy team formally informed the GFC of their choice in June 1999.)

Then Armscor wanted Renk. In August Armscor wrote to the GFC stating that it



Chippy Shaikh



Selby Baqwa



Joe Modise

fited relatives and friends of the ANC leadership and former government officials. The prime contractors were responsible for selection of subcontractors, because the prime contractors had to provide performance guarantees.

REALITY TEST: Consider, once again, the case of the naval combat suite.

When Armscor issued tenders for the corvettes, it stated that, with a few specified exceptions, SA companies were going to supply the components. Those subcontractors had definitely already been chosen by government. Foreign bidders for the ship contract were supplied with a list of the nominated subcontractors and what equipment they would be providing. Even the price had been fixed: about R1.47 billion.

The navy did not thumb-suck this figure. Nominated local contractors had provided detailed cost estimates for their sub-systems. These were audited and approved by the Navy/Armscor team.

Thus the notion that government has

officer for the corvettes, Captain (now Rear Admiral) Johnny Kamerman wrote an angry letter to the German Frigate Consortium complaining that the ADS quote for the combat suite was nearly double that tendered by the SA supplier.

But the prime contractors simply blamed the price increase on the risk premium they had added for using SA contractors. In effect, ADS was able to massively inflate prices, trading on the strong political commitment both to ADS and its well-connected empowerment partners – and to a deal with Germany.

An example: the price quoted by ADS for one subsystem was R64.73m. But, when forced by the navy to quote against another bidder, ADS quickly dropped their price to R29.65m – less than half their original bid, but still higher than the other company's tender, which was for R26.43m. ADS got the tender.

Another example: The price quoted by ADS for another subsystem was R45.9m. Again, when forced by the navy to quote against a competitor, ADS dropped their

wished to “notify GFC of the importance of Reumech Gear Ratio to Armscor and the Department of Defence”.

Reumech Gear Ratio, a local company which was in the process of being sold to British defence firm Vickers, relied on its profitable relationship with Renk.

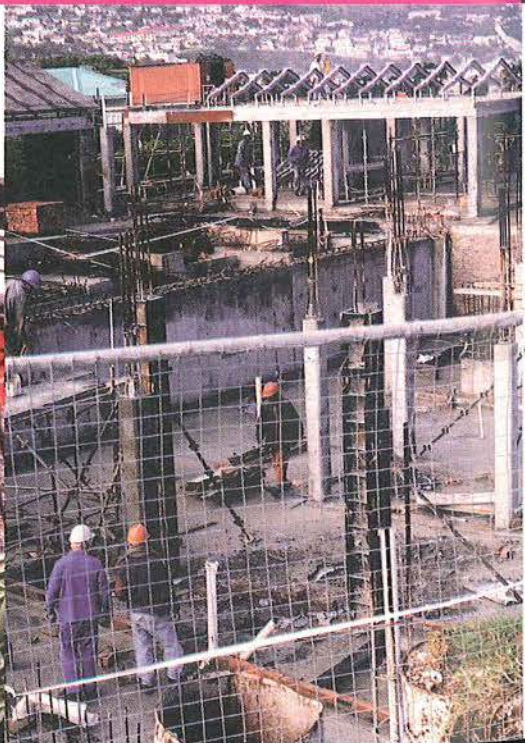
So here a selection made by the preferred prime contractor and formally endorsed by the Project Control Board (consisting of the Navy, DoD and Armscor), was later overturned by the latter – so much for the government's contention of no involvement in the selection of subcontractors!

Despite the fact that Maag upped their industrial participation offer and offered to source some of the work from Gear Ratio, the nod went to Renk. Could it be possible that the decision had something to do with the fact that a company called DGD Technologies (co-directors: Diliza Mji and Moeletsi Mbeki) was negotiating for a stake in Reumech/Vickers?

That's another question Selby should – but probably won't ask. *n*



Camp Christo



Christo Wiese might have lost out at Boland Bank and BoE, but he's still very much Mr Big in town. Just look at the Clifton skyline.

Wiese's property interests first featured in noseweek when he bought the historic Lanzerac Hotel and manor house from Alpha Bank for R2 million. The bank was under Reserve Bank curatorship, Wiese was a Reserve Bank director, and Lanzerac's true value was said to be more in the region of R20 million.

Wiese still owns Lanzerac, but in recent times his favourite residence has been a small bungalow at Fourth Beach, Clifton. Or, as it now transpires, several small bungalows at Clifton. Which is difficult to explain, since no person may own – or “have an interest in” – more than one Clifton bungalow. That's the rule. But then, to Christo Wiese, a rule is but a challenge. Ask BoE.

Actually, the several bungalows in question – well, four of them anyway – have already all disappeared, to be replaced by one big hole with a single construction crane towering over it.

This sliver of land between the Atlantic Ocean and the back of Table Mountain is

Palazzolo's sons acquired a Clifton bungalow.)

Over the years Clifton retained a certain rustic charm. The plots remained available only on short lease with strict restrictions on the size of bungalows.

In the early 1980's the City Council received proposals for a major hotel development on the ridge at Fourth Beach. Bungalow owners rallied under the leadership of advocate Gerald Gordon and successfully scuppered the plan.

The campaign galvanised the bungalow owner's association into negotiations with the Council to purchase the land. The result was that in the early 90's the City Council offered the plots for sale to the leaseholders at what, it has since transpired, were very reasonable prices.

The historic aspect of Clifton had for years been protected by temporary proclamations from the National Monuments Council. Now the City Council put conditions into the deeds of sale to protect its character. Among the stipulations: The houses had to remain single story and wooden-sided, and trees couldn't even be trimmed without the municipality's written consent.

But then various Mr Bigs began to arrive from upcountry – and from out-of-country – with their own ideas of what was *lekker by die see*. Inevitably there were clashes with long-term residents.

When residents complained about Brian Gilbertson's decidedly less modest plans for “extending” his bungalow, he told them: “Don't argue, or you'll be sorry” – and went ahead, regardless of the rules. The Billiton boss is not exactly famous for his shy and retiring ways.

Gilbertson's neighbours promptly got a humiliating court interdict against him (from the Magistrate's Court – cost R600).

Now, residents believe, Gilbertson has taken to parking a large Landrover, covered with an unsightly green tarpaulin outside his bungalow – just to aggravate them.

But it's Christo Wiese who's really got the Clifton grapevines humming.

Christo transferred the bungalow he owned into the name of his wife, Caro, some years ago. Caro's father, Japie Basson, owns the bungalow just opposite hers. Her sister, Ester Mouton, owns an adjoining plot. All kosher. The other property on the point is held in the name of Maud Louw. More about that anon.

Wiese's redevelopment incorporates all four plots. All four bungalows have made way for one massive excavation.

The rules? Wiese is a master at working the rule book. Bungalows can't go up, but where's the rule that says they can't go down? The hole will accommodate

underground bedrooms and bathrooms.

The rules forbid any direct link between houses. There's none to be seen. But neither will there be any boundary walls between them.

A veritable Wiese compound – already dubbed Camp Christo by the locals.

“Megalomania”, commented one long-time resident, contemplating the scale of the undertaking.

But that's not all. Now talk is that Wiese is moving to take over the entire ridge – property by property.

How is that possible in terms of the rules? Well consider the case of Maud Louw's bungalow which Wiese had demolished. Did she not object?

Apparently not. Closer inspection of Deeds Office records reveals that Maud has registered a R1.25m bond on the property in favour of Christo's friend and business partner, Martin Wragge. The bond is interest free. But now the really innovative bit: she can never pay off the “loan”! It can only be discharged by transferring the property into the name of Wragge or his nominee.

Maud Louw doesn't live there anymore.

Meanwhile Wiese's father-in-law has taken up residence in the former home of Percy Sieff. The bungalow is still registered in Sieff's name, but Wiese has renovated it extensively. And, guess what, Sieff has registered a bond on the property for R12m – in favour of Caro Wiese. (Sieff bought the property in 1994 for R791 000.)

Next to the Sieff's bungalow is that of Geoff and Sue Grylls. Wiese is said to have made them an offer they “couldn't refuse” – for R14m. The property is still registered in the name of Suzanne Grylls, and the Grylls are still in residence – for the time being.

Then there's the brick bungalow next to the church – recently extensively renovated by Wiese – where the family is temporarily resident. He's said to have acquired rights of usage over it – please note, not ownership.

The cottage next to the Gilbertsons is registered in the name of Rose Goldin, who passed away recently and ... who knows?

“I've heard rumours that Mr Wiese has an interest in more than one Clifton property, but no-one has been prepared to come forward with a formal complaint,” says Marie Odendaal of the Council's estates department.

That's that then. But there's no doubting it: whoever's responsible for that big hole clearly wants the world to know that he's Clifton's new Mr Big! n

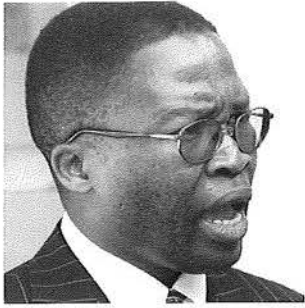


famous for its bikini beach. It's also the most expensive bit of real estate in Africa. It's humble origins have all but been forgotten. After WW1 the City Council made small plots on Fourth Beach available to returning soldiers at a modest rental. The leases were renewable monthly, and the soldiers were only allowed to put up temporary wooden bungalows.

Its innocence and magical atmosphere, with white patches of beach nestling between massive granite boulders, were the stuff of legend. Clifton gets the last rays of afternoon sun, and in summer that makes for long, languid evenings.

And, nowadays, for those mindful of such things, it can't be beat for status. (Within weeks of their unexpected arrival in South Africa, Mafia banker Vito

Who is Ndebele taking for a bumpy ride?



Poor Sbu Ndebele. The limitlessly ambitious provincial minister for transport in KwaZulu Natal has been blotting his copy-book somewhat recently.

The ANC's leader in KwaZulu Natal had been convinced that after the 1999 elections he was going to be the premier of the Province. It came as a bitter disappointment when the Inkatha Freedom Party pipped the ANC in the provincial voting stakes and the ANC found itself as the junior partner in the provincial coalition.

Next he set his sights on becoming mayor of the Durban megacity – a position potentially at least as powerful as that of the premier. Unfortunately, Minister Ndebele's abrasive leadership style had not endeared him to all his provincial ANC colleagues, and there was by no means certainty he would be chosen to be the ANC candidate. Metro mayor Obed Mlaba was also keen to hold onto the reins. Another contender was Nomusa Dube, who had the support of deputy-president Jacob Zuma.

However Sbu was not to be daunted. Taking advantage of the fact that such positions are now solely the gift of ANC President Thabo Mbeki, Sbu boldly approached the great man with the news that the structures in KwaZulu Natal had agreed he should be the candidate.

It was only about 12 hours before the President was due to announce his choice for Megacity candidates, that some of the structures learned about their supposed unanimous endorsement of comrade Ndebele. We hear that the communication lines buzzed hotly that night before it was agreed Mlaba would be the man.

Perhaps the degree of embarrassment this misunderstanding must have caused the President has somewhat cooled Mbeki's enthusiasm for his loyal servant in KwaZulu Natal. We hear that the national ANC has tacitly agreed to adopt a hands-off approach to the looming battle for the provincial leadership. Party elections are due this month and Ndebele

is believed to be losing ground to his long-time rival, health MEC Zweli Mkhize.

With Ndebele's position already looking vulnerable, a new row has now broken into the open – over millions of rands of irregular expenditure on the minister's pet taxi project.

The provincial finance department has recently asked the Auditor General's office to look into the funding of Umthombo Investments and Mandela Motor Assemblers.

Umthombo was a private company set up by the department in 1999 as an investment vehicle for the provincial taxi industry. Since then, the department has been pouring in millions of rands to keep the company afloat – and its managers have been earning a fat salary courtesy of the taxpayer – while the taxi industry has seen little benefit. The majority of provincial taxi co-operatives which were meant to be shareholders in Umthombo have reportedly collapsed.

Mandela was one of Umthombo's main projects. The plan was to build minibus taxis for the industry at the Nissan Sani assembly plant in Pietermaritzburg, which had been recently closed. According to documents in the possession of noseweek, the provincial transport department also pumped millions of rands into Mandela, going so far as to disguise the destination of the funds by paying them via consultants under the heading "Road Safety Projects".

Both the department and Ndebele were allegedly warned that the scheme was contrary to treasury regulations. Shortly after the launch of Umthombo, provincial finance director Siphoshe Shabalala apparently approached the department and told them that the direct funding of a private company by the department was irregular.

In a bid to comply with the regulations, the department entered into an extra-

ordinary contract with Loyal Ndwandwe, a director of Umthombo and a friend of minister Ndebele. This contract, a copy of which is in the possession of noseweek, committed the department to provide R13m to fund management support costs for Umthombo from June 1999 to June 2001. These costs included a monthly fee of about R300 000 to be paid to Ndwandwe's company Loyal & Associates to provide "management expertise".

The contract also gave Ndwandwe carte blanche to manage the company and forced the board of directors retrospectively to ratify any decision made by Ndwandwe – a provision which was probably illegal.

According to provincial director of public transport George Mahlalela, who also served as chairman of Umthombo and a director of Mandela, only R8m has been spent on Umthombo since the launch of the project.

However, this sum does not include money diverted into Mandela. By October 1999 this had already reached R6m. Included in this amount was more than R2.2m which was paid through civil engineering consultants Brandford and Conning, who charged a 10% mark-up for handling on-payment of the money. The department also paid directly the salaries of two senior staff members at Mandela, Ian Matthews and Trevor Stone, forking out some R32 000 per month for each of the two. The total expenditure on Mandela before it closed last year is not known.

Mahlalela has admitted that the expenditure on Mandela was not part of the grant to Umthombo. He implied the department would get the money back. However, according to a senior source within the department, there is no contractual provision for this to happen and the money will have to be written off. Mahlalela was authorising payments on behalf of the department while he was also a director of Umthombo and Mandela.

Questions have also been asked about the use of Fikithemba Security Services to provide security services for the department, and at the Umthombo Tyre Distribution Centre – another Umthombo company subsidised by the taxpayer to little effect.

One of the directors of Fikithemba, Bigboy Mashigo, is a bodyguard of Mahlalela. Another is the provincial taxi registrar, Thulani Khubeka, who is also a friend of Mahlalela.

noseweek has also learned that the irregular nature of the expenditure was brought to the attention of Ndebele as early as November 1999. We are told that Ndebele threw his toys out of the cot and accused the officials who raised questions of trying to sabotage him.

But the plan to build taxis at Malandela was really sabotaged when national government announced the details of its national taxi recapitalisation programme. This made provision for one national bidding process to manufacture new purpose-built vehicles for the industry.

Desperate lobbying by Ndebele to keep his provincial initiative alive proved futile. The final nail was driven into the Mandela coffin when its bid for the

national tender was not short-listed.

Various attempts have been launched to rescue Umthombo.

Serious lobbying has led to a partnership agreement with one of the short-listed companies and Umthombo – believed to be the Chinese bid. The agreement is dependent on the Chinese getting the nod, however.

Ndebele has also confirmed that Umthombo is being earmarked for a stake in the municipal bus service, Durban Transport, when it is privatised – as well as in the privatisation of the provincially owned KwaZulu Transport.

In addition, it is understood that Ndebele tried to have a major Zululand transport contract awarded to a company called Ikwezi in which Umthombo held a large stake. Ikwezi had obtained only a small portion of the contract and Ndebele sought to withdraw the tender and award the full contract to Ikwezi. He was persuaded by consultants that this course of action would be a mistake, but a larger role for Ikwezi is still on the minister's agenda.

Ndebele denies any irregularities and claims several successes under the

banner of Umthombo, citing the involvement of a number of co-ops in petrol station and "taxi city" developments, but the shareholding of both Umthombo and the co-ops remains opaque.


The Umthombo story has also developed into a row about the media. Ndebele twice declined to respond to specific queries regarding Umthombo, even when a draft of this story was faxed to him. Instead he indicated he would respond to the allegations during a provincial debate on his department.

A copy of the story faxed by noseweek Deputy Editor Sam Sole to Democratic Party provincial leader Roger Burrows just ahead of the debate was mysteriously obtained by the ANC.

Ndebele brandished it in the house, claiming it showed evidence of conspiracy by "rogue elements" in the media with a political agenda.

Ndebele has presented his interventions as a noble struggle in the interest of the empowerment of the taxi industry. We suspect, however, that it is only the usual carpetbaggers and consultants who will enjoy a smooth journey. The rest of us will be taken for a (bumpy) ride. *n*

Vivaldi, Gershwin, Strauss, Gorécki, Coltrane, Bach


101.3 fm
FINE MUSIC RADIO
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For twelve months after the election of President Mandela in 1994, the British media reported South Africa as if the "Rainbow Nation" was a utopia. Then, the coverage returned to the traditional doom and gloom. Mandela as the most famous black man in the world continues to run against the grain of this negativity but the general message over the last few years has been bad, getting worse.

Last year, the High Commission in London decided to prepare for Mandela's visit (April), the "Celebrate South Africa" month (May) and President Mbeki's State Visit by hiring two public relations companies. Joy Sopioka Associates handled the the arts section of the press, "educating journalists through culture", while Flagship Marketing under the leadership of various liberal and anti-apartheid figures "managed the message to the economic and political audience". We were told that the South African Government have been so concerned with policy progression that they had forgotten presentation or "spin". Flagship aimed to move the message from the negative (crime, Aids and Zimbabwe) to the positive (South Africa's robust constitution, sound economic base, successes with RDP and tourism).

The Labour Party in Britain has a special relationship with the ANC. Party conferences always feature film of Mandela, photographs of Blair with Mandela consistently appear in Labour manifestos, even the recent election campaign was launched to the strains of "a South African freedom song". It is almost as if Mandela and the ANC stimulate the erogenous zone of the Labour movement.

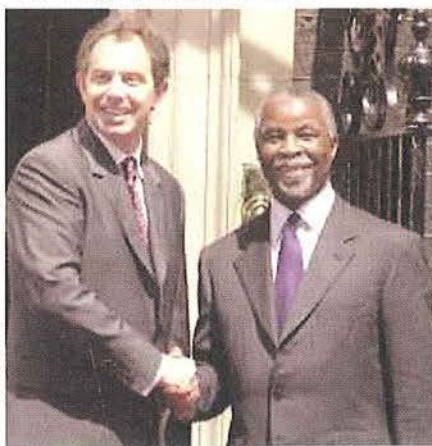
Following the dreadfully handled allegation of plots to replace or assassinate Mbeki, substantial rebranding was needed to prepare the British "market" for the State Visit. President Mbeki was made available to a number of senior figures within the British media for the first time since his election. In early May, he was interviewed by John

mopping up MAP or is it ARP?

Snow of *Channel 4 News*; Hugo Young (*The Guardian*) and Magnus Linklater (*The Times*) visited South Africa and returned with major interviews. Linklater commented: "[Mbeki] is thus unlike Mr Blair or former US President Bill Clinton, the enemy of the soundbite. He deals in the nitty-gritty rather than the broad brush-stroke. It makes him a far more interesting and complex man. But it does create a problem for the spin-doctor." Anthony Sampson provided a profile of Mbeki for *The Observer* and Fergal Keane (BBC) who wrote a column for *The Independent* in April titled "No place for white liberals in ANC's rainbow nation", declared "Thabo Mbeki may yet become an icon worthy of the beloved country".

The visit was rather low-key, it didn't attract much media coverage, partly

*Tony and Thabo –
cementing a political love affair.*



because of George W Bush's European trip and general British lethargy following the general election. Mbeki discovered that the previous Foreign Secretary had been unexpectedly replaced and the minister for Africa, Brian Wilson, appears to have no knowledge or interest in the continent. *The Daily Mail*, which has more readers than all the broadsheet newspapers combined, described Mbeki as "a man destroying Mandela's legacy". So much for PR.

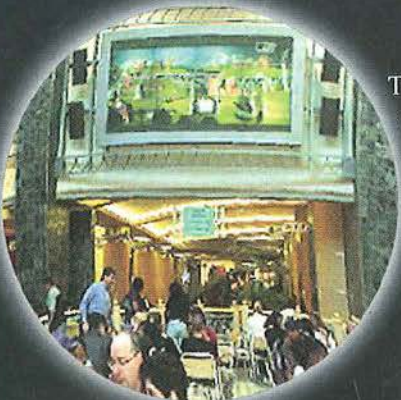
We were, however, greeted with a handful of new definitions and interpretations of the Millennium Africa Plan (discussed in noseweek 33). *The Independent on Sunday* explained that MAP was Mbeki's "greatest passion ... At its core is the belief that African leaders must unite and speak to the rest of the world in a more confident voice". *The Times* described it as "an ambitious plan to haul the African continent out of its seemingly endless cycle of poverty, mismanagement, corruption and war". *The Daily Telegraph* had clearly been briefed: "Tony Blair sees Mr Mbeki as a fellow 'Third Way' leader ... Mr Mbeki will emphasise his country's infrastructure and the prospects of foreigners making 'good returns.'" The briefing had been misunderstood. *Telegraph* readers would have interpreted that sentence as "South Africa has a solid infrastructure that will assist business investment". In fact it was a direct offer: South Africa's infrastructure is up for sale. *The Independent* noted that "President Thabo Mbeki ... will be warned against using any apology [by

continued on page 25

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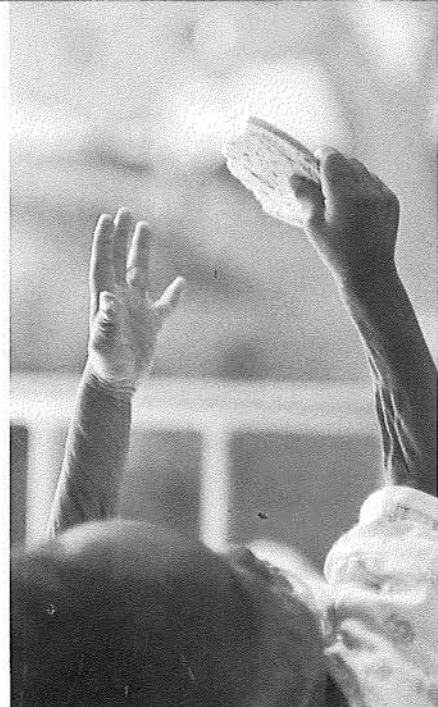
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The good priest the bad idea and the ugly reality



“Father Barry told me to scan out the biscuit so it would look as if the kid was begging.”

Christ fed the multitude with five loaves and two fishes, Father Barry Hughes-Gibbs of Pretoria has pulled off the miracle in reverse. He collected “bread” to feed thousands of Aids-suffering South Africans, but in fact fed only a handful.

Unfortunately, despite the human tragedy and drama of Aids, it is also big business, providing a livelihood for activists, lobbyists and, yes, journalists. And, wherever you find that kind of money, you'll find the operators. In this noseweek exclusive, we discover that neither doctors nor priests are immune to temptation.

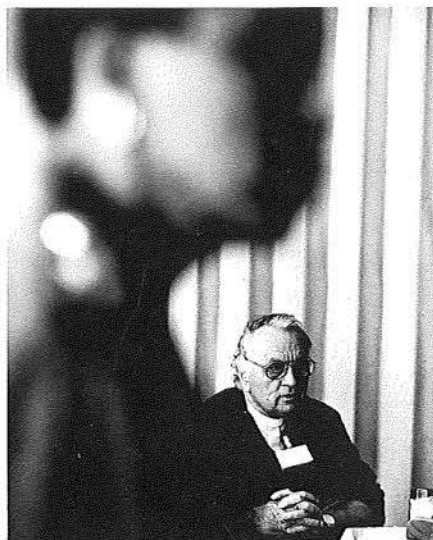
In a quiet, leafy corner of the Kalafong Hospital grounds outside Atteridgeville, Pretoria, nestles the Mohau Children's Care Centre, dedicated to the cause of HIV/Aids. Mohau was founded in 1994 by Anglican priest Father Barry Hughes-Gibbs (67), whose drive and reputation for being tough and getting things done have earned him the nickname of “the holy terror” among Kalafong colleagues.

Mohau is one of the operating arms of the Motivation Educational Trust, a section 21 company founded by Hughes-Gibbs in 1987.

In a few years Father Barry managed to turn his modest centre into a “one stop Aids shop”. From caring for only 34 HIV positive children in 1994, Mohau grew to caring for 2 500 HIV-positive kids, 7 500 HIV-positive adults and about 20 000 of their directly-affected dependents. Mohau also provided fresh food parcels by the thousands, transport money and jobs for destitute people. There's more! Fifty volunteers were trained to provide home care for patients too ill to go to hospital.

Well, anyway, that's the sales pitch from a charming and authoritative front man. Father Barry, wearing his Anglican dog collar, with his British accent (and rumoured close connections with Prince Charles), wit and intelligence, proved a favourite with corporate donors and Miss South Africa wanting to be photographed with Aids orphans.

The NGO entrance hall was decorated with photographs of Father Barry,



newspaper cuttings on important work done by the centre, photos of doctors and Japanese donors posing with startled looking Aids orphans. Until recently, large posters gave detailed accounts of how thousands benefited from the NGO's ample coffers. How was it possible that all those newspaper reporters, clever doctors and tax-exempt donors failed to notice that the colourful centre was simply too quiet for a place with 12 000 patients? The centre reportedly cared for 2 500 HIV-positive children. Why could one only count 19?

If interviews with disgruntled former workers of the MET (Motivational Educational Trust) are anything to go by, much of the centre's marketing material is exaggerated and misleading. “Father Barry can give a sales pitch like no one,” says a former Mohau secretary. “Potential donors were given the full treatment. They left with the impression that we cared for thousands of Aids orphans ... but in reality we looked after about 20 children – and some of them still had family.”

No-one can dispute that about 20 children at a time received excellent and life-saving treatment at the centre. But the unambiguous claims that “currently

care is provided for 2 500 children, 7 500 adults and 12 000 directly-affected dependents” remain astonishingly brazen. Inspection of the statistics indicates that Father Barry's “holistic care umbrellas” are rough extrapolations of Kalafong Hospital's entire patient pool, based on the number of “active medical files” in the hospital filing system.

In other words, anyone who has ever visited Kalafong is one of Father Barry's statistics, whether the patient set foot in his NGO or not. Father Barry denied in an interview that the figures were misleading. “We are saying the services we offer are available to all of them. We can't enforce these services.”

Fair enough? But what about the claims that 168 000 people benefited from the centre's “poverty alleviation programmes” (food parcels and help with transport and administration fees) and that much-needed home care was part of the centre's regular services?

Workers are adamant that the centre supplied about four to five food parcels a day, peaking at a maximum of 150 parcels per week – and that it was generally the same people who returned again and again. The transport fund came to halt early on in the scheme. Home care? “Home care units? What home care



The pictures on these pages were taken at the Mohau Centre for use in fundraising by Father Barry Hughes-Gibbs, who is in the pictures, extreme left and bottom right.



units?" asks Johan Viljoen, a former Mohau worker originally tasked with coordinating the adult outreach programmes. "The home care units never got off the ground, although some donors thought it was actually happening."

As it's government policy to alleviate the burden on state hospitals, provision of home care is a must in any Aids NGO proposal. If you want funding, push home care. Without it, your proposal is a dead duck. The MET has never provided home care, but Father Barry apparently found a semantic solution to this problem.

His marketing material only claims to have trained home care operators, not to have actually deployed them: "A new development is the training of 50 people in home-based holistic care."

Father Barry explained in an interview that sponsors knew the centre was not providing home care. "We have trained 50 people in home care. When the money is available the work will be done."

Sponsors could be forgiven for thinking Father Barry was providing home care. After all, at the 13th international Aids conference he was chosen to represent SA in the home-care section alongside reps from Uganda, Cambodia and Zambia.

Moreover, the MET's biggest funder, the Department of Welfare, must also have misunderstood the home-care services offered by Mohau, judging by the following official, and unambiguous, statement: "In Atteridgeville, 50 community members have been trained in holistic home care and are caring for sick persons in their homes."

Viljoen was one of the Mohau workers who first raised questions about the sincerity of statistics at the care centre. But his questions fell on deaf ears within the Aids "industry". Everyone "sort of knew" something was wrong at Mohau.

"The ugly reality is that Aids is one of the few causes for which it is still relatively easy to fundraise," muses Viljoen, who now assesses Aids projects for a large concern. "Aids NGO people felt that if the mess at Mohau was exposed and hit the headlines, the rest of them would find it difficult to fundraise."

Former Mohau secretary Narina Grobler told noseweek that Father Barry instructed her to doctor a photo of an HIV-positive child waving a biscuit in the air. "Father Barry told me to scan out the biscuit on the computer, so it would look as if the kid was begging."

The altered photo was used on a fundraising pamphlet.

"Maybe he thought he would get more money and sympathy that way," suggests Grobler. "I felt very odd doing it, but he was my boss and I was afraid to disobey him." In an interview, Father Barry denied he told Grobler to scan out the biscuit. "I didn't say scan it out, I said move it to the background, to give the idea of food."

Father Barry ruled the finances single-handedly, with an iron fist. The latest unaudited income statement made available to noseweek puts donations received for 1999 at slightly more than R1m. Donations came from large pharmaceutical companies, foreign embassies and government departments.

Many question marks had been hanging over Father Barry's operation for months before the Anglican Church started formal inquiries, leading to his suspension from the priesthood. The Anglican Church, unconnected to the NGO, was concerned that many were given the mistaken impression that the Church was involved in Mohau.

Father Barry, who was ordained in 1997, reluctantly relinquished his dog collar weeks after his suspension. An enquiry by the Church into the NGO's operation embarrassed the MET directors, who held an AGM, the first in two years, to deliberate on the Barry crisis. Late in 2000 Father Barry was given the boot. He now serves as member of the Kalafong Hospital board, with unspecified duties and income. Larry Frye, who has close connections with the American Embassy, one of the centre's donors, has taken over as chair.

The latest business plan forwarded to the Welfare Department claims modestly to provide "excellent care to 35 children".

Rev Hughes-Gibbs was one of the top people in his field in SA. And Mohau was chosen by the Department of Welfare as a model project to be replicated across the country. How is it possible for an outfit

caring for only 20 children to be regarded as so important? Probably because of the powerful allies. Father Barry's trustees and partners include big names in Aids research and powerful pharmaceutical lobby groups, who spoke up for him at fundraising meetings.

The research community at Pretoria University was well represented on Father Barry's Mohau board, notably Dr Mariette Botes (head of Kalafong's HIV clinic) and Dr Marianne Kruger, reportedly a former chairperson of the NGO. In a twist to the tale, Kruger has denied ever occupying the chair, even though her name is clearly emblazoned as such on the glossy marketing pamphlets.

"I am not and have never been the chairperson of the MET," Kruger states in a rousing memo sent to board members of the trust. Kruger also highlights altercations she has had with Father Barry and problems regarding management and lack of transparency. "I regret that I have been used in my professional capacity to be a figurehead to undisclosed activities. However, I want to affirm noble efforts that this organisation has established."

More alarming is the centre's alleged close collaboration with Dr Botes over drug research. Father Barry had previously denied his centre's involvement with drug trials or pharmaceutical companies. His vehement denials are curious, as it is a matter of record that money is paid to MET for logistical services to drug trial patients. Furthermore, according to noseweek's sources, staff at Mohau personally participated in drug trials, administering drugs to patients at the premises on instructions from Dr Botes, who runs drug trials on behalf of pharmaceuticals.

"We were told not to tell anyone," says a worker. "Patients weren't allowed to know who was getting what and I was ordered to keep my office locked."

A former social worker at the centre suggests NGOs might have an allure for pharmaceutical researchers, for whom the canvassing and monitoring of trial

continued on page 25



The Legend of Leslie



'Hear my song!'

After 20 years, Michael Katz has finally achieved his moment of stardom in the law courts. No, no, not Michael Katz, rainmaker for attorneys Edward Nathan Inc – that he should be so lucky – but Michael Katz, pop singer from Leslie in the wasted coalfields of Mpumalanga.

Our Michael – stage name Michael Saltino – has spent a lifetime in pursuit of musical stardom. You've never heard of him? Well, all that is about to change.

Saltino is probably SA's most unsuccessful singer. There are some amongst the few who have heard him sing who would argue that he's also the worst.

They're missing the point. Fame has finally come his way – even if it's not quite in the way he visualised it.

He has succeeded where countless thousands have failed – he has managed to stymie the SABC in their over-eager pursuit of an unpaid TV licence fee – and is expected to land the broadcaster with a R80 000 legal bill into the bargain!

All he really wanted was for you to be able to tune in to the SABC and listen to his songs. The fact that you have never heard of him, he says, is easily explained: the SABC has consistently refused to play his music over the years.

Meanwhile Saltino, now in his early fifties, has passed the years managing a petrol station in the rural backwater where he was born. But he has never given up on his dream.

The reason for that is simple: he's a Walt Disney man. "If you can dream it, you can do it." Saltino buys that line. "I have a God-given talent and nothing and no one is going to stop me," he says.

God knows, people have tried. Radio stations have steadfastly refused to play his CD, and SATV has refused to air his music video. He is convinced the SABC is waging a personal vendetta against him. Saltino's music is the sort that makes



SABC falls for a dummy TV-licence challenge

connoisseurs cringe. It's also the sort that made Bles Bridges rich. He rates himself as South Africa's Tom Jones or, at the very least, our own Neil Diamond-in-the-rough. If you had only heard him sing, he says, you would have agreed.

Now, at least, after inflicting an astonishing legal defeat on the SABC, he has their – and our – attention.

His legal war with the SABC began in 1998, when Michael drove all the way

from Leslie, better known for its power station and pollution, to Auckland Park to hand deliver a copy of his CD, "Flying Away" – and a music video of the same – to SATV. Michael is one of many local musicians lobbying for more recognition and airtime from the SABC. He was confident that, this time, he had a "golden product – certainly better than the overseas trash we see on the SABC".

He had saved up enough money to produce the video himself. As for the CD, he says: "I have spent years fine-tuning my voice. I re-recorded the song three times before I was happy with it."

But, sadly, the SABC once again refused to air his music, or even to correspond with him about it in any meaningful manner. One day, not long afterwards, Michael gazed across the forecourt of his small service station and had a bright idea: he would refuse to pay his TV licence. "I knew that if I could touch their pockets in some way, they'd

listen," was his thinking. He had some experience in the use of shock tactics to attract attention to his music: in 1996 he'd raised a stink with his local council and residents when he blocked sewerage pipes in the area, in an attempt to "unblock the ears" of the SABC and other media. The stunt caught the attention of a few print publications at the time. But it left a bad taste in the mouths of local councillors – and in that of local lawyer Gerhard Streicher, later to represent the SABC in their case against Saltino.

Streicher was not amused. After his drains were clogged the lawyer dumped a truckload of raw sewerage at Saltino's service station. The two men are still not on good terms.

Saltino figured that the SABC was not looking after South African artists, so why should these artists support the SABC? The license issue would be a good way to get the point across. "If you do nothing for the people, then you must expect nothing from the people!!!" he wrote feverishly in a letter to Rev Howa Mbatho, then Group Chief Executive at the SABC. In the same letter Saltino informed the SABC he would refuse to pay his TV license – and challenged the corporation to take him to court over the issue: he was sure to attract a lot of media attention when he stood up in court and spoke up for struggling artists.

Something in Saltino's letter buzzed SATV's buzzer. Malan Otto, General Manager of client services at the SABC took it upon himself to reply: "It seems to me ... you are using pressure tactics in an attempt to get your CD and video in through the back door, instead of on merit," he wrote to Saltino. "Have you ever considered that the reason why your songs are not being played might be because they are simply not good enough? Maybe, just maybe, you are alone in regarding them as 'good, local music'? ... Please carry out the threat contained in your letter to the Minister of Communications, namely to 'take this matter to the media'." And then the line which would cost the SABC dearly three years later:

"In turn, should you fail to settle your account forthwith, we will be only too happy to take you to court for non-payment of your TV license."

Opposite: Saltino's birthplace in Leslie, the garage and farm he inherited from his father; the artist as an infant; and the artist in his study with a portrait of his father, Michael Katz senior, in the foreground.

This page: Saltino's CD and a guitar prelude on Church Square to the victorious hearing in the Pretoria Supreme Court.

Saltino was ecstatic – at last he was on speaking terms with the SABC! The bit firmly between his teeth, he galloped to meet Otto's challenge. In November 1998 he placed an ad in *The Citizen* in large bold type: "No-one in South Africa needs to pay for their TV licenses anymore."

The ad attracted a lot of attention from local radio stations and newspapers. Radio Highveld's morning show host, Jeremy Mansfield, paid particular attention to Saltino and his musical plight. The more serious Saltino got in interviews, the better the Highveld audience liked it. Much joy in the studio accompanied each broadcast of Saltino's best song *Flying Away*. After Mansfield dubbed him "The Legend of Leslie", Saltino soon rose to cult status amongst Highveld listeners. In one landmark broadcast, Mansfield aired *Flying Away* and solicited emails from listeners keen to join the Saltino fan club. Mansfield reported an "overwhelming" response. Saltino was thrilled – never mind the nasty comments from some listeners on Radio 702, that his music was "bloody awful" and the "SABC was doing listeners a favour by not playing it".

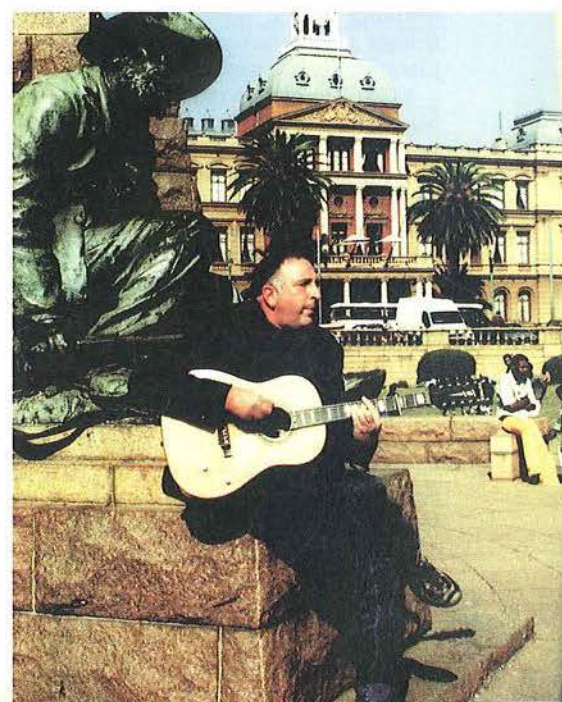
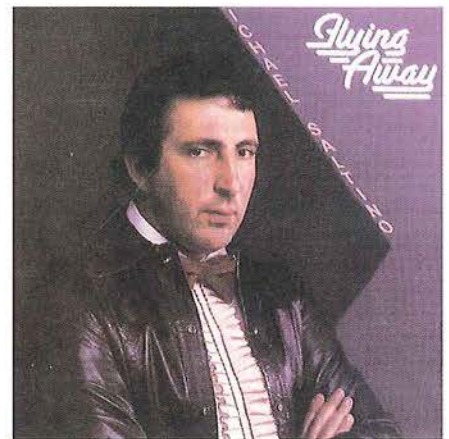
The *Sunday Times* delivered a low blow by voting him their "mampara of the week", but the Legend of Leslie remained fighting fit, convinced that good news from the SABC could not be long in coming – and he was right again. In January 1999, it arrived in the form of another letter from Malan Otto: "It gives me great pleasure to advise you that your wish has been granted," wrote Otto. "Legal proceedings have indeed been instituted against you for non-payment of your TV licence." The SABC claimed Saltino owed them R677 in outstanding TV licence fees. He lay low for a while, waiting for the might of the SABC to descend on Leslie. But nothing happened. Their bark is worse than their bite, thought Saltino. So he placed another ad in *The Citizen*: "SABC afraid!! To take Michael Saltino to court!" cried the headline. It advised readers that they did not need to pay TV licence fees "until, if ever, the SABC plucks up enough courage to take me to court".

That was it. The SABC had spent millions on campaigns getting the public to pay their TV licenses. The corporate machine swung into action. Saltino was serving the slow trickle of chappie and beer buyers at his little service station shop when the sheriff and the police arrived, apparently determined to wreak havoc in Leslie and to attach Saltino's goods. By that time the SABC had obtained a default judgement against

Saltino in the Johannesburg Magistrate's Court, by issuing summons to his mother's address in Hillbrow, and had made various verbal threats of attachment. It's an old scare tactic, designed to secure a speedy settlement from people made of lesser stuff than MS Katz. Saltino went berserk. He snarled at the sheriff, he threatened the policemen, he howled like a hyena – and he won. The sheriff and policemen slunk off, never to darken his doorstep again. Saltino's application to have the default judgement rescinded was successful. More adverts in *The Citizen* followed, while the SABC started afresh, issuing a new summons from the Evander magisterial district.

In November, almost two months after summons had been served, the SABC sent a television inspector to Saltino's farm to check whether, in fact, he had a TV set. The inspector couldn't find one.

Saltino finally had his day in court and the stage was set for a spectacular showdown. Saltino approached the court with trepidation. the SABC had unlimited resources and many lawyers at their disposal. And their local representative





was Gerhard Streicher! The lawyer was still stuck up about the blocked drains. On the bench was Magistrate Roos, who had issues with Saltino over alleged illegal liquor sales (a long story). But the singer took courage from one of the songs on his CD, the inspirational ballad *Follow that Star*: "It's too late to turn back. You have come a long way. Burning bridges all behind. You must travel on."

The words were written by Eddie Gratio, Saltino's artistic partner, long before either of them realised how far and long that road would be.

Saltino dedicated his day in court to the memory of Gratio, without whom, he says, he would never have completed *Flying Away*. "I've always been able to spot a hit from a very young age," recalls Katz ... er, Saltino, "so when I met Eddie in Hillbrow, I knew we had something special." Michael Katz the singer met Zimbabwean songwriter and entertainer Eddie Mafunde in the early 80s.

"I couldn't really write music, and Eddie couldn't really sing, so we made a good combination," says Michael. Eddie described Michael as "the only singer I know who can interpret my songs the way I think they should be sung". Those were the days when anything went in Hillbrow. Katz changed his name to Saltino (a combination of Gratio and Saul) to celebrate their partnership. Together, they travelled the world, hustling gigs where they could. But with Eddie's drinking and a few hard-luck stories, things just didn't work out quite as planned. There was one brief spark.

In 1980 local newspapers reported that Michael Saltino and Eddie Gratio would perform duets and solos at Sun City for a few weeks. It turns out the article was inspired by the lyrics of one of Saltino's songs, *In My Dreams*: "I'll have to make it, I'll have to fake it in my dreams". There was no gig at Sun City. There was only Eddie and his "creative misunderstanding" with the newspaper reporter. Eddie drank himself to death in 1994.

Thus it was that Saltino had to face his demons in the Evander Magistrate's Court alone. Well, not quite alone. He had local attorney Moses Nyawo in court to assist him. Could Nyawo's similarities to Gratio be mere coincidence – the dark

glasses, the unmistakable spark of greatness waiting to be discovered – if it can wait till after the next beer?

"Look, I personally won't buy Saltino's music – I'm more into jazz – but this is not about the music," Nyawo told noseweek. "The SABC was taking a chance with this case. Most little guys wouldn't dare to fight back, but Saltino was prepared to. I appreciated that."

Nyawo read through the Broadcasting Act and quickly decided on a legal angle. No music. This was to be purely about the non-payment of a TV licence. Nyawo argued that the SABC had been told by their inspector that Saltino did not have a

SABC counsel

"But he has a TV aerial on his roof!"

TV set, so why did they persist in wanting license fees from him ... and then have the gall to proceed with legal action, knowing they did not have a case? Nyawo knew the answer. "The SABC was taking this thing personally. They were going after Saltino, hoping to crack him." Rumours have it that Nyawo almost missed his own day in court, but he sparkled when he did show up.

The SABC were hoping Saltino would admit under cross examination that he had got rid of his TV set as a ploy to avoid prosecution. It was clear, they argued, that Saltino had given them the impression he had a TV set. Why, otherwise, would he have made such an issue of the TV licence? Furthermore, why did he still have a TV aerial? Saltino stood his ground beautifully.

Ahem, was Saltino's reply, it is true I have given you the (false) impression that I did have a TV set, but it was a ploy to get your attention. Nothing else worked, you see. The aerial was on special, so I went for it. My TV set broke down years ago and it went missing from my storeroom shortly thereafter – like so many other things on the farm. Finish and *klaar*.

The genius of Nyawo's argument was in its simplicity. Where did it say in the Act, he asked Mrs Joseph (from the SABC's legal department) that I have to inform the SABC if I no longer have a TV? Mrs Joseph can't, of course, point out such a

passage in the law – because it isn't there. Nyawo then drives the point home: Are we saying that, should my TV set get stolen or I get rid of it, the SABC reserves the right to charge me license fees forever? Clearly not!

The case went well for Saltino, but didn't prevent Magistrate Roos from delivering a devastating judgement: Saltino won the case, but Mr Roos clearly sympathised with the SABC: he ordered Saltino to pay the SABC's legal fees on the punitive attorney-and-client scale.

Nyawo made a quick calculation and worked out that, should the SABC be bloody-minded about the affair (which they clearly were) they could land him with a bill for as much as R200 000! "This will be the end of Michael Saltino," Katz thought. He would lose his farm and service station. (Saltino's father, Michael Katz senior, had bought the farm speculating on a gold rush – that never benefitted his property. Michael junior was born there.) Nyawo was more upbeat. "The magistrate's extreme judgement is your salvation, not your destruction. If he'd been more reasonable with the costs he awarded, we'd be finished. Now, we have another chance. We're appealing."

On 21 June this year Michael and his attorney arrived at the Pretoria High Court to hear their appeal argued. The two boys from Leslie looked suitably awkward in the big city, with neither the tall, white stoopy one nor the snappily dressed clever black one appearing to know where they were supposed to sit in court. Advocate Jan Kotzé, the Sandton-based advocate representing the SABC, was pale, calm and confident.

Saltino was subdued and nervous, shaking in the observer's bench, at times so violently that the entire bench vibrated. "I know I am right, but I've had so many disappointments," Saltino told noseweek. "What if there's corruption somewhere? Maybe the judge won't like me once he's read all the things I've done."

Judge Spoelstra didn't ask Saltino's advocate to say anything; instead he asked the SABC to explain itself. Advocate Kotzé proceeded with the calm self-assurance one would expect of a man backed by a corporation with megabucks. He painted a picture of Saltino as some foolhardy, dishonest maverick.

The observers' bench quaked.

But Judge Spoelstra's approach was straightforward. He had read the transcript: the SABC had not managed to crack Saltino; he had stood his ground. Saltino, said the judge, appeared to be an "honest and credible" witness.

The observers' bench occupied by Saltino was vibrating non-stop.

The SABC had initiated legal proceedings – but had lost, said the judge. It is accepted legal convention that the loser pays the costs. “But Saltino challenged us to take him to court!” wailed Kotzé. “You were stupid enough to accept the challenge,” was Judge Spoelstra’s no-nonsense reply. SABC counsel had persisted with legal action even though they realised they couldn’t prove Saltino had a TV set. Nyawo turned to Saltino and smiled.

The observers’ bench stopped shaking. Spoelstra overturned the Evander magistrate’s decision and ordered the SABC to pay Saltino’s legal costs on a party to party basis.

“But he has a TV aerial on his roof!” Kotzé still exclaimed when interviewed after the judgement. True. But where in the Act does it say one has to pay an aerial license fee, Mr Kotzé?

Nyawo was beaming. “In practical terms, it means they owe us about R80 000! This was worth the trip!” Saltino was back in Leslie in time for the solar eclipse. “This is not the end. This is only the beginning!” he said.

It is highly unlikely that the SABC will start playing Saltino’s music now. But Saltino has the “ultimate proof” that his music is popular – in his safe. It’s an audio cassette of the Jeremy Mansfield broadcast. You can hear snippets of it, as well as selected snippets from his music video by going to his website at www.saltino.allafrica.net. We also found one of Saltino’s early vinyl recordings and were surprised to discover that Trevor Rabin played back-up for Saltino on *In Your Dreams* in 1978. Yes – Trevor Rabin of Rabbit fame.

Today Rabin’s in Hollywood; Saltino’s still back in Leslie. Maybe that’s just show business. Still, we can hardly think of a musician who has brought us as much joy, entertainment value and memorable conversation as Saltino.

Then again, maybe it would have been different had Saltino taken his cue, not from Disney or some Hallmark card, but from Kipling: “If you can dream – and not make dreams your master ...” *n*

Saltino and his attorney, Moses Nyawo, upbeat at the Supreme Court



Mopping up MAP *continued from page 18*

Britain for slavery] as a basis for a direct reparations claim”. So we are back where we started: is MAP a development of the African Renaissance, a solution to Africa’s problems, New Labour “slash and burn” economics or the begging bowl with menaces?

The marketing of MAP – or the Africa Recovery Plan (ARP) as Mbeki recently called it – received a huge boost with the publication of Tony Blair and Thabo Mbeki’s joint-manifesto: “Comrades in a new struggle” (*The Guardian*, 14 June). Numerous buzz phrases and slogans

from the MAP documents punctuated the text: “Africa is a continent of opportunity”; “When economic and social progress is hindered by ineffectual and corrupt government, the global polity suffers”; “The African journey towards a better life has started ...”; “This is not an appeal for more aid, but for a new changed relationship based on mutual interest”. After Mbeki left Britain, the Foreign Office provided details to the *Financial Times* on a “new plan for Commonwealth intervention” in Zimbabwe, “the initiative was discussed by President Thabo Mbeki ... and Tony Blair ... when they met on Thursday. Nigeria has also given its blessing”. So there you have it, lots of talk of grand “plans” to resolve the problems of

The good priest and the bad idea *continued from page 21*

patients can be expensive and laborious. “Members who regularly attend the local Aids support group at the NGO (Mohau) are already a captive audience. All a doctor has to do is to walk across to the NGO to get volunteers for the drug trials. They’re susceptible.”

Father Barry’s blanket denial of links with the pharmaceutical industry is also curious in the light of the abstract he presented to the international Aids conference: it includes marketing “clinical drug trials” as part of his holistic circle of care. MET also lobbied a leading American pharmaceutical company for R6m in sponsorship, pointing out that “MET personnel presented five papers at the 2000 Aids conference”. One such research contract could mean over R1m.

When pushed for an explanation, Father Barry said in interviews that the 12 000 HIV-positive patients he claimed to care for was a figure dictated to him by Dr Botes and the hospital superintendent. How does Dr Botes get to this figure? She herself only attends at most to 90 HIV-positive patients a week at her Aids clinic. It’s largely these same patients who return each week. Even if they weren’t, this amounts to about 5 000 patients per year.

Maybe it’s time to stop being naive about the role of “Aids NGOs” in an industry where greed and exploitation is as rampant as the epidemic itself. *n*

● *In our next issue: Father Barry and the clinical drug trials at Kalafong have attracted much media attention. Read how Carte Blanche was bullied by a fake priest and a discredited researcher – and about the bizarre “disappearance” of confidential files from M-Net offices.*

Africa, but first Britain must use the leading MAP countries as a battering ram, albeit diplomatic at this stage, against Mugabe.

Thabo Mbeki is reported to be a specialist on the work of WB Yeats, perhaps he recalls the poem *Youth and Age*: “Much did I rage when young, Being by the world oppressed, But now with flattering tongue It speeds the parting guest.” *n*

● *Although originally deeply concerned about the reception Mbeki might receive from the media and business in Britain, both the UK and SA governments had expressed themselves delighted with his “huge success”.*

HAROLD STRACHAN

reports on the Durban art scene

frogs, snails

&

puppy dogs' tails



In 1946 Sigmund Freud explained to me that the reason why I liked the simple innocence of Bing Crosby singing about sleigh-bells in the snow was that I had a guilty thing about Christmas trees, and as if that wasn't enough, I had wanted as an infant to do this guilty Christmas tree thing with my ma, which God fend.

The idea of my ma doing this Christmas tree thing with anybody doesn't bear thinking about, esp with my father in order to produce me. I mean, it's horrible. So I switched from Psycho One to Special German, but that was no escape, it only showed that Sigismund was right, and I was guilty. And jealous of my pa.

Anyway, it's an ill wind etc, and I've had an eye for sybolism in life and art ever since. I mean, you know, one can sort of scrutinise one's symbols candidly, and put them on canvas, and expose oneself to the whole world to see what a jolly maverick convoluted interesting and admirable sort of candid tortured soul you are.

So it's 2001 now, hey? and Mfanwe Thomas has a brand new sharp idea, man: why fidget about with all that crappy old stuff of drawing and painting, just get the symbolic objects themselves and stick them with Bostik on a great big stretched piece of unprimed deck-chair cotton duck and tint everything up with a few sensitive brushstrokes.

Divide it up into squares, and a sym-

bolic thing in each: here a doyley from her granny's milk jug, there old tickets from the floor of a bus, a budgie found dead after three months on its perch with its beak in the seed bowl and a stalagmite of psittacoid turds reaching from the cage floor to the birds cloaca. Turned totally to biltong and feathers, showing Disregard, and the Callousness of Life.

And a run-over frog, showing the Transience of Life.

But alas the whole art-work is proving transient according to the Second Law of Thermodynamics - which is to say Entropy, which is to say as a closed physical system it's falling into increasing disorder without input of energy from an external source, which is to say it's vrot.

Me, I'm required to be the external source of energy. My restoration expertise I apply mainly to the frog, though the budgie gets a spray of Dyroach. This frog is about as thick as a matzoh, and about that size, but there's been room in there for bacteria and various mould, and decomposition, which is to say: it's high.

David, say I to Basckin, herpetologist, buffologist & toadmeister, I seem to have this two-dimensional frog which I am unable to restore on account of necrosis, do you have a spare one, maybe, or even a small toad would do?

As luck would have it, quoth he, I am about to feed this very moment an identical small toad to this snake here before us, but I'll give it a mouse instead, anything for an old comrade. And how do we get this run-over sort of matt battleship-grey polyethylene effect? I ask. We will stick this toad to the road with masking tape, says he, between layers of blotting paper, and you will run over it a few times with the rear tyre of your beach buggy, which has those big wide wheels at the back for traction on loose sand.

A bit harsh, like, innit? I say. Not as harsh as getting constricted by snakes, says he. So we squash this toad and get most of the juice out with the blotting paper, and freeze-dry it in the deep freeze a few times with thawing in clingwrap so it doesn't get damp again in the humidity, and I spray it first with 40% formaldehyde soln. and then lavender toilet aerosol, and give it an artistic retouch with yellow ochre and burnt sienna and a touch of sap green and a good coat of semi-gloss ketone N varnish with a little addition of cosmolloid microcrystalline wax and it comes up smashing.

I stick it back on the cotton duck with more Bostik. True as God, nobody even knows the difference. In fact, Basckin says for him at any rate the symbolism is increased. There's something of Ovid in it. You know: metamorphosis. *n*

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