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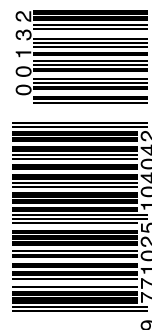
# noseweek

132

OCTOBER 2010

Hospitals  
haggle while  
youth bleeds  
to death

Sun King Sol  
destroyed  
my life



# ROTTEN SECRETS

The biggest money laundering  
operation in history

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## Iscor bargain

Thank you for exposing the bribery that Arcelor-Mittal is prepared to resort to. Thank you also for exposing some of the ill deeds that occurred at the Reserve Bank. I cannot understand how Mr Mittal was able to buy Iscor when the rand exchange rate had weakened to R19 to £1 for just the few days when the sale took place – and almost immediately thereafter strengthened to R14 to £1.

That way Mr Mittal was able to buy Iscor, with all its coal and iron ore perks, at a 36% discount on the exchange rate. What a bargain.

**Reuben Brenkel,**  
Vanderbijlpark

## The Great Vodadrop

I read with great interest Dr Richard Doyle's letter regarding dropped calls on Vodacom's service (Letters, *nose131*). I have also complained to them many times in this regard,

and received the same response.

Clearly they are aware of the problem but choose not to do anything about it because it's so very lucrative. I have four Vodacom phones in my company and we all experience dropped calls. Most people we speak to have the same complaint. I believe that Vodacom should actually refund all their subscribers at least 25% of their phone bills for the past year.

work for a few seconds, and the resetting of dropped calls would more than pay for the sponsorship. Makes sense.

**Henry Tiedemann**  
Brakpan

## Evergreen promises

Amdec top brass attending the Evergreen Muizenberg AGM last month went out of their way to pacify residents dissatisfied with Amdec non-delivery. They have promised to work

to be common property, for the use of all apartment owners – for their hotel's breakfast room. After a court judgment against them, Rabie has now had to spend a substantial sum on furnishing a new breakfast room (called a "bistro") on the ground floor to serve their hotel.

But, once again, they have taken over a large area of common property for the use of their bistro as a garden area. Even if

## Vodacom should refund at least 25% of phone bills for the past year

Recently, someone involved with sporting events sponsored by Vodacom told me that a senior member from Vodacom had told him that if they needed an extra million or two for a sponsorship it was quite simple: just switch off the computer which controls their net-

with the new committee to finally provide the facilities promised long ago, and to commence building the second phase (i.e. the apartment block) this year, to complete this flagship of the Evergreen brand.

Your exposé (*nose131*) certainly helped to get things going. Thank you.

**Evergreen resident**  
Muizenberg

*Seeing is believing.* – Ed.

the owners agree – and they haven't – then the bistro must still pay a rent at going market prices. The trustees (Rabie people) have no power to allow their bistro to use common property for their own profit. Cheating seems to be in their nature.

**Concerned**

Owners' Assoc, Century City

## Transnet pension nosedive

In December 2006 (*nose86*) you revealed how Transnet had upped its profits by robbing its own pensioners, and in January 2007 (*nose87*) you revealed just how their crooked actuary and hiring trustees had cooked the figures to achieve that criminal purpose.

To bring you up to date: the total value of my pension, including the two "ad hoc" bonuses received over the past twelve months is less than half the value of the pension I received in the first twelve months after I went on pension in 1996, as a member of the Transnet Second Defined Benefit Fund.

**SA van der Spuy**

Observatory, Cape Town.

**Gus**



## BAD TIMES IN THE BOOK TRADE

## Ad was offensive

The advert on the back cover of *nose131*, featuring a bound, faceless female figure in a compromising position, is disturbing. I appreciate we all have lapses in good judgment; this is certainly one by your advertising department. I must place on record that I found the advert offensive. Apart from that – keep up the excellent work.

**Sue Wingrove**  
Durban

## At it like Rabie

There have been further developments at Manhattan (*nose131*), where the Rabie Property Group unlawfully appropriated the 14th floor – supposed

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# Dear Reader

## Robert Smit's deadly bombshell

**T**HE INSATIABLE, unscrupulous greed and corrupt political relationships of the defence industry (and its associated nuclear industry) have become a feature of our time. Accept that and several loose bits of the historical puzzle fall into place. Why was Dr Robert Smit murdered back in 1977? Why did such obviously corrupt, racist, even bankrupt old Nat politicians like Finance Minister Dr Nic Diederichs and Minister of Energy and Manpower Fanie Botha enjoy the enthusiastic support and protection of Big Business?

Why have successive governments found it necessary to ignore the fact that Mafia banker Vito Palazzolo entered the country illegally and acquired resident status by corrupt means?

Why the ANC's eagerness to sign up for the arms deal – and yet another bankrupting nuclear programme?

Our lead story (and a book recently published, *The Unspoken Alliance: Israel's Secret Relationship with Apartheid South Africa*, by Sasha Polakow-Suransky) suggest answers to all three those old, nagging questions. They served (or, in Smit's case, opposed) the interests of what General Eisenhower dubbed the "military industrial complex".

Robert Smit, a doctor of economics, had worked in the Treasury and been South Africa's representative at the IMF for years, so was well acquainted with international banking, bankers and politics. For some weeks before his assassination in October 1977 (his wife Cora was also killed by the assassins), Smit had hinted to close friends that he had made a very troubling discovery involving the Minister of Finance Dr Diederichs. And that he feared assassination. Walking to a restaurant in Johannesburg, he insisted on walking in the middle of the street rather than on a crowded pavement. He told his companion that he believed he was under surveillance and that either American or Israeli agents might try to assassinate him. He went to see a Hervormde Kerk pastor to discuss his fears. The same pastor conducted the Smits' funeral service – and chose an unusual text for a funeral – from Paul's letter to the Ephesians: "Put on the whole armour of God ... for we wrestle not against flesh and blood but against

... spiritual wickedness in high places". But he never repeated what Smit had told him, perhaps fearing for his own life.

Dr Eschel Rhoodie was, as Secretary for Information in the 1970s, one of the most influential and well-connected people in senior cabinet and security circles. There was little he did not know about the government's secret strategies and the darker side of world affairs.

After his death in 1993, *noseweek* published an interview with Dr Rhoodie that was recorded on 26 October 1987. In it he got the closest he ever did to revealing the Nationalist government's biggest secret project ever – the acquisition of The Bomb – and hinted at who might have been responsible for the assassination of Robert Smit.

Rhodie: "I [like Smit] had access to top secrets outside my own department. That guarantees surveillance ... most tapping was done by the Security Police and – interestingly enough – Military Intelligence. You might think I am wandering off the track, but it all ties together.

"Let's assume Dr Smit uncovered some massive secret fund that was there illegally, and that he threatened the secrecy of the funds and the position of the people [mal]administering, that fund ... [They would have known about it.]

"The so-called Defence Special Account was established for the purchase of weapons abroad after the UN imposed an embargo on South Africa. The law removed these funds from scrutiny, even by the Auditor General ... Over the past 15 years (up to 1987) they probably totalled R3-billion. One day General van den Bergh remarked casually: 'Given the known facts about the black market, we seem to be paying two or three times more than we should'.

"We figured ... about R200 million or more was going out unaccounted for each year ... and that there could be a fund sitting out there amounting to a [few] billion."

Enough to pay for Israel and South Africa's joint nuclear bomb programme?

How might Palazzolo fit into all of this? Go online and reread the Ciskei bank story in *nose9*.

Then turn to our lead story on page 8.

**The Editor**



# Mr Nose

## Hazards of pre-emptive tipping

**MR NOSE HAS A FRIEND** who, believe it or not, has only just learnt that public officials are wont to err on the side of self-interest when it comes to policing rules and regulations.

In August the friend was pulled over at a police roadblock in Joburg's Sandton Drive, in the middle of a busy morning. "Where's your red triangle?" demanded the portly rozzler.

"My what?" asked the bemused motorist.

"Open the boot," demanded the cop. The fellow did so. "Where's your Red Triangle Hazard Sign?" quoth the cop.

"I've never had such a thing," replied the man.

"Then I'm going to give you a ticket. It's a R500 fine and five points off your driving licence," came the grim

response. Then, after a long pause, the cop asked: "Do you want to pay a spot fine?"

A spot fine? Mr Nose's friend hadn't heard of such a thing either, but dimly recalled reading something about a new instant roadside fine system to be introduced.

"How much is that?"

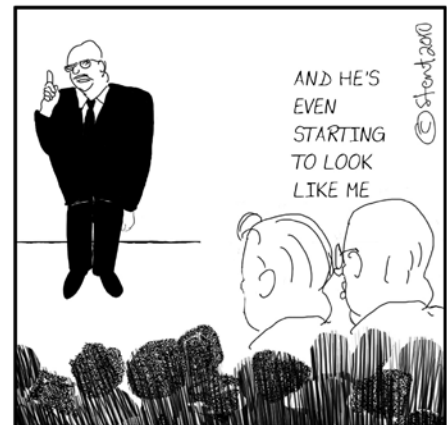
"R100."

Oh well, thought the friend, might as well pay up now and get rid of the damn thing. Which he duly did, getting a blank glare when he requested a receipt. "No receipts for spot fines," said the cop, pocketing the R100 note and waving the fellow on.

As soon as he could, the shaken friend belled the Automobile Association, to find out why he'd not been warned to carry a warning triangle in

his boot. "You don't," said the AA's legal department. "Cars registered earlier than 1 July 2006 are exempt from carrying a warning triangle, as the police well know." The friend's vehicle is of 1998 vintage.

When Mr Nose chuckled at the friend's ignorance of roadside shake-downs, the fellow quickly defended himself by claiming the R100 "tip" had probably saved him the day or two he'd have had to spend going to court to argue the case. Exactly what extortion and other forms of highway robbery assume – that it pays the victim to pay.



Stent

## Theo Beyleveldt bails out

**T**HEO BEYLEVELDT, the Overstrand mayor who has featured in so many *noseweek* stories (see, among others, *noses* 103&110), has resigned so he can join the National Council of Provinces. It was all very rushed; the announcement was made on 9 September that Beyleveldt's last day in office would be 29 September. Has party boss Helen Zille decided Beyleveldt's a bit of liability, a bit of a Lennit Max?

In fact, the haste was so indecent that the local rag said this: "It is not certain yet who will be acting mayor, as deputy mayor Pieter Scholtz is on leave." As the report also makes clear, Beyleveldt isn't particularly keen to go to Cape Town: "We have had five good years in Hermanus,

and my wife and I will remain here and this is where we plan to retire. I also have other responsibilities in the Overstrand and will most likely commute to Cape Town when necessary."

No, let's not be cynical (*or ungrateful* – Ed); let's accept Beyleveldt's claim that it's a promotion: "This was not an easy decision, but the party has convinced me that it requires my expertise elsewhere."

So what expertise is required in the National Council of Provinces? Who has even heard of it? Indeed, an internet search revealed a considerable body of opinion that the National Council should be scrapped, as totally irrelevant to the political process.

Pierre de Vos, in his blog "Constitutionally Speaking", describes the council as "the Cinderella house". According to the good professor, the council is very much a consolation prize: loyal party hacks who are left without a job after all positions in the National Assembly and the nine provincial legislatures have been filled, are often deployed there. This means the general quality of its members is not impressive. "Don't expect to find Einsteins among the members of the National Council of Provinces", says De Vos. Right.



## Cosa Nostra Verde

**F**ORGET DRUGS AND GAMBLING, these days the *mafiosi* are breaking into the low-carbon energy racket, says Erin Chapman of America's Public Broadcasting System. With a regulatory system still in its infancy and large amounts of money flowing through grants, loans and subsidies, the wind-energy industry holds significant attractions for the Mafia. On 14 September, Italian police seized the assets of Vito Nicastrì, a businessman with links to the current boss of the Sicilian Mafia. Among the €1.5bn in confiscated assets were more than 40 wind and solar energy companies that appeared to be vehicles for money laundering. AFP interviewed Beppe Ruggiero, an official with the anti-Mafia association Libera:

The Mafia interest in clean energy is explained by the fact that it is a "new sector where there is more public money and less control," Ruggiero said. "It allows the creation of new companies, and so the recycling of money. For organised crime, it's a sector that was still unknown 15 years ago, but is becoming very important."

Italy ranks sixth in the world in wind power, but this will be a story to keep your eye on around the globe as individuals and groups take advantage of early-stage alternative energy regulation.

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# MONSTROUS HATCHLINGS

**F**OR THE PAST 20 YEARS the apartheid-era operators of what is described by European investigators as the largest money laundering operation in history, were confident that they would never be exposed or brought to book. In their heyday, none would have dared: the one man in the know who threatened to blow the whistle on the operation was swiftly and efficiently assassinated. (See editorial.)

As the end approached, one of their last secret projects, code named Masada, was directed at destroying all the documentary records of that massive money-laundering network.

As far as they were concerned, it had been successfully carried out: the documents once held by Armscor and Absa Bank (successor to the original Volkskas Bank), at the SA Reserve Bank and at South Africa's embassies in Paris and Tel Aviv, had been either shredded or burned. No one would be taken captive.

So they – and their ANC successors – thought. So the governor of the SA Reserve Bank thought (see page 10). So Absa's directors and its new owners, Barclays plc of London, thought. So Credit Suisse thought. So the Union Bank of Switzerland and Belgium's KBC banking group thought. They were all wrong.

The reptile egg is about to hatch.

**S**OME TIME DURING 1986, champion racing driver-turned-businessman Jorge Pinhol, a well-connected Portuguese citizen, received an unsolicited call from the First Secretary of the South African embassy in Lisbon: Would he be so kind as to contact Mr Tonie de Klerk, head of the technical committee of the RSA embassy in Paris?

In due course, Pinhol would discover that the “technical committees” based in

The apartheid regime and their ANC successors thought they had successfully put the lid on the biggest money-laundering operation in history. They were wrong



the South African embassies in Paris and Tel Aviv were, in fact, Armscor's secret European procurement set-up, charged with securing “a range of items” needed by South Africa's defence force and its internal security forces. (That they were sited in those cities simply reflected their very close relationship with their Israeli counterparts: Israel had already set up its equivalent “technical committee” in Paris in the 1950s.)

Their main purpose was to circumvent anti-apartheid sanctions and avoid the attentions of the many, increasingly influential, anti-apartheid movements that had succeeded in giving South Africa pariah status, cut off its arms supplies and inhibited its general trade with the outside world.

On meeting Tonie de Klerk, Pinhol learned that his assistance was wanted in creating a Portuguese “channel” for a major project which Armscor needed to hide, for “commercially sensitive reasons”. Pinhol had been chosen for the task because he and his business associates had excellent relationships with Portugal's ruling parties and defence establishment.

In broad terms, Pinhol learned that Project Adenia involved a French government controlled manufacturing company, Aero spatiale (later Eurocopter), secretly supplying Armscor with new Super Puma helicopters, plus upgrade kits for the South African Air Force's existing fleet of helicopters – with the technology and engineer-



## Life in the fast lane



Poster produced by Ford Lusitânia in Portugal to celebrate the world speed and endurance record achieved by Jorge Pinhol in 1973. Driving a two-litre Ford Cortina at Monza, he covered 40,000km in 10 days at an average speed of 167 km/h.

ing resources needed to assemble and maintain them. Unarmed, they were designated “search and rescue craft”.

But first there was to be a smaller trial run, to make sure that Pinhol’s connections could indeed provide a secure channel: in 1986 a night flight guidance system was shipped from France to South Africa via Portugal. When the shipment arrived safely in South Africa, Tonie de Klerk arranged for a commission of US\$25,000 to be paid into Pinhol’s Swiss account.

In July 1987 Project Adenia was set in motion. For its fronting role, Portugal’s Air Force would receive a Super Puma upgrade of its own fleet of search and rescue helicopters – to be secretly paid for by South Africa. For his role in setting it all up, Pinhol’s company would be paid a 10% commission on the full value of Project Adenia, with Aerospatiale paying 50% of the commission. Quite how spectacular a sum the commission would amount to, Pinhol only discovered many years later. Meanwhile he was happy to take the Paris Armscor man’s word; they were by now trusted friends.

Three years later, in 1990, Pinhol enquired about his as-yet-unpaid commission, and was reassured when the Paris man suggested they take a trip to Luxembourg, to open a special account for him at Kredietbank Luxembourg. It was further suggested that he sign Power of Attorney in favour of his Armscor friend, who could then ensure that all commission payments were promptly paid as they became due, and also manage any subsequent payouts.

When they arrived in Luxembourg,

Pinhol was impressed: the bank manager had all the required documents ready for him to sign, everything was done within minutes. Only later would this “efficiency” strike him as suspicious.

Two years later he had still received no commission. Calls to Armscor’s Paris office went unanswered. Even worse, the manager at Kredietbank in Luxembourg wouldn’t take his calls either, let alone report on the state of his account.

In late 1991 Pinhol contacted Pik Botha, then SA Minister of Foreign Affairs, who offered to investigate the matter and called in the assistance of SA’s ambassador to Portugal. Pinhol’s claims were confirmed. On 1 December 1992 Botha wrote a memo to his colleague, the Minister of Defence, recommending that they settle Pinhol’s claim. To no avail.

In 1993, Pinhol instituted *in-camera* court proceedings in South Africa against Armscor. Armscor refused to account for Project Adenia, claiming privilege on grounds of national se-

curity; it also declared that it had “no commercial relationship” with Pinhol or his companies. (Armscor’s lawyers did not disclose to the court that their client was executing Project Masada, aimed at destroying or “quarantining” all documentation on Adenia and other highly sensitive Armscor projects, such as the joint nuclear programme with Israel.)

In the absence of documentation, Pinhol’s senior counsel advised him to withdraw his case, which he did, without prejudice. He then began proceedings in France, in the hope of forcing Aerospatiale to account for its dealings with him and with Armscor. Again he was faced with denials, lies and obfuscation. He would later learn that the chairman of Aerospatiale/Eurocopter, JF Bigay, had written to South Africa’s ambassador

in Paris on 3 May 1996, urging that “essential measures” be taken against Pinhol, to prevent him from pursuing his case. The French judge dismissed Pinhol’s case, accepting Aerospatiale’s false claim that it had sold the helicopters to Portugal.

He finally instituted action in Portugal, where he had reputable witnesses who could testify to his role in the project. But by then he had run out of funds to pay legal costs – that is, until Canadian fisheries and telecommunications billionaire (see *nose131*) John Risley heard of his predicament, and offered to take over the case.

Within no time at all, Lisbon’s top lawyers were hired, as were Switzerland’s top banking lawyers and a leading firm of Belgian lawyers. The latter brought a court application to compel KB Group to produce all its records of their dealings with Armscor in the apartheid era. Investigators were hired to track down all the members of the “technical committee” in the Paris embassy in the 1980s. Many were found, and gave affidavits in which

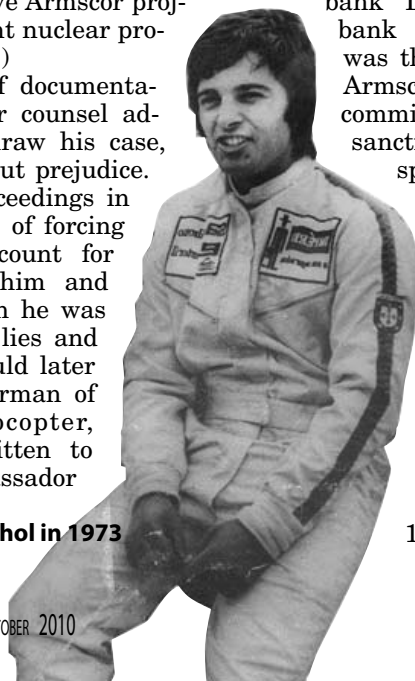
## Everything was done within minutes. Only later would this ‘efficiency’ strike Pinhol as suspicious

they confirmed the deal with Pinhol – and a great deal more about hundreds of projects, front companies and secret offshore bank accounts that were operated in the apartheid era to bypass international sanctions.

It now emerged that Kredietbank Luxembourg, a major bank in the grand duchy, was the main bank used by Armscor’s Paris “technical committee” – throughout the sanctions period. (This despite the fact that the UN embargo against South Africa was officially accepted by the Duchy of Luxembourg in January 1978.) Kredietbank was wholly owned by KBC Group NV, a €35bn company, listed on the Brussels stock exchange.

Between 1980 and 1992 Armscor succeed-

Jorge Pinhol in 1973





ed, with the help of Kredietbank, with numerous arms purchases in breach of the UN embargo. Kredietbank Luxembourg and its sister company Krediet Trust Luxembourg, proposed and managed a complex structure of 850 front companies and “jump account” payment channels for these projects, handling about 70% of the business. (The remaining 30% was spread amongst as many banks all over Europe, Asia and America.)

The whole operation has since been described by Dr Mark Pieth, professor of criminal law at the University of Basle and a former head of the organised crime section of the Swiss ministry of justice and police, as “probably the most serious case of sanctions busting and money laundering yet recorded”. Another Swiss legal expert has described the network as “consistent with classical methods of aggravated money laundering and corrupt financial practices”.

In channeling Armscor’s vast movement of funds from South Africa to its various suppliers through those many complex channels, Kredietbank Luxembourg were afforded a comprehensive picture of the nature and pattern of Armscor’s commercial activities. By way of illustration, bank records and other documents unearthed by European lawyers and investigators over the past year show that Armscor procurement projects handled by the Luxembourg bank included:

- Project Austin – to acquire electronic warfare systems
- Project Nimrod – Mirage jet fighter weapons systems
- Project Keepsake – air-to-air missiles
- Project Buzzard – nuclear components
- Project Popina – Beretta guns
- Project Scummer – armoured vehicles.

The projects run from Paris had a total value of \$12bn or more, according to former Armscor officials. The suppliers located around the world usually issued invoices at a 30% premium or more above their normal price. (Supplier would also contribute – or “kick back” – a substantial commission to an agent or offshore account nominated by Armscor.)

Here’s a handful of names taken from a single sheet of a payment list that totals scores of pages, produced by the Paris “technical committee” – and

what a quick Google search revealed about them:

Aria, Fabrega & Fabrega; “Law firm specializing in general Panamanian legal services and offshore and fiduciary structures using Panama, BVI and The Bahamas.”

Panazur; “The word is a combination of ‘Panama’ and ‘Zurich.’ For almost 30 years, the enterprise has combined legal instruments from Panama (one of the most stable offshore jurisdictions worldwide) with Swiss quality service. “Since its establishment in 1981 the firm have steadily increased the number and variety of companies, foundations and trusts from all over the world on offer; leading provider of offshore products to the entire financial market of Switzerland and Liechtenstein.” (In the Paris list “Armscor company” appears in brackets next to the name Panazur.)

Horst J Feist: “Holder of a patent for converting carbon blanks into graphite electrodes.”

Supramar AG: “Provider of high-speed hydrofoil solutions”.

Titeflex: “Develops and manufactures Teflon and metal hose assemblies for aerospace and aeronautics.”

BNJ Industries: “Customised fighter craft, auto missile defence locking devices, concealable laser turrets.” (From a defence gossip blogsite.)

Project Adenia entailed Aerospatiale delivering kits for 50 new Super Puma helicopters, renamed the Oryx by Armscor in a superficial bid to disguise its origins. Former Armscor officials say the Eurocopter/Aerospatiale helicopter deal was worth \$3bn. By now, Pinhol’s commission claim, including interest, stands at about €300m.

Portuguese sources believe the Lisbon case is likely to be settled very soon, as the focus shifts to much bigger targets: the European banks whose sanctions-busting on behalf of the apartheid regime have now been exposed, and in South Africa, so have Absa Bank, its former directors and shareholders – and its UK parent-in-the-know, Barclays. In the process the Reserve Bank’s past actions are sure to be hung out to dry, despite its recent best efforts to batten down the hatches.

Faced with the growing threat of massive reparations claims by victims of apartheid, in May KBC Group NV hurriedly negotiated the sale of its Luxembourg subsidiary, KBL European Private Bankers SA, to India’s Hinduja Group for €1.35bn euros. The bankers are on the run. ☐

**T**HE SOUTH AFRICAN Reserve Bank Amendment Act (Act 4 of 2010) made its passage through parliament faster than any other Act, ever. “The entire legislative process in less than five months? Unheard of in this country,” a legal expert told *noseweek*.

The new Act appears to achieve its primary objective: to clip the wings of unwanted shareholder activism and provide a little more “privacy” to those calling the shots at 370 Church Street, Pretoria.

Here’s how it all happened:

During mid-March German shareholder Michael Duerr informs the South African government that he intends to start proceedings before an international tribunal, to protect his investment in SARB shares. He says the Reserve Bank’s management are “creeping expropriating” his rights, contrary to the provisions of a bi-lateral investment treaty South Africa signed during Trevor Manuel’s tenure as Finance Minister (see *noses*101,115,127&129)

In mid-April, Duerr engages directly, yet fruitlessly, with new governor Gill Marcus to address his issues. On 21 April, the Reserve Bank receives a request by shareholders to convene an extraordinary general meeting to address their issues. On the same day a Cabinet meeting takes place at which the go-ahead is given for amendments to the Reserve Bank Act.

Two weeks later Marcus asks Duerr for more time to answer his questions; only hours later a *Government Gazette* is published, containing a proposed Bill containing amendments to the Reserve Bank Act. On 15 May the public participation process is advertised. The public is given just two weeks to make submissions. Two weeks later, on 30 May, Duerr meets Marcus for the last time. The outcome of the 90 minute meeting, according to Duerr: “We could only agree that we can’t agree on anything.”

During the first days of June, the participation process takes place before parliament’s Standing Committee on Finance. On 25 July, the SARB hands in a 47-page document rebutting the shareholders’ submissions in opposition to the Act. The SARB document is kept secret until the end of the process. One shareholder’s submission came accompanied by a document describing illegal,

# Reserve Bank deactivates the activists

criminal activities by (current) SARB employees, Governor Marcus included. SARB claims not to have understood this submission. The Standing Committee approves the Bill.

On 10 August, Minister of Finance Pravin Gordhan appears before the National Assembly and explains the urgency to amend the Act, citing “questionable shareholder actions” that allegedly threaten the functioning of the Bank. Three days later a notice appears in the *Government Gazette* announcing that the SARB AGM is postponed from September to 8 December. Only 48hrs later, a second participation process is advertised, this time before the Select Committee on Finance. Interested parties are given just seven days to submit their input. The Select Committee approves the Bill after the hearing on 25 August and, one day later, the National Council of Provinces agrees to the SARB Amendment Bill.

On 9 September the “South African Reserve Bank Amendment Act” is published in the *Government Gazette* and becomes law. According to the *Gazette*, the President assented to the Bill on 8 September, just in time to make the all-important AGM on 8 December possible. According to the presidential minutes, President Zuma only signed it on 12 September (a Sunday) – three days *after* the Act was gazetted as law. It also emerges that the new selection panel provided for in the amended Act could only have been constituted legally on 13 September – too late for the nomination of new directors in time for the AGM scheduled for 8 December.

In their haste, the SARB and the Treasury appear to have tripped over their own fibs. But as *noseweek* readers will have gathered, it’s becoming something of a habit.

Is Gill Marcus to be credited with the unprecedented speed of this fast track legislation? Hardly, says a ranking source in the SARB: about

eight years ago a few shareholders started asking questions, about their dividends, primarily. In 2003, a majority at the AGM actually voted to approve a substantial increase in their dividends, which they somehow never got. However, they had shown that they could assert themselves beyond the board’s control. Shortly thereafter, the bank’s management and its legal advisors began considering ways to limit the rights of shareholders. Some of the amendments to the Reserve Bank Act were thus in the pipeline long before investment banker Duerr started asking inconvenient questions and even – horrors – calling the Bank’s management to account and demanding an audit of the Bank’s gold reserves and other assets.

But while the basic draft had probably been lingering in someone’s bottom drawer for years, some sections of the Amendment Act, and the accompanying regulations in particular, were obviously hastily amended to deal with Duerr: he and his family hold, legally under the old Act, 10,000 shares each; altogether almost 5% of the total share capital of the Bank. Under the new Act, close family members, step-children and even members of the same church are not permitted to acquire more than 10,000 shares jointly, limiting, among other things, their voting rights.

Comments human rights lawyer Zehir Omar: “It would appear that certain provisions of the SARB Amendment Act conflict with our Bill of Rights, Section 9(1) in particular.” Section 9(1) is the Equality Clause. According to Omar, a constitutional challenge could soon be on the cards.

And what of the private shareholders’ oversight function? One would have wished for changes to the Reserve Bank Act that would support them in performing that function – not disempower them. Unfortunately it is a fact of life that South African

shareholders are generally a disorganised, gutless bunch; the SARB lot were unable even to deliver just the 10% of votes legally required to force the bank into convening a special general meeting. And now, since 13 September, the minimum has been upped to 20% – besides clear restrictions on what they would be able to discuss there: they have been told in no uncertain terms that the day-to-day operations of the Bank are none of their business. (Which, of course, is where the trouble lies.)

To top it all, the board no longer manages the Bank. In the new Act the phrase “shall be managed by the board” has been relaxed by “shall have a board of directors”.

And the Bavarian? Might Herr Duerr be willing to spend a few hundred thousand rands on a Constitutional Court challenge in South Africa? “Absolutely not,” he says. “They’d pull me over the table like they have done for the past couple of years. I’m fed up with it.” Besides, “this illegal piece of rubbish [the new Act] is actually good for me”.

How? Duerr, who probably has more insight into the finer mechanics of international banking than the current SARB board members, appears to have learned a thing or two from *nose131*: He is now negotiating with a hedge fund run by lawyers, which specialises in third-party litigation, and that they are about to finalise an agreement in terms of which the fund will finance the international lawsuit Duerr had always threatened, should the SARB “play dirty”.

He has in mind a class action in the US, combining all foreign SARB shareholders whose investments in South Africa might be governed by a bilateral investment treaty. Such a treaty would supersede local laws aimed at unfairly limiting the rights of foreign shareholders. Roughly 20% of SARB shares are in foreign hands, half of them German. ▣

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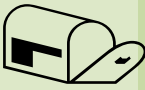
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TK Mahlangu with fiancée Melissa Singh

# LEFT TO DIE

**B**ACK THEN, TK, Keenan, Louanso and Melissa were all young kids together at Halfway House Primary School, and they remained a tight team during their party-packed teenage years in the highway-strewn wasteland of Gauteng's Midrand. So when it came to Louanso's 21st birthday party in June it was their natural leader TK who was chosen to deliver a valedictory speech to the assembled guests and present a photo show of Louanso and himself growing up.

Just hours later a blood-drenched TK was rushed to hospital, stabbed twice in the back after a row that broke up the party. By morning, after 11 hours of clinging to life, TK, just 23, was dead.

The 21st birthday party for Louanso Ramsamy was held in the clubhouse of the Crescentwood estate in Noordwyk on Saturday 26 June. Louanso was part of a large Indian family and the clan turned out in strength. Ntokozo Mahlangu, whose nicknames included TK, Khoza and Bows, arrived with Melissa Singh, his old primary school classmate and now his fiancée. TK's parents had split up when he was two, and he and two brothers had been raised by their grandfather, Matthews Mahlangu, at his home in Vorna Valley.

Melissa had been TK's sweetheart since she was 15 and for two years they had lived together in a rented cottage in Noordwyk, two minutes' drive from the party clubhouse. TK, an ambitious extrovert and keen motocross rider – he had

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TK with Louanso (centre) and Louanso's younger brother Trevlin at the party just before the fatal stabbing

been riding motorbikes since he was eight – had his own Pro-Active Driving School, in nearby Kyalami. In February, when Melissa had her 21st, they became engaged.

“We were all friends together since primary school,” says Melissa. “And at Midrand High School we were all in Grade 8 together. TK gave a very nice speech at Louanso’s party; he was in the spotlight the whole night. He made conversation with everyone. He was very sociable: very popular.”

There were quite a few old school-mates there – “our group of friends,” as Melissa puts it. But the majority of party guests were members of Louanso’s family, including a group of older men known as the uncles. Melissa had always chosen to keep her distance from the uncles, but Louanso was welcome at their cottage and “wherever we went he was there”.

TK’s younger brother Buhle, 21, dropped in briefly after 9pm, on his way somewhere else. Buhle says the atmosphere “seemed contained”, but recalls that on his way up the narrow pathway to the clubhouse verandah he was blocked by an older man named Vicky. “I know him from around. He blocked my way and looked at me as if he wanted to intimidate me,” says Buhle. “I just left it.”

Among the ex-Midrand High friends present was 21-year-old Wheylin Govender, there with his girlfriend Sulantha Naiker, who is Melissa’s cousin, Sulantha sheds some light on the dynamics of the gathering. “Basically, if you put a lot of Indian men together with alcohol you’re bound to have some sort of confrontation – and that’s exactly what it was,” she says.

“When Wheylin and I got there at 8pm practically everybody was drunk already. I think there was a lot of focus on TK, because of his race. He’s not supposed to fit in with Indians and coloureds and whites, but he does, better than anyone else. He’s got an

Indian girlfriend, which would make him the envy of the Indian men there, most of whom were in their 40s.

“TK took the birthday cake around and made a little speech and showed images of Louanso and himself through their lives as friends.”

Like Melissa, Sulantha was wary of the uncles. “We went outside, because those boys – Wheylin, TK, Keenan – don’t get along with those men. They are older Indian men from Midrand who’ve been rowdy over the years. We really tried to keep our distance.”

The countdown to violence and death started over a misunderstanding. Keenan Malouw, one of the original primary school team, was joking with Kirshen, another old high school mate who carries the nickname of Porky. “He’s quite bulky, putting on muscle,” says Keenan. “I asked him if he’s gyming.” No, replied Kirshen, it’s natural in my family. He called his uncle and said: “Look at my uncle, he’s also built like this”.

“What are you guys arguing about?” demanded a friend of the uncle. “Nothing,” replied Keenan. “Are you disrespecting me?” demanded the man.

Says Sulantha: “This is how the fight began. Everything broke out in front of the clubhouse, up on the patio. The fight went down onto the lawn and then pushed out into the car park. Someone called TK and said: ‘Keenan’s in a fight’. And TK ran out and immediately got involved. I mean, instinctively, that’s what you do. Everyone forgot about Keenan. The focus and the target was TK – when he had absolutely nothing to do with the fight.”

All evening a drunken off-duty Metro police officer named Alvin Naidoo, clad in a leather jacket, had been strutting around, showing off his gun. “He kept showing everyone that he had a gun,” says Sulantha. “He was extremely intoxicated and kept walking around looking for a problem.”

TK and Alvin Naidoo started scuf-

fling. "After a minute Alvin pulled out his gun," says Keenan. "TK was trying to hold Alvin's hands to avoid the gun pointing at him and as they were doing this one shot went off." Other witnesses, including Sulantha and Melissa, say Naidoo fired twice.

Says Melissa: "People were pushing each other around, screaming. Alvin started fighting with Ntokozo [TK]. Blows were exchanged then Alvin pulled out his gun and said: 'I'm going to shoot you'. He fired two shots. I saw the gun pointing directly at Ntokozo."

The 50-or-so partygoers, including women and children, dived for the ground. TK and Naidoo were separated and although Alvin's party friend, Vicky Maharaj tried to provoke TK as he climbed into his car, they managed to get away.

So was TK a fighter? "In our younger days, when we were adolescents, yes," says Keenan. "He got into a lot of fights and stuff. But I think Melissa

to fight. He took off his jewellery – his watch and his rings. The next thing Alvin said: 'No, you're not worth it'. We were about to leave when TK said: 'Yeah, 'cos you can't fight without your gun.' TK was sitting in his driver's seat. Alvin came and kicked him in the face.

"They got into a scuffle. Alvin broke free and came back with the gun and hit TK on the head with it. TK was trying to get the gun from him. At one point the gun was pointing at TK's head. Alvin cocked it while it was facing TK's head and a bullet fell out. It was already cocked.

"I moved back screaming at them to stop. TK told me: 'Take the gun!'. The next thing he said: 'Keenan, take the gun, I'm stabbed!' Vicky just went in and stabbed TK in the back.

"I was focussing on the gun. I didn't see the knife go in, but Johnson said he saw Vicky getting into [TK's] car and stabbing him twice.

## All evening, a drunken off-duty Metro cop had been strutting around, showing off his gun

calmed him down. He was very chilled out in his grown years."

Back at their cottage, Melissa tried to calm TK down. "He was very angry." There are two versions of what exactly happened next. "TK said we needed some cool drinks," says Keenan. "So he and I went to the Shell garage, two minutes' drive away."

However, Sulantha says that before TK left the cottage, he received a call from another old schoolfriend, Johnson, saying: Meet me at the Shell garage. Keenan accompanied TK to the garage. On arrival they saw three men in a parked car. They were Metro cop Alvin Naidoo, his friend Vicky and, in the back seat, Anton Govender.

"They were parked like they were waiting for something," says Keenan. "TK stopped next to them. Alvin got out of his car and they exchanged words. Alvin was getting ready



TK's brother, Buhle

"Alvin was saying: 'Get off me, I'm not going to shoot'. TK left him and took off his shirt. Blood was gushing out. They [Alvin, Vicky and Anton] left. Keenan drove TK's Toyota Yaris for the 15 minutes it took to reach Life Carstenhof Clinic.

The private clinic, part of the Life Healthcare group (see *noses123&124*), is presented as a "world class hospital" focussed on "the delivery of a special brand of health and care to patients". It has 113 beds, each with en-suite bathroom, six "laminar flow" theatres.

Most importantly, it boasts a "24-hour accident and emergency unit, supported around the clock by resident specialists" and a 10-bed general intensive care unit.

Patients have to present their medical aid card and ID on admission. Even private patients are required to pay a deposit prior to admission.

TK had no medical aid. On arrival, Keenan

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told staff: "My friend's been stabbed". He was given a wheelchair and instructed to wheel TK into the emergency room. "They told us they're going to need R1,500 to stitch him. TK had some money with him. We called Melissa and waited for the rest of the money to come. They cleaned up the blood and put some gauze on it."

Melissa arrived and handed over another R2,000. "Then they said they had to admit TK and we had to pay, like, another R15,000," says Keenan. "That was to keep him there for the night."

A pivotal figure now enters the scene. Chris Nicola, a street-smart 28-year-old who drives a near-new black Range Rover with tinted windows, was originally a friend of TK's 26-year-old elder brother Keketsa and had become close to TK and his circle.

Chris was at another party that night when he received a one-word text from TK: "Help". He called back and TK told him he'd been stabbed. "I went directly there," says Chris.

"When I arrived at Carstenhof they'd already sedated him. He wasn't stabilised at all, he was just lying on a table. The hospital said they wanted to move him to Tembisa [state hospital] unless we paid R15,000 cash upfront. I said OK, give me 10 minutes. I left. I had it at the house. I got the money. I brought it back. I paid them. We signed all the papers and it was done. I signed the admission papers.

"Only then did they make a hole in his side and start draining the blood. They started a blood transfusion.

"After all the paperwork was done we asked: Right, what's next? Where's the surgeon? When are you going to operate on him? But there was no sur-

geon; they said the doctor's only coming later, about 10am or 11am."

Says Keenan: "When Chris Nicola brought the R15,000 and they admitted him they said they need a specialist to operate. They said there's no one there who can do what needs to be done. This was after we paid the R15,000. They said: 'We tried to call this specialist but their phone is on voicemail'. They said: 'We'll have to send him to Tembisa'."

This is confirmed by Sulentha, who had also raced to Carstenhof. "They had TK in the emergency unit, but they needed a R15,000 deposit to keep him there for the night. The R15,000 was paid. They needed a doctor. They tried to contact one for half an hour and thereafter said: 'We can't get hold of the doctor'."

TK had a horror of the Tembisa state hospital after being taken there some three years ago, when he was stabbed in the arm with a broken glass.

So around 2am TK's fiancée Melissa and Chris Nicola decided to call Netcare's Sunninghill hospital. Chris made the call. "I told them the kid's been stabbed in the lung and it's an emergency. I said he's in Carstenhof, they don't have a surgeon and they want to send him to Tembisa. The person said: 'Either you're on medical aid or you have to pay R50,000 in cash as a deposit'."

Who can rustle up R50,000 cash in the early hours of a Sunday morning? Chris requested they transfer TK to the Joburg Gen. Carstenhof refused, saying that hospital was out of their jurisdiction. "They said Tembisa had a surgeon on standby," says Chris. "The surgeon was waiting for TK. We looked at our options: Carstenhof didn't have a surgeon; we can't afford Sunninghill; they wouldn't take him to Joburg Gen.; they say there's a surgeon waiting at Tembisa. So fine, we said, take him there."

Carstenhof refunded R9,900 of the R15,000 deposit - keeping R5,100 - and around 4am on the Sunday morning TK arrived by ambulance at Tembisa hospital where he was deposited in the emergency room. Chris maintains there was no surgeon waiting. Soon after 6am TK's grandparents arrived. "They said they might have to operate," says 65-year-old Matthews Mahlangu. "I signed the consent papers." A doctor told Mahlangu that TK had a 50/50 chance and they couldn't operate until the bleeding stopped.



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Chris asked TK's grandfather: "Can't we organise some more funds? I don't trust these people." Mahlangu said he had no more funds. "He was also scared of moving TK again."

Around 10am on the Sunday morning, some 11 hours after he was stabbed, TK died. Younger brother Buhle was there. "I think he bled to death, from what I saw," he says. Says Chris: "He fought for all those hours; they didn't really give him a chance, did they?"

With a Metro cop in the frame over the stabbing at the Shell garage, and aware of the appalling reputation of Midrand Police – readers might recall the experiences of the sisters Rosie and Starr Geaney at their hands in the saga of the African Sun lodge (nose93) – Chris knew he had to move fast. He sped to the garage and noticed that one of two video cameras was pointing directly at the

incident and emergency doctor in the unit, whose priority was to stabilise the patient. As it was evident from Mr Mahlangu's condition that he would require hospitalisation and further medical treatment (post the emergency medical treatment) the receptionist did ask the family for a deposit of R15,000.

"Once the patient was stabilised the attending doctor contacted the specialist on call to consult her on Mr Mahlangu's condition. There is no cardio-thoracic surgeon on call for emergencies at Life Carstenhof Clinic. The decision was then taken to have him transferred to an appropriate facility. The receiving doctor at Tembisa confirmed that they could accept the patient and render the further necessary treatment.

"An amount of R5,100 was received and receipted on our system in pay-

'They had TK in emergency, but needed a R15,000 deposit to keep him there for the night'

point where the stabbing took place, and took a photo of the scene, which shows this.

"There was no incident here," the manager maintained, refusing to hand over the CCTV tapes. How did he know? "The pump attendants and all the staff would have been talking about it."

Midrand police's investigating officer, Warrant Officer Sam Dololater, told the family there was nothing of use on the footage. He said the angle of the camera was wrong. Yes, today it certainly is: someone has repositioned the angle so it no longer covers the stabbing site.

On 28 June, the day after TK's death, Metro cop Alvin Naidoo was arrested. His superintendent arranged for free bail and Naidoo was released the same day. The following day Vicky Maharaj handed himself in. He was released on R3,000 bail. Their next court appearance is scheduled for 12 October. Midrand police refuse to speak to *noseweek* about the case.

Asked for comment, a spokesperson at Life Carstenhof Clinic says: "The patient arrived after midnight on Sunday morning 27 June and was attended to immediately by the ac-

cident and emergency doctor in the unit, whose priority was to stabilise Mr Mahlangu. There is therefore no receipt of R15,000 being received as the patient was not admitted."

At Netcare, still basking in the glow of gushing media reports after finding beds for more than 750 patients in emergency medical situations during the recent public service strike, news of Chris Nicola's call to Netcare Sunninghill and the hospital's alleged demand of R50,000 before TK could be admitted, is treated with disbelief by chief executive Richard Friedland.

"We'd see any emergency, it's a sanctity of life issue," says Friedland. "We'd never turn anyone away with a life-threatening condition, as we've demonstrated through the strike. Clearly, for a routine operation or elective procedure, a quotation normally would be given. I'm not sure whether it was clearly explained to our receptionist that this was life-threatening or an emergency."

■ Netcare CEO Richard Friedland is to appear in the dock to face various charges, including forgery and uttering, relating to illegal kidney transplants (nose110) allegedly performed at Netcare facilities. ■

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# Sol survivor

Widow says Sun King Kerzner stitched up her East London businessman husband and destroyed the lives of his family



Before the fall: Maggie and Chris van Rensburg

**A**RISE SIR SOLOMON! When it was announced earlier this year that Sol Kerzner would be knighted, along with 25 other Bahamians – an honour no doubt bestowed because Kerzner’s hotel group is the largest private employer in the Bahamas – Maggie van Rensburg decided that too much was too much: it was time to go public with her story.

The 47-year-old widowed mother of twin boys has had the Sun King on her

mind for over 20 years – ever since the glamorous lifestyle she and husband Chris van Rensburg enjoyed came crashing down. Says Maggie: “Chris and I came from humble beginnings, to living in a beautiful home with love and laughter; working hard, travelling, entertaining interesting people – always together. How perfect it all seemed, with so much hope and so many dreams for the future.”

Chris van Rensburg’s was a classic rags-to-riches success story. With an alcoholic father, and having dropped out

of school, Van Rensburg found work as a bank teller, which gave him a healthy respect for money. He went on to become an entrepreneur who made his fortune in construction, through companies like Nitor and Themba, which were involved in major construction projects in Johannesburg, including the Morningside Clinic, Omnipark and Southgate Mall.

But Van Rensburg’s most important company was Jalc, an acronym derived from the first names of the four partners. Van Rensburg was the chairman, and the company concentrated its efforts in the Eastern Cape, a region that East London resident Van Rensburg knew well.

Van Rensburg became closely associated with the Transkei government after the homeland’s “independence” in 1976, and particularly with George Matanzima, prime minister in the government of older brother, and president, Kaiser Matanzima. For some ten years Van Rensburg was George Matanzima’s personal adviser. He was so well-connected with the movers and shakers of Xhosaland that he was appointed the first white chief of the tribal authority in Kambasha.

Van Rensburg earned his stripes – he secured a loan from a Swiss bank for housing, and in 1976 he arranged the first foreign investment in Transkei, in the form of a German company called Laborbau, which manufactured laboratory fittings. Says Maggie: “After Chris established Laborbau in 1976 excitement was huge – he stood on the bonnet of his car promising the impatient crowd that he would bring more jobs. Eventually, with huge effort, time

and personal expense, 23 industries arose.”

In return Jalc obtained contracts to build housing and police accommodation. And, very importantly, in 1976 Van Rensburg acquired gaming rights in Transkei in the name of a company called Transgames, which operated slot machines at the Umtata Holiday Inn.

Such was Van Rensburg’s clout that he became an unofficial ambassador for the wannabe republic; a position that allowed him to rub shoulders with senior Nat politicians like Hernus Kriel and Pik Botha, who enjoyed Van Rensburg’s hospitality on a number of occasions, in the form of hunting trips to which they would fly in Van Rensburg’s plane.

Then there was Chester Crocker, US Assistant Secretary of State for Africa, staunch ally of apartheid SA, and the man behind the Namibian independence deal. On 14 December 1981 Van Rensburg wrote to Crocker, thanking him for his “friendship and courtesy”, and assuring him that “I would do anything in my power to promote this



Chris van Rensburg with Ol' Blue Eyes

As the *Sunday Times* reported on 13 April 1980: “Chief Matanzima chose Johannesburg entrepreneur Mr Athos Poulos and Cape businessman Mr CJ van Rensburg to make contact with the Shah’s entourage in the United States early this year.” In his letter to the Shah, Chief Matanzima wrote: “Both these gentlemen have been of inestimable assistance to my country over its formative stage.” Also involved in negotiations were a Los Angeles county sheriff by the name of Peter Pitchess, and Walter Annenberg. The Shah never made it to the Transkei – he died that same year, in Egypt.

In 1983 Van Rensburg met Maggie, an attractive air hostess 17 years his junior, and within half an hour proposed. The couple married in 1984, and from day one lived the good life – an eight-seater airplane, a yacht, an East London mansion they called Rancho Palm Springs, and a holiday home on the Wild Coast. Says Maggie: “For our love we were blessed with twin boys in 1991.”

## Such was Van Rensburg’s clout that he was able to rub shoulders with senior Nat politicians like Hernus Kriel and Pik Botha



growing empathy between us”.

And wealthy US right-wing publicist, and former US ambassador to the UK, Walter Annenberg, owner of a rather fabulous pile in California, called Rancho Mirage, a home frequented by the Reagans, as well as the likes of Frank Sinatra, Bing Crosby, Bob Hope – and, yes, Chris van Rensburg. (Through his connection with Annenberg, Van Rensburg met Sinatra, and the two discussed the possibility of concerts in South Africa. Sol Kerzner would eventually sign Sinatra up for Sun City.)

In 1980, in a fairly desperate attempt to achieve some sort of credibility, Transkei offered the Shah of Iran political asylum, following the Islamic revolution in that country. The offer was generous – full citizenship rights, permanent residence for his staff, free accommodation, secondment of security personnel, access to telecommunications, and an opportunity to buy land. And who better to act as the go-betweens?

Chris van Rensburg and George Matanzima

In 1987, Van Rensburg crossed paths with Sol Kerzner. Sol wasn’t too keen on providing housing for the poor in Transkei, but he was very interested in Van Rensburg’s gaming rights. So a deal was done: a Kerzner company called Transun took over the gaming rights of Van Rensburg’s Transgames, in return for a cash payment of R3m, shares in Transun (which would build three casinos in Transkei), and royalties on gaming profits.

Kerzner’s attorney (and one-time mayor of Cape Town) David Bloomberg negotiated the deal on his behalf. The same year saw a *coup d’etat* in Transkei, with Major-General Bantu Holomisa taking over the reins. Holomisa promptly appointed a judicial commission of enquiry to look into the affairs of the Transkei under the Matanzimas. With that, everything changed for the Van Rensburgs.

On 13 January 1988 the Van Rensburgs woke at the Wild Coast Sun, to the news that Kerzner had denied under oath that he had paid a R2m bribe to George Matanzima in order to get gaming rights.

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“Sun International Denies Corruption” screamed a headline in *The Citizen*, which reported that Sun International considered its gambling rights to be legal despite the coup, and wanted an apology and retraction from newspapers that had reported the allegation of bribery. Full page ads denying liability appeared in the press.

In a 12 January 1988 statement, Sun International said: “If indeed Mr Bloomberg dealt with the R3m remitted to him in a manner which differed from the allocation [...] Sun International and Transun were totally unaware of this. That amount was in fact remitted to Mr Bloomberg for and on behalf of the vendors. At no stage did Mr Bloomberg represent either Sun International or Transun.”

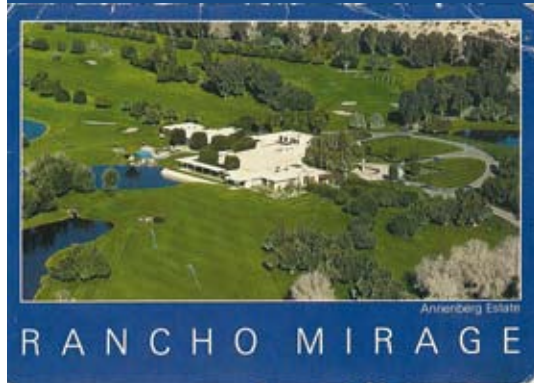
The implication was clear — if a bribe had been paid to Matanzima, the vendor, Chris Van Rensburg, must have paid it. The Van Rensburgs were so alarmed by the news reports that they decided to leave their Wild Coast home in a hurry — in such a hurry that Van Rensburg nearly crashed their plane on takeoff.

From the moment they arrived back in East London, their life became a nightmare. It was suddenly suggested that, if Van Rensburg had paid a bribe for gaming rights, Jalc had probably also paid a bribe for a R11m housing contract it was working on. As a result, the new Transkei government froze payments on that contract. Then Nedbank withdrew Jalc’s R10m overdraft facility, seemingly on the instructions of Sol Kerzner. Jalc’s books were seized by the investigating authorities — and never returned.

When Van Rensburg tried to sell his 12.5% shareholding in the Fish River Sun (apparently worth R23m) to the company that owned the rest of its shares, Sun International, Kerzner refused to buy. Shortly thereafter Rand Merchant Bank offered just R7.2m, and a desperate Van Rensburg accepted.

The Van Rensburgs also discovered they were losing friends. According to Maggie, Pik Botha deserted them, refusing to put pressure on the Transkei government to honour the housing contract. (Maggie claims that Kerzner had many leading Nats in his pocket.)

Maggie gives a graphic description of the ordeal: “Our slaughter and spiralling downfall began. Our company books were seized, bank accounts frozen, our bankers interrogated, credit facilities cancelled, monies for a half-



**Walter Annenburg’s Rancho Mirage and (beneath) the Van Rensburgs’ Rancho Palm Springs**

completed housing scheme in the Transkei frozen. The funders pulled out of five new shopping centres in Johannesburg. Telephones were tapped. Chris was constantly visited and questioned by the SA Police and Intelligence Services. Malicious people everywhere. Huge advocate and lawyer fees to defend ourselves. Selling and auctioning valuable assets for nothing. Absolute hell. Everybody searching for the R2m. Our turnover fell from R500m to R2m, from 1988 to 1989.”

A year later, at the Harms Commission of Enquiry, Kerzner changed his tune. Cornered, he admitted he had paid the bribe to George Matanzima, but claimed he had been the victim of “commercial extortion” by Matanzima. The bribe money had been paid into the bank account of Ugie farmer, GJ Gouws, with whom George Matanzima was negotiating to buy a farm.

Kerzner said in an affidavit: “Under undue pressure from then Prime Minister George Matanzima, R2m of the funds available from this transaction were, to my knowledge and the knowledge of Mr D Bloomberg, paid to the account of Mr GJ Gouws, for the ultimate benefit of Prime Minister G Matanzima. I accept responsibility for this jointly with Mr Bloomberg.” (George Matanzima would eventually go to jail for having accepted this bribe.)

Although the Commission was

unable to find evidence of serious wrongdoing on the part of Jalc – there was a finding that the company had bought a piano for a school and offered US scholarships to two pupils – Van Rensburg’s reputation was further damaged when the chairman of IGI, Ivor Michael Lewis, testified “out of the blue” that Van Rensburg had once offered him a bag of uncut diamonds, as security for a performance guarantee. (According to Maggie, outside the court, Van Rensburg went down on his knees in front of Lewis and asked how he could do that to his family – a question Lewis didn’t answer.)

The damage was done. Van Rensburg was so affected that he shut himself away in his room for four months. Although he did eventually do some consulting work, Maggie became the breadwinner, making ends meet by running a shebeen in an East London township. She says, wistfully: “I exchanged my evening dresses for worker’s clothes.” Maggie’s role became increasingly important as Van Rensburg became seriously ill. Says Maggie: “For six years we fought death, face to face; three burst aortic aneurysms, a burst duodenum, several graft procedures in his legs and an aortic bypass.”

Van Rensburg died in the swimming pool of the Health & Racquet Club in



**Kallie Niemand, Chris van Rensburg (in balaclava) and Pik Botha (right) on a hunting expedition in Vanzylsrus**

an honest friend to all those who knew him. This is not only your loss but a loss to the country.”

So was Chris van Rensburg the angel Maggie remembers, a man whose chief passion was creating jobs for the poor? Probably not. Van Rensburg himself had this to say in a tearful newspaper interview: “Yes I have made mistakes. I have been involved in dozens of projects – it is not surprising one or two may have gone sour. And yes... perhaps some of my houses were too expensive, some of them may have developed cracks, and perhaps – I admit – I didn’t

attempt against Holomisa (who, the apartheid government felt, was too friendly to the ANC), with the name of a police brigadier called Deyzel coming up.

When *noseweek* asked Maggie about the military connection, she said Jalc had business relationships in various African states, and Chris was forever being told by government officials in these countries that the South African security forces were committing atrocities in their countries. She says Chris told his old mate Pik that they couldn’t build bridges with stuff like that going

## Van Rensburg shut himself away in a room for four months. Maggie became the breadwinner, running a shebeen in an East London township

East London, on 20 August 1999 with Maggie at his side. Says Maggie: “Ten years of hell, disappointment, embarrassment and pain were over for him, but not for me.”

At the time of his death Van Rensburg still had some well-placed friends – MP Mluleki George wrote a note to Maggie and her sons, on parliamentary notepaper, to say: “It is with great sadness that I convey my heartfelt condolences in your bereavement. Chris was

always pay my taxes.”

But, he went on to say, none of that justified what happened to him at Kerzner’s hand: “I am half a man. Even cabinet ministers phone me at 2am with offers of special deals to buy my personal airplane. I no longer have the will to fight.” And yes, the more astute reader will have picked up the clues – there have been strong suggestions that Jalc was something of a National Party government front company. The Truth and Reconciliation Commission heard evidence, during a Eugene De Kock amnesty application, that Jalc was a front for military intelligence, and that it was involved in a coup

**Chris van Rensburg being crowned by Lennox Sebe as a white chief in the tribal authority of Kambasha; and (right) with private plane**



on, and Pik said he'd see what he could do to control the lunatics, and arranged for police brigadier Deyzel to be seconded to Jalc as a link man between Van Rensburg and the SA government.

As for the attempted coup, Maggie says Van Rensburg did know that it was going to happen, but refused to be involved. The mastermind behind the coup was one of Van Rensburg's business partners, Vulindla Mbotoli, a director of Themba Construction. Mbotoli's co-conspirator, Colonel Craig Duli, managed to drop Van Rensburg in the shit by phoning him during the coup. He had shrapnel in his eyes and wanted Van Rensburg to use his contacts to arrange medical assistance – a request Van Rensburg refused.

After the coup failed, Duli and another leader, Boetie Davies, were assassinated by the Transkei military who, under the leadership of Brigadier TT Matanzima (a distant relative of the former leaders) switched sides half way

Gaming Control Board to make quite sure that he was fully apprised of the Sun King's background as a briber for casino licences. Maggie derived huge satisfaction from seeing the following headline in *Business Day* on 7 March 2000: "Kerzner's Group Backs Out Of US Deal".

According to the report: "The move, announced last Thursday without explanation, came as the Nevada Gaming Commission was conducting background checks into Kerzner's past operations in SA in order to certify him as morally fit to run a Las Vegas casino."

In pulling out of the deal, the company forfeited an \$8m deposit. Maggie says: "For the first time Kerzner did not win the round. I guess you can call it a dream for a dream: we both took each other's dreams. His dream of seeing his name in neon lights in Las Vegas. Mine: to have a long joyful life with my beloved husband, raising two boys."

them to sell their shares, resulting in a significant drop in the Sun International share price.

Maggie also made sure that Kirk Kerkorian, a Kerzner competitor, and a major shareholder in the Treasure Island, MGM and Bellagio hotels, got to know all about Sol's past. Kerkorian, an Armenian-American, was apparently a friend of the Shah of Iran, and in a letter to him Maggie wrote: "When the late Shah of Iran was an outcast, my late husband Chris van Rensburg offered him help. I have an unbelievable story (facts) to discuss with you: one without an ending yet. It would be greatly appreciated if there would be such an opportunity."

In 2001 Kerzner sold the rights to the Sun International brand.

Maggie is philosophical, and she's writing a book she wants to call *One Lie*. As she says: "One lie destroyed our lives. No regret, no apologies, no remorse, no nothing." She has tried to

## Kerzner left South Africa and in 1994 bought the Paradise Island Resorts, including the well-known Atlantis hotel

through the coup. Mbotoli meanwhile hotfooted it to Johannesburg, from where he was abducted and returned to the Transkei, where he served time.

As is so often the case, truth puts fiction in the shade.

Maggie held on to the home in East London, but in 2004 she sold up and moved to the Western Cape: "I left my house of hope, dreams and disappointment to move to Cape Town in 2004. I promised my boys, when their father died, that I would put them in Paul Roos Gymnasium in Stellenbosch, the school their father attended." To pay the bills, she worked as a consultant for Basil Read. She has not remarried.

Kerzner left South Africa and in 1994 bought the Paradise Island Resorts, including the well-known Atlantis hotel. He would, of course, go on to do great things with The One and Only chain, and The Palm in Dubai. But not without some serious setbacks along the way, particularly in the USA – for which Maggie likes to take some credit.

In 2000, when Kerzner applied to buy the Desert Inn in Las Vegas for Sun International, Maggie wrote to Randal Sayre of the Nevada State

The *Business Day* report mentioned that Kerzner "had previously received a clean bill of health from casino regulators in New Jersey and Connecticut, where Sun International operates the Mohegan Sun Casino". On that occasion, the Gaming Commission said: "Having observed Kerzner testify, we find that he was a candid and forthright witness. Based on the entire record before us, the unsavoury aspects... are an aberration that occurred a decade ago, and Kerzner has clearly and convincingly demonstrated good character, honesty and integrity."

But despite the more facile standards of the regulators in these states, things didn't go well there either — Sun International's contract to manage the Mohegan Sun in Connecticut was terminated, and the company incurred a loss of \$235m when it sold the Resorts Casino Hotel in Atlantic City. In 2001 Maggie did a search on shareholders of Sun International and discovered that the two biggest were Ronald Baron of Bamco Inc in New York and James Dawn of Orbis Holdings Limited in Bermuda. She told them all she knew about Kerzner, which, she claims, led

mend the broken fences with Kerzner, and she'd like to believe that a man who watched his Russian immigrant parents struggle to make a better life for their children in South Africa (particularly his mother, who worked the kitchen in the family's small Durban hotel), might have some sympathy for a mother who lost everything, and who has had to battle to bring her children up.

In 2009 she wrote to Kerzner: "Mr Kerzner, what would you have done in my position in 2000? We are all older and wiser now. We all had our losses, make and made our mistakes. Meet with me and my sons. Shake hands. Closure." She received no response.

With her boys now grown up, Maggie is working towards establishing a widows' foundation, with a view to persuading organisations to offer burials for children of widows, and to persuading government to designate a specific employment equity category for widows.

As Maggie says: "To be a widow is no easy road, especially if you have children. It is a huge cross to carry. A lonely road. Widows need help." ■

# Hot airstream in the Elgin Valley

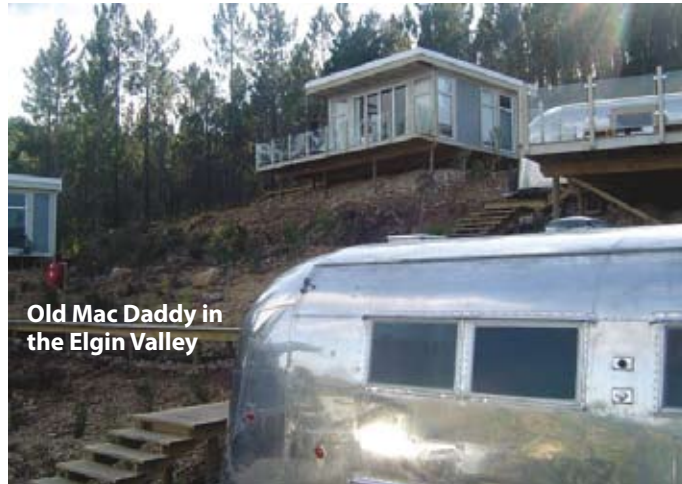
**J**ODY AUFRICHTIG'S NAME keeps popping up. He first featured in a *nose*124 story about a dispute at his Old Biscuit Mill in Woodstock. Then he cropped up in *nose*130 when a guest at the Grand Daddy Hotel in Cape Town had her Mini written off by the hotel's parking valet.

Now Aufrichtig is being fingered for disturbing the tranquility of the Elgin Valley, after his Daddy Long Legs (Pty) Ltd built a resort there called Old Mac Daddy, where wooden chalets and vintage American airstream trailers (aluminium-clad caravan-type things) provide accommodation. Aufrichtig has a long lease on the land, which belongs to the Vuki Trust, established in 2002 to provide land ownership for farm employees.

Some locals are alleging that the trust has been "hijacked" by two whities, including manager Mark MacDonald. Its also being claimed that things are not going well, because, although farming is taking place, part of the land has been leased to Aufrichtig, and another part is being sold (see box).

Old Mac Daddy strives to be all things to all people. The blurb on the website says it's an idyllic and wholesome retreat for the nature lover: "Set in the pine-whispering slopes ... you will be sleeping way past the first cock-a-doodle-doo." It's also the place for the cool set: "It's part designer, farm lodge ... a new chapter in adventure, escapism and pure relaxation." And it's a jollers' paradise: "A world class 13m bar makes a bold statement with its striking finishes."

Great news for Capetonians looking for an escape, but not, apparently, for local wine and apple farmers who fear their lovely valley is about to be destroyed. They're kicking and screaming because they believe Aufrichtig went ahead without the necessary



For some strange reason the authorities have once again failed to punish planning transgressors

authority.

Three affected parties – Copestone Developers, Glen Stuart Farms, Ross Gower Wines and R&A Semple Family Trust – submitted an objection to the local authority, the Theewaterskloof municipality, within the prescribed time, but by that stage building had already started. The developers had also already been issued with a fine for building without plans, and been given notice to terminate building within seven days. The fine was paid, but the notice was ignored.

The grounds of objection were pretty predictable: noise, especially given the emphasis on fun events; aesthetics (the metallic trailers reflect the sunlight); damage to the environment, especially as the resort borders the Kogelberg Biosphere Reserve; the scale of it, which places it in the resort league; and concerns about whether there will be enough water.

Despite the lengthy objection, the

municipality did sod-all, which surprised even some municipal staff: in April one of the affected parties was told by a municipal official that the developers had been fined R50,000 for building without plans, adding: "I just do not know what goes on with this development."

Then, in May, a Mrs Pretorius of the municipality told the objectors that it would not issue a "stop building" order, as it had issued a so-called Section 7(6), or "own risk", approval – in other words, the developer had been told that if it went ahead, pending the determination of the objection, it would do so at its own risk.

The objectors decided to bring in environmental consultants, who took the view that the own risk approval had been wrongly granted: the law says one can only be issued where there is "no other applicable law". Which, they say, is not the case here, because there are lots of environmental and water acts that do apply for various reasons, including the fact that the constructions are very close to a watercourse (a stream). So on 27 May the environmental consultants wrote to the law enforcement department of the Department of Environmental Affairs and Development Planning, listing multiple problems with the development and requesting an urgent site visit.

The visit took place on 2 June, and the inspectors concluded that there were serious issues to be addressed. On the same day, the Department of Environmental Affairs issued the land owner, Vuki Trust, and Daddy Long Legs Hotel, with a "compliance notice" requiring them immediately to



stop construction.

Aufrichtig managed to buy time: on 8 June his attorneys wrote a letter challenging the validity of the compliance notice. The basis: the law says that before a compliance notice can be issued a warning letter must be sent, except in cases of significant and irreversible environmental harm. The inspectors backtracked, concluding that environmental harm done was “significant but not irreversible”.

So the compliance notice was withdrawn and a warning letter was issued on 23 July. This wasn’t complied with, and on 2 August a fresh compliance notice was issued, demanding that the developer immediately cease building work and do certain things within 30 days. On 4 August Aufrichtig emailed to confirm that work on site had ceased and requested a meeting to discuss the compliance notice. This took place on 18 August, and Aufrichtig was granted an extension until 16 September, to submit a detail rehabilitation plan to the Department of Environmental Affairs, to be drawn up by an independent environmental assessment practitioner.

The absurdity of it all is that, de-

spite the pending objection, the compliance notice, and that no occupancy certificate has been issued, Old Mac Daddy opened for business on 15 July (the opening enjoyed great publicity on ETV), and enquiries suggest that it is fully booked until March 2011.

The apparent inability of anyone to do anything has frustrated the objectors no end. In a letter that the objectors’ attorneys wrote on 28 July to all the relevant government departments, as well as the developers, they said: “Our clients are concerned about the snail’s pace at which the municipality and the relevant state departments are attending to this matter”.

So what is going on? *Noseweek* wanted to know from the Theewaterskloof municipality why there had been no decision on the objection, but they didn’t return the call. Department of Environmental Affairs spokesman Aziel Gangerdine said in a written response that “this matter has been dealt with no differently from other complaints... all complaints are treated seriously as these have the potential to have significant negative consequences on the environment.. however [the inspectors] must work within the environmental legal framework... the department strongly refutes any allegations that political pressure was directed at the inspectors”.

No political pressure? One of the affected parties told *noseweek* that Aufrichtig had informed him it was a waste of time to object to the development, because Western Cape MEC for Tourism and Other Stuff Alan Winde

was firmly behind it. Winde himself told *noseweek* that he had only met Aufrichtig a few weeks previously when he accepted an invitation to visit the resort; he was impressed with what he saw, he said, and liked the empowerment aspect (the trust) and that the trailers were being recycled. He is pleased that a tourism route is being developed in Elgin.

Apparently Aufrichtig said Winde should get the tourism authorities to conduct an investigation into the difficulties involved in building resorts in the country. Winde thought that made a lot of sense. A week or two later he bumped into DA Parliamentary leader Athol Trollip, who told him the farmers in Elgin were unhappy with Old Mac Daddy, so he asked Trollip to call them in for a meeting – and that’s the last he heard of it.

Aufrichtig got seriously angry when *noseweek* spoke to him. “You simply make these stories up,” he claimed: “You don’t even have sources.” When *noseweek* pointed out that he was being a tad foolish, he insisted that he had no idea who was objecting to Old Mac Daddy, and demanded that *noseweek* set up meeting between him and the objectors. He later emailed to deny that he had told anyone that Alan Winde supported the project.

Aufrichtig has a hard edge and clearly doesn’t like to be challenged. On one occasion, the environmental consultants wrote an email to the Theewaterskloof municipality complaining about the fact that that building work was continuing, and saying that “our guess is that the frenetic building activity may be as a result of forward bookings for the soccer World Cup”.

An email came back from Aufrichtig: “Please note that I reserve my right to take legal action against yourself in your personal capacity, and your company, with respect to these claims. They are completely factually incorrect. Nevertheless I am happy to meet with you and show you what we have done on site.”

The day after *noseweek* spoke to Aufrichtig, an email arrived from one of the affected parties, reading: “Yesterday evening I received a phone call from Jody Aufrichtig. Amongst other things he threatened me with ‘further consequences’. Unfortunately I don’t have the means, financial or otherwise, to fight a lawsuit as threatened. I think his cage is getting rattled and he resorted to name-calling.” ■

## Whiteys in the woodpile

**A**CCORDING TO ITS BOARD of trustees, the Vuki Trust’s beneficiaries are the permanent employees of Vuki Farming (Pty) Ltd who have been employed for more than two years, some of whom are appointed as the trustees by the beneficiaries themselves. Says the board: “We deny in the strongest terms that the whole thing has been taken over by two white people: there are only two employees of the so-called ‘white race’ who are beneficiaries. The trust currently has 36 beneficiaries.”

The trust had leased to Aufrichtig a “small portion of its land [which] was not suitable for fruit farming and

thus provided no income. The project tabled by MacDaddy envisaged an alternative source of employment for young adults of the community [and] the lease was thus entered into with reduction in unemployment as the primary objective. The rental agreement is beneficial not only to the trust and Mac Daddy but also to the surrounding larger community.”

The trust is selling part of the farm “to fund much-needed redevelopment of the remainder, the larger portion of the land owned by the trust. The current liabilities of the trust and the company will be reduced, if not extinguished”.



# Party games

**T**HE CAPE HIGH COURT will have to make a difficult decision shortly: Is the law really an ass, or are politicians just arseholes? More specifically, the court will decide whether or not a municipal council that loses its speaker, by firing, resignation or death, should be dissolved.

Now why on earth should it be canned? Well, the argument goes, the speaker convenes and presides over council meetings, so no speaker equals no meetings – and that means the council doesn't approve its own budget, so it stands to be dissolved by the provincial government. Deliciously Catch 22.

That's certainly the way the DA sees things. On 16 July, Western Cape MEC for Local Government Anton Bredell dissolved the Overberg municipal council, a somewhat dysfunctional council based in Bredasdorp. Its speaker resigned in April, so the council was unable to submit a budget by the required date, which led to the present debacle.

On five occasions the 11 councillors of the ANC/NPP coalition ruling the roost in the 20-person council asked municipal manager Dominic van der Heever to convene a council meeting, so a new speaker could be appointed and a budget be tabled and approved. Each time, Van der Heever refused, claiming he had no authority to call meetings. When the 11 councillors turned to MEC Anton Bredell, writing to him to ask him to intervene, they got no response.

So the 11 councillors eventually "purported" to hold a meeting without the municipal manager, or the nine DA and ID councillors (the meeting couldn't even take place in the council chamber because the municipal manager locked them out). At this meeting, the 11 councillors elected a speaker and approved a budget.

Then Bredell suddenly announced that he would be dissolving the council and appointing an administrator to run it. The 11 councillors quickly asked



the national minister for Cooperative Governance and Traditional Affairs for urgent intervention, and the minister suggested to Bredell that he support the municipal council – but he refused.

The ANC/NPP councillors then filed a high court application to have the dissolution set aside, and the Western Cape provincial government naturally opposed it. In the court papers councillor Eve Marthinus claims that the dissolution was inappropriate, being a drastic intervention that should only be used in the case of "an ongoing failure, and not a past failure to approve a budget".

Marthinus claims that the situation was set right when the 11 councillors held their meeting, so the intervention was "shockingly inappropriate and manifestly unfair, unjust, arbitrary, irrational and lacking in good faith". The Overberg municipality, she says, "has an exemplary record concerning its financial and other affairs. It received unqualified audits in the past two consecutive financial years and was also rated by Empowerdex as the best improved district municipality, nationwide".

Marthinus believes it's not the law that's at fault, but the DA. She believes the DA engineered the whole thing in order to gain control of an ANC/NPP-controlled municipal council. She also believes that municipal manager Van der Heever was taking instructions from Bredell. As she says in her affida-

vit: "It was clear that there was an orchestrated and *mala fide* plan to undermine and dispose of the council... a plan to dissolve the council... and Mr Van der Heever, who was an employee of the municipality, was well apprised of the plan, unbeknown to most councillors."

Aside from Van der Heever's conduct, a number of other factors are causing suspicion among the ANC/NPP councillors. For example,

the speaker mysteriously resigned after just one meeting, having been appointed at the previous meeting after the nine-person DA/ID minority persuaded two ANC councillors to join them in voting out the previous speaker.

Then there's the fact that the appointed administrator, Wessel Rabbits, neatly fits the DA profile, and was very quick to hand the running of the Overberg council's finances to a nearby DA-run council, when it would've made more sense to hand it over to a closer ANC-led council.

In his affidavit to the court Bredell denies that he received a letter from the councillors asking him to intervene, and questions whether it was actually sent. As for the meeting of the 11 councillors, Bredell says this was clearly invalid as the DA and ID councillors weren't notified. In any event, he says, as there was no speaker after 13 April, it was impossible for any valid meetings to take place. As for the national minister's suggestion of assistance, Bredell sniffs: "The Western Cape provincial cabinet is not bound by the national minister's recommendations which, in any event, are inconsistent with ... the Constitution."

He goes on to deny the existence of "an alleged orchestrated *mala fide* plan", and insists that dissolution is compulsory when a municipal council fails to submit a budget.

If children behaved like these politicians, you'd give them a *klap* and tell them to grow up. ■



# Headless in the city

**T**HE CITY OF JOHANNESBURG'S tagline is "a world-class African city". A bit of a joke that: many residents of our largest metropolis will tell you there are few things in life as frustrating and humiliating as dealing with the people who run their city. Judy Jurgens (né Cousins), a 60-year-old teacher, knows exactly how awful the City of Johannesburg's service is.

In 1986 Judy bought a corner plot in the suburb of Greymont and built herself a small house, and for the next

22 years happily paid her residential rates. In 2008 Judy moved to Cape Town, and in July of that year her Greymont monthly rates bill went up drastically – from R164 to R760. The reason, Judy discovered, was that she was suddenly being charged business instead of residential rates. But what should simply have involved a phone call to point out an administrative error turned into an absolute nightmare. Judy reckons she made at least 35 calls to the City's Joburgconnect, but was endlessly sent from pillar to post.

Among the many people who were unable to help her were building inspectors Paul Cilliers and Dave Lawrence.

Judy also sent endless emails, some revealing the extent of her anger and frustration. In one she asks: "Is there anyone out there vaguely competent enough to sort out the simple problem of fixing an account? In my dream world someone responds with a human voice to this frustrated and aging citizen who has given her life to improving the education of our citizens, especially the downtrodden".

In another email to Gina Zanti, Deputy Director of Land Use Management, Judy says: "Please Ms Zanti, I beg you to point me in the right direction. Can you help?" And in one to a Mr Ramovha: "I appeal to you, I beg you, to try to help me, I am at my wits' end. I work on limited contracts, am the breadwinner and can't take leave to come and sort this out. I beg you to respond, since I am at the end of my tether."

When Judy's sister had to visit Joburg, she went to the Council but was unable to sort things out. Next, Judy sent her daughter to Joburg, armed with Power of Attorney. Judy's daughter spent a full two days at the Council and eventually phoned Judy in tears of complete frustration. She did get the number of a City employee who told Judy that she needed

reverse the commercial zoning? Quite apart from correcting an obvious error, doesn't some sort of prescription or estoppel come into play here? It appears not; apparently no-one at the Johannesburg municipality can be trusted to exercise common sense discretion.

Judy has now been advised to make a formal rezoning application – which will take a year and cost some R30,000. A lot of money for a teacher, especially one who reckons she's already over-paid about R12,000 in the past two years, and who's had to use the services of a lawyer. Judy wants to sell the house but no one is prepared to put in an offer until the property has been rezoned and is charged normal residential rates.

*Noseweek's* enquiries were re-directed from Irvine Florence and Gina Zanti of

## There are few things as frustrating and humiliating as dealing with the people who run Joburg

an "occupancy certificate", but she would have to do that in person.

Judy again asked her sister to pay the Council a visit the next time she was in Joburg – and through her efforts Judy finally got to talk to someone who seemed to know what they were talking about. Irvine Florence, a financial consultant in the Dept of Finance of the Directorate of Rates and Taxes, told Judy that, contrary to what she thought, the property had not been erroneously rezoned from residential to commercial, but had in fact always been zoned for commercial use. Judy had been wrongly billed residential, for all the years she had owned it.

Why or when it was zoned commercial isn't clear. Surrounding properties have always been zoned residential, suggesting that the commercial zoning may well have occurred in error. What is clear though, is why the billing was changed in 2008: that was when the City of Johannesburg implemented the Municipal Property Rates Act 2004, and set about billing properties at the highest applicable rates.

Surely, given that the property has never housed a business, that for 22 years the owner received residential bills, and that the surrounding properties are all residential, the City should

the City of Johannesburg, to head of communications Gabu Tugwana. Tugwana claimed that prior to 2008, rates were levied according to the use to which a property was put. In 2008, as part of the implementation of the Municipal Property Rates Act, the City created a new valuation roll and owners were given an opportunity to raise objections. Stand 703 Greymont is zoned for business purposes, said Tugwana, which means it can also be used for residential purposes. No objection was received, and rates are now levied according to the purpose to which the stand can be put.

"If the occupant or property owner wants to change the zoning to a residential-only category, that rezoning process could cost approximately R20,000," added Tugwana. He accepted that members of the public do experience difficulties with surly City staff, and expressed the hope that the quality of staff will improve in years to come.

Judy's November 2009 rates invoice came with a jaunty little message: "It's the happy, silly season filled with festive cheer. Please don't give us any reason to spoil your end of year!" Purleeze – the people who run the City of Johannesburg need no excuse whatsoever to spoil the lives of those who pay their salaries. They do it as a matter of course. **W**



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# NIGHTMARE at OR Tambo

Pretty girl + travelling alone = suspicious,  
says customs official



**T**HE STATE MAY NOT unfairly discriminate against anyone on the grounds of race, gender, sex or age. Everyone has the right to have their dignity respected and protected. Everyone has the right to freedom, which includes the right not to be treated in a degrading way. Everyone has the right to privacy, which includes the right not to have their person searched. Fine words indeed! But in the increasingly authoritarian world we live in, that's all they are. Words that appear in a document we so love to boast about, but which is becoming increasingly irrelevant. A document called the South African Constitution.

Loinice (Lo) Linde, an HR manager from Cape Town, can tell you just how little constitutional rights mean in present-day South Africa. Lo is young (28) and attractive, something that is, in the eyes of some, a fatal combination. In August Lo went to Brazil, to attend the wedding of a girl friend. Lo went alone, flying Cape Town-Johannesburg-Sao Paulo-Rio de Janeiro, which is where the wedding took place. She decided to make a holiday of it, and spent some ten days in Brazil. The wedding was wonderful, as was the rest of her holiday. But the happy memories were wiped out the moment she set foot back on home soil.

When flight SAA 255 touched down at OR Tambo, at roughly 3pm on 12 August, Lo stepped off the plane with only one thought on her mind: to catch her 5 pm connecting flight to Cape Town, where her boyfriend would be waiting for her. On leaving

the aircraft, Lo, together with all the other passengers, had to show their passports to officials positioned immediately inside the terminal building, who then directed them to either baggage reclaim or connecting flights. When it came to Lo's turn, the official took one look at her passport and told her to stand aside. No explanation was given. And then a number of male officials arrived and ordered Lo to collect her luggage. One of these officials was in uniform, the others in civilian dress.

Lo accompanied the officials to the carousel and quickly found her duffel bag. Lo noticed and commented on the fact that the cling wrap had been broken, and one of the officials asked her if the bag weighed more than it had when she checked it in (as she wasn't given a scale, it's unclear how she was supposed to answer this question). Lo was then accompanied to the customs desk, where the officials, now joined by a woman, went through her baggage with the proverbial fine toothcomb, searching the pockets of items of clothing, and every other possible hiding place.

The process was humiliating – underwear was held up and inspected with great relish, and the female official made snide remarks about the fact that Lo could afford to buy perfume and gifts. And when, in response to the question of what she had gone abroad for, Lo said she'd gone for a friend's wedding, her answer was greeted with disbelief: "There's no white dress here" was the idiotic comment. When Lo finally plucked up

the courage to ask what this was all about, an official said this: "You obviously don't travel much, if you did you'd know that at customs we can do what we like".

The microscopic search of Lo's duffel bag yielded no results, but that wasn't the end of the ordeal. Lo was then marched off to a room, where two uniformed female officials ordered her to strip naked and do a series of squats (although there was still no explanation, it had become very clear to Lo that she was suspected of being a drugs mule, and that these exercises were intended to expel anything that may be hidden in the orifices). The squats also yielded nothing, and Lo asked if she could get dressed and get on with her life. "You can get dressed" said one of the female officials, "but then you're going to hospital."

Two male officials in civilian dress appeared on the scene and whisked Lo off to what she was told was Kempton Park Hospital. En route, Lo's boyfriend called her cell, and she gave him the alarming news that she was seemingly under arrest. The officials took Lo straight to a nursing sister in the radiology department, who ordered her to strip, put on a hospital gown, and lie on a table so that she could be X-rayed. This examination apparently also revealed nothing untoward, because, after a discussion between the sister and the officials, Lo was driven back to OR Tambo. She was dropped off at around 4.40pm, which just enabled her to catch her connecting flight to Cape Town.

So what just happened, asked Lo as she got out of the car? "Pretty girl, travelling alone, equals high risk," replied one of the officials. That was it, the full extent of the explanation. And not even a hint of an apology.

Lo is baffled at how the officials knew she was travelling alone – she was never once asked the question, and certainly not by the passport official who started the whole ball rolling when he pulled her aside. Apart from being young, pretty and a lone traveller, she can think of no reason why she was singled out: she doesn't do drugs, hasn't got a criminal record she's hardly a frequent flyer (her last trip was about two years ago). And, as Lo's coloured and all the officials involved were black, coloured or Indian, she can see no obvious racial

dimension to this.

Lo was so traumatised by what happened to her at OR Tambo that she had to take anti-depressants, and when *noseweek* interviewed her some two weeks after the event she was visibly shaking. She explained that she wouldn't be taking legal action: "You can't win against the state and I don't even know if those people were customs officials or police."

Besides being outraged by way she was treated, Lo was shocked that airport officials could enjoy such power. Some even appeared to take perverse pleasure in humiliating her.

The Airport Companies of SA's head of communications, Unathi Bатыше-Fillis, told *noseweek* it was difficult to comment without knowing whether the officials were from the SAPS or customs. Then someone who said he was in charge of surveillance at OR Tambo called a few times to say he was looking at lots of CCTV footage. Finally South African Revenue Services head of communications Adrian Lackey phoned to say that the matter had come to him because it involved customs officials. He followed up with an email saying that SAPS officers asked customs officers to search Lo's baggage as "SAPS risk-profiled the flight from Sao Paulo for potential drug smuggling". He said the officers searched the bag in the presence of SAPS officers, and they deny making improper remarks.

Lackey claimed that though SARS was satisfied that everything was done by the book in the customs control area, the body search conducted by the two female SARS officers was not acceptable: "Regrettably SARS must acknowledge that the customs officers acted unprocedurally by making the traveller do squats... this method is invasive of the individual, it is unscientific and primitive in the worst sense... SARS condemns the conduct of the officers in this regard and will institute disciplinary proceedings against them."

He confirmed that Lo was then taken for X-Rays, saying that "swallowing narcotics is a common method of transporting narcotics". He ended by saying that the "SARS would appreciate the opportunity to contact Ms Linde directly to apologise to her and to obtain a statement from her in the form of an affidavit which would help SARS to institute corrective measures against its employees". ■



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# Deloitte losing their Touche

**T**HE SOUTH AFRICAN ARM of one of the world's biggest audit firms, Deloitte and Touche, is under scrutiny for failing to report financial irregularities involving JSE-listed Advtech Ltd. Apparently the matter has been forwarded to the National Prosecution Authority by shareholders who don't want to be caught up in claims of fraud and financial impropriety.

*Noses*108, 110, 111 & 119 exposed how executives of the Insurance Sector Training Authority (INSETA) had handed lucrative contracts to the JSE-listed company. The subsequent forensic audit documented how top individuals at Advtech conspired with staff at INSETA to defraud the public.

For months *noseweek* pleaded, without success, for INSETA to grant access

to the records of the commissioned forensic report. Not even the Parliamentary Portfolio Committee on Higher Education had any luck getting their hands on them.

When *noseweek* did finally get hold of the records, reasons for the secrecy became clear: Deloitte and Touche staff were clearly aware of the fraud, and its subsequent cover-up.

Deloitte and Touche are the consulting financial managers for the INSETA, and are charged with auditing INSETA service provider Advtech's books. As the financial managers their responsibilities include sitting on the tender evaluation and adjudication committees, including those which oversaw the awards of improper contracts to non-registered entities, Imfundo, FIN-IQ and Corporate College

International and to the Independent Institute of Education. These were all departments of Advtech Resources, a subsidiary of Advtech Ltd. Deloitte also scrutinised invoices and signed them off for payment.

Advtech has not been shy to talk about its cosy relationship with government. In August 2009, in the middle of a recession, announcing a 7% increase in dividend earning, Advtech chief executive Frank Thompson told *Moneyweb*: "It's very important to us to have almost a dual relationship with government."

An Advtech shareholder told *noseweek* that he holds Deloitte and Touche liable for misleading investors by failing to qualify the company's financials: "I've been buying shares in this company because I believed the auditors' reports. They failed us, and ignored their fiduciary duty."

*Noseweek* can reveal that when the glowing 2008 Advtech financial report was released, Deloitte was quite aware of the contents of the forensic report by Dr Deenadayalen Konar's Outsourced Risk and Compliance Assessments, which showed the improprieties, and of the subsequent disciplinary hearing against two executives of the INSETA. Deloitte had received copies of the reports, as they were expected to appear as witnesses during the disciplinary hearing, chaired by advocate N Cassim SC.

A source at INSETA complains: "Deloitte are paid a fortune to manage our finances yet they let us down by allowing the former CEO and his friends at Advtech to defraud the public."

Whereas Mike Abel, who resigned without attempting to defend himself, for obvious reasons, and Shirley Steenekamp, who seems to have played a lesser role in the fraud (see *nose*126), were given all the blame, Deloitte and their corporate client Advtech walked away with millions.

■ The forensic reports can be accessed free of charge on the *noseweek* website. ■

## Not for the first time

**D**ELOITTE AND TOUCHE have been implicated in plenty of disputes involving professional misconduct. *Nose*70 reported how the firm paid R1.5m to the SA United Cricket Board in a secret settlement for not picking up the R7.2m embezzled by UCB head of finance Diteko Modise.

Among numerous instances where the giant firm has been left with rotten egg on its face:

■ In April 2005 Deloitte paid \$50m in fines to the US Securities and Exchange Commission, following civil charges connected to the auditor's failure to prevent massive fraud at Adelphia Communications Corp.

■ In October 2005 the Irish Health Service Executive (IHSE) put a stop to the development of two controversial new health service computer systems. Originally due to cost just £6.2m, the two systems had by then cost £80m and were still not fully im-

plemented. Both systems were based on SAP implementations, with project management carried out by consultants from Deloitte and Touche.

■ In March 2006 a lawsuit was brought to Huangpu District Court in Shanghai, claiming that Kelon Electrical Holdings investors had suffered losses because Deloitte issued unqualified financial reports while auditing Kelon's finances in 2004. The firm also faced an administrative hearing in Beijing over its alleged failure to alert investors to Kelon's troubled finances.

■ In 2006 the firm implemented its SAP HR system for Los Angeles Unified School District for \$95m, but because of faults in the system many teachers were underpaid, overpaid, or not paid at all. As of December 31 2007 LAUSD had incurred a total of \$140m payments to Deloitte to get the system working properly.

# More Advtech woes

**A**NOTHER GROUP OF CONCERNED Advtech shareholders have asked the office of the National Public Prosecutor to investigate breach of at least seven laws by Advtech Ltd. Among these are:

■ Advtech executives Shaun Schwanzer (who has since died) and Sandy Mey conspired with Mike Abel to include the young Abel in their bids to INSETA (to be investigated under The Prevention and Combatting of Corrupt Activities Act No 12 of 2004).

■ In an attempt to circumvent the Broad-Based Black Economic Empowerment Act No 53 of 2003, Advtech misrepresented itself as a 49% shareholder of its own division, FIN-IQ, which listed Gregory Abel as the 51% shareholder. This was done to get a high score on the BEE evaluation card for the tenderers. Though the bid was won by FIN-IQ, when it came to payments, Deloitte authorised payment to Corporate College International. Advtech also listed a Dr Des Leatt as a “White Female” (making him a “Historically

Disadvantaged Individual: Dr Leatt is a “White Male”.) In response to Dr Konar, Dr Leatt said he had applied to Advtech for work, and claimed he had not been aware that his CV had been included in the bid documents.

■ Advtech knowingly benefited from copyrighted materials belonging to other providers sourced for them from INSETA through the Abels, giving them an advantage over other providers (Copyright Act No 98 of 1978).

■ Contracts with Advtech were apparently awarded outside the Public Finance Management Act No 1 of 1999. This was quite clear in numerous instances: for example, in April 2009 the INSETA Council was forced to approve an extraordinary expenditure to Advtech.

■ The Public Finance Management Act Skills Development Act was contravened when Advtech was awarded contracts for skills development based on plagiarised materials, some of which they may not have been able to understand. They also lied about having on their faculty Dr Des Leatt and others who did not work for them.

■ Finally: Advtech breached the Business Names Act by making tender applications using the names of unregistered companies.

It may take years before investigations are concluded, especially as Advtech board members include some particularly well-connected individuals.

- Chairman **Leslie Maasdrorp**, for example, is also vice chairman of Absa Capital and Barclays Capital and a director of several companies, including Batho Bonke Capital (the black empowerment partner of Absa Group), Cell C, Prescient and Robor. Maasdrorp is non-executive chairman of Yard Capital, a private equity investment holding company, and vice president of Business Leadership South Africa. In 2007 he was designated by the World Economic Forum as a Young Global Leader.

- **Hymie Levin**, specialist corporate and tax lawyer with over 40 years of experience, is the senior partner of HR Levin Attorneys. Levin is also a non-executive director and chairman of various companies listed on the JSE.

- **David Ferreira** is managing director for innovative finance and head of the Washington DC office of the GAVI Alliance, a major public-private partnership that takes immunisation to poor countries. Previously he had been the investment manager of Soul City Broad-Based Empowerment Company.

- Professor **Jonathan Jansen**, Rector and Vice-Chancellor of the University of the Free State, President of the South African Institute of Race Relations and Vice-President of the Academy of Science of South Africa.

- Professor **Brenda Gourley**, an accountant and board member of several private and public sector companies and institutions, had a long career in academia, including a period of office as vice chancellor of the University of KwaZulu-Natal and a period as vice chancellor and CEO of The Open University in the United Kingdom.

- **Fani Titi**, an executive Director of Tsiya Group, a private equity investment firm, is currently the non-executive chairman of Investec Bank Limited and AECI Limited.

- **Michael (Motty) Sacks** is chair of Network Healthcare Holdings Ltd. (Netcare). *n*



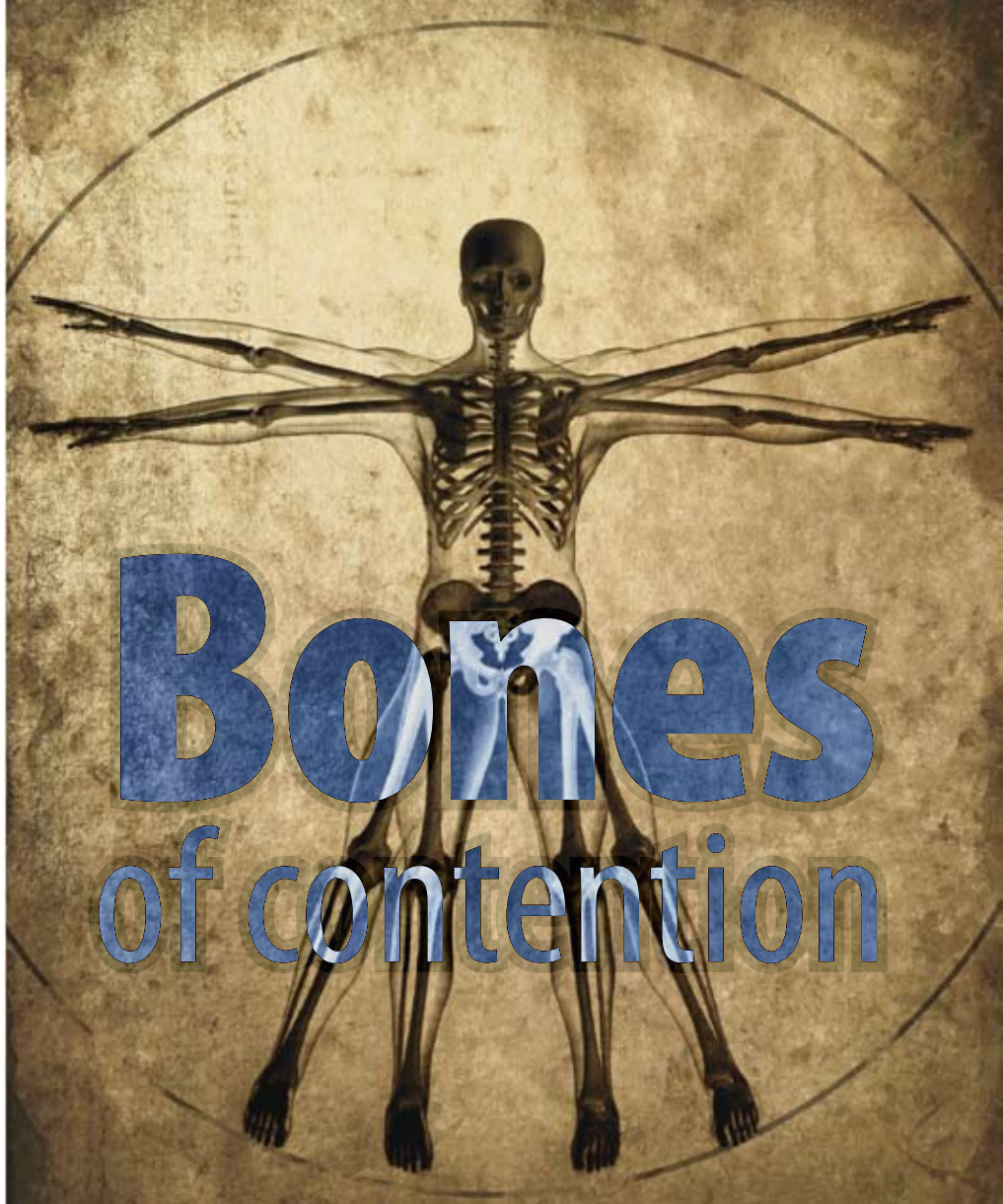
**O**STEOPOROSIS IS A SEVERE medical condition, afflicting millions – but, very fortunately, there’s a miracle drug, bisphosphonate, which prevents the breakdown of bone structure that is the mark of the condition. Or so it was widely accepted until a few years back, when US medical researchers began publishing the results of studies linking the use of bisphosphonates to various severe side-effects, including “death of the jaw” and cancer.

In South Africa the most common medicine prescribed for the treatment of osteoporosis is bisphosphonate-based Fosamax, produced by the pharmaceuticals division of chemicals giant Merck. According to Tereza Hough, CEO of the National Osteoporosis Foundation of South Africa, Fosamax is the best thing to have happened for osteoporosis sufferers. Ms Hough tells *noseweek*: “The side-effects affect only a fraction of sufferers.”

Exactly what fraction, nobody exactly knows. One estimate is that 4% of people taking bisphosphonates will end up suffering from death of the jaw or one of other cancers – but no data is available to the public on how many people are actually taking the stuff. Presumably Merck knows, but they’re not about to tell *noseweek*.

It’s a gigantic market: in 2005 alone Merck coined almost \$3bn in US sales of Fosamax. But all is not well: in June a New York Federal Court awarded 72-year-old Shirley Boles \$8m (R64m) in damages in a product-liability case concerning Fosamax. The *Wall Street Journal* reported that the federal jury had found “Fosamax was defectively designed” and said Merck “faces hundreds of lawsuits in state and federal court over allegations Fosamax can cause a jaw-destroying condition known as osteonecrosis”. Merck is appealing the award.

The first shade of doubt was cast in September 2003, when medical researchers published the results of a study in the *Journal of Oral and Maxillofacial Surgery*. A team led by Dr Robert E Marx, a professor of surgery and chief of oral and maxillo-facial surgery at the University of Miami Miller School of Medicine were able to link bisphosphonates to osteonecrosis of the jaw (death of the jawbone). Other studies then appeared, linking the drug to atypical subtrochanteric femur fractures (bone breakage just below the hip) and cancers of the oesophagus,



# Bones of contention

Risks and benefits must be weighed carefully when potent drugs are prescribed

gus, stomach and colorectum.

After initial denials by Merck, and the usual war of numbers and words between medical scientists, in February 2005 the US Food and Drugs Administration (FDA) accepted that a link had been established, and ordered Merck, and other pharmaceutical companies now producing bisphosphonate-formulated treatments, to include a warning in their product packaging, alerting users to possible “death of the jawbone”. Merck opted to use the term

“osteonecrosis of the jaw” instead. Ironically, after denying the alleged links, Merck began marketing FosamaxPlusD, claiming that the addition of vitamin D to their product would prevent the claimed side-effects.

More studies have followed, backing Dr Marx and his team’s findings, including one by New Jersey oral and maxillo-facial surgeon Dr Salvatore Ruggiero. In January this year, three rheumatologists based at the Washington National Rehabilitation



Hospital published a study in the journal of the American Academy of Physical Medicine and Rehabilitation that linked Fosamax to femoral fractures.

Then, in June, a group of high-profile epidemiologists published a study in the *British Medical Journal* that links the use of bisphosphonates to cancer.

They reported that one or more prescriptions for oral bisphosphonates increased the risk of oesophageal cancer by 30%; 10 or more prescriptions nearly doubled the risk. However, in a subsequent editorial, Dr Diane Wysowski of the US FDA's Office of Surveillance and Epidemiology quoted other studies that contradicted the British study. Wysowski commented that "the reports could not prove that bisphosphonates caused the cancers because of detection bias, the absence of controls and missing information about potential confounders".

way through the surgery, he found her jawbone to be completely dead. He never wanted to be put in that situation again. I have heard of other women who have been left midway through their dental procedures. When the oral surgeon is unable to proceed, the wound doesn't heal and the patients are left with spreading infections and pain, and nobody can help them."

Dr Sunil Aniruth, a maxillo-facial and oral surgeon at Netcare Blaauwberg Hospital in Cape Town, who keeps himself informed about studies linking bisphosphonates to osteonecrosis of the jaw, told *noseweek* that he urges dentists not to shy away from attending to patients using bisphosphonates. "Regular dental check-up is vital; before going onto bisphosphonates therapy, a thorough examination should be conducted," he says. Dr Aniruth believes that bisphosphonates have an

## If medical researchers cannot agree on the interpretation of scientific data, on whom should the public rely?

So if medical researchers cannot agree on the interpretation of scientific data, on whom should the public rely? Should osteoporosis sufferers take their chance with Fosamax, or any of its equivalents?

*Noseweek* was alerted to the issue by Mary Smith (not her real name) of Port Elizabeth, who had been taking Fosamax for a month before she chanced to read the small print on the pamphlet inserted in the little box in which the drug is sold. She read there that side-effects include "localised osteonecrosis of the jaw, generally associated with tooth extraction and/or local infection, with delayed healing. ...if you have any medical or dental problems discuss these with your doctor before taking Fosamax".

When Mary next visited her dentist she casually mentioned to him that she was on Fosamax. "I was surprised at how strongly he reacted; he advised me to stop taking it, telling me about a patient on whom he had been performing an implant procedure; mid-

important role to play in the management of osteoporosis and various cancers. But, he says, "there is a need to know the risks associated with their usage. This knowledge should be used to manage the effects better".

Highlighting that every drug on the market has a side-effect, Dr Aniruth says he urges doctors to talk openly with their patients about the challenges they face. He asks: "Should the fear of my patient contracting osteonecrosis of the jaw stop me prescribing bisphosphonates to manage bone cancer? We must weigh the risks against the benefits. I can manage osteonecrosis of the jaw for some years while the cancer may kill my patient in just a few months."

■ Dr Robert Marx (whose team published the first critical study of Fosamax) tells *noseweek* that his surgery department at the University of Miami "have seen 75 cases of bisphosphonate-induced osteonecrosis of the jaw". He believes South Africa will see mounting numbers of cases. ■

## Black Mercks

**B**ISPHOSPHONATES WERE developed in the 19th century and were mainly used to soften water in irrigation systems for orange groves. The first consideration for their usage in disorders of bone metabolism was in the 1960s, due to their potential in preventing the dissolution of hydroxylapatite, the principal bone mineral, thus arresting bone loss. Bisphosphonates have also been used in the management of various other serious medical conditions, including osteitis deformans (Paget's disease), bone metastasis (a condition where infections spread from one organ to the other) and multiple myeloma (cancer of the plasma cells).

Merck faced various challenges from the US Food and Drug Administration in the early stages of the launch of Fosamax. In July 1997 Anne M Reb, the FDA's regulatory review officer, wrote a letter to Merck's senior director, Ellen R Westrick, ordering the removal of marketing statements that the FDA found to be misleading and false.

Merck's marketing had claimed: "Are you one of 20 million American women with osteoporosis? Menopause is the single most important cause of osteoporosis." Reb noted: "This is false because, although menopause is a factor contributing to the development of osteoporosis, menopause alone does not cause osteoporosis. The headline is misleading because it overstates the population eligible for therapy with Fosamax by implying that all women develop osteoporosis at menopause."

The FDA ordered Merck to discontinue the dissemination and use of that brochure and other promotional materials that contained similar themes.

A month later Merck was on the receiving end again, with Anne Reb writing to Westrick to point out that the company had failed to present important risk information for Fosamax regarding serious adverse oesophageal experience, and dosing and administration restrictions.

# Hey, let's be careful out there

**R**EADING Nassim Nicholas Taleb's *Fooled by Randomness* is like finding yourself back at school, with the teacher giving the kid next to you a sarcastic drubbing. First, there's the *schadenfreude* – you're glad it's not you – then a touch of sadistic delight, but, finally, there's that inevitable tinge of dread: you know you could be next.

It turned out that, as a journalist, I was next. I had no problem with incisive accounts of foolish market traders who attribute their successes to skill, but their failures to bad luck; or with his account of that "category of entertainers called Wall Street 'economists'," for whom Taleb reserves a particular contempt. I was amused

Tony Pinchuck  
Reviews

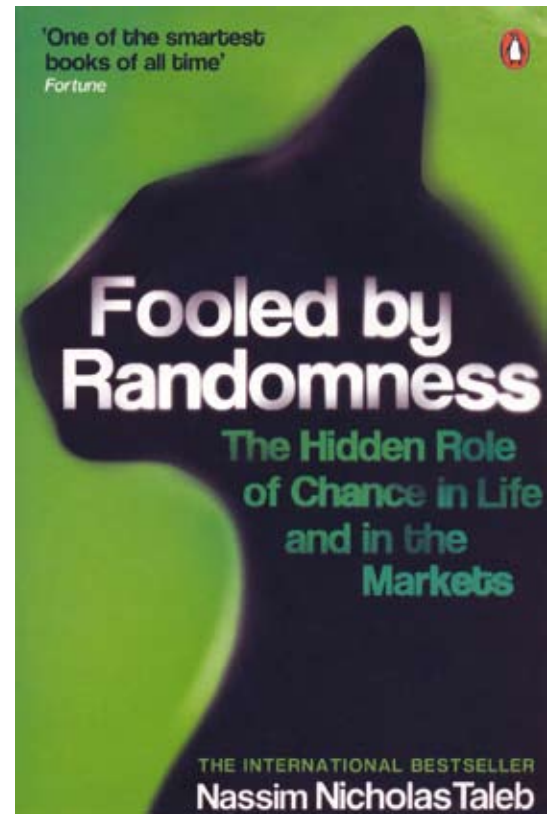
**Fooled by Randomness:  
The Hidden Role of Chance in  
Life and in the Markets**  
(Penguin)  
by **NASSIM NICHOLAS TALEB**

(before the cold chill of reality hit) by an experiment carried out on a group of doctors to see how well they could interpret test results for whether or not a patient had a particular illness (four out of five medics failed: see *box*). I also enjoyed the crucifixion of lawyers, scientists and bankers. But when the author turned on journos, things got distinctly uncomfortable.

Taleb has been widely treated in the media as a contrarian market commentator. This, despite his constant protests that he's an essayist who happens to take his cue from the context of the market, which happens to be where he made his money. Like one of the few market traders he admires, George Soros, Taleb says he's rather embarrassed by his association with Wall Street. By inclination he's a thinker with a taste for philosophy and the ancient classics; these days, apart from being a bestselling author, he's a professor in the Sciences of Uncertainty department at the University of Massachusetts.

"The fact that I operate in the markets," he writes, "serves only as an inspiration – it does not make this book (as many thought it was) a guide to market randomness, any more than the *Iliad* should be interpreted as a military instruction manual. Only three out of fourteen chapters have a financial setting."

He then goes on to give several hilarious examples of how journalists have totally missed the point of the



book. In one case, says Taleb, he was on a television show and, while discussing the "random character of the stock market and the backfit logic one always sees in events after the fact", he mentioned that "people think there is a story when there is none". The anchor immediately interjected that "there was a story about Cisco this morning. Can you comment on that?".

One of the central ideas of the book is that humans have a tendency to see patterns, often where there are none. We are very good at (erroneously) making up stories that join the dots – after the event. Taleb cites experiments that demonstrate that most of us will even see patterns in randomly generated sets of numbers. What we are not good at is reading probabilities and assessing risk, be-

*Fooled by Randomness* is published in paperback by Penguin with a published price of R140. It is available from Loot.co.za for R117. We accept payment by Visa, Mastercard, or direct deposit to our ABSA bank account.



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cause our brains are wired to understand the concrete more readily than the abstract.

He describes a famous experiment in which the majority of subjects “judged a deadly flood (causing thousands of deaths) caused by a California earthquake to be more likely than a fatal flood (causing thousands of deaths) occurring somewhere in North America (which happens to include California)”.

Interestingly, *Fooled by Randomness* was first published in 2004, four years before the global financial crash. But it precisely describes the kind of thinking and the circumstances that led to it: bankers confused the impossible with the improbable. But the improbable came to pass, and with devastating consequences. Taleb is at pains to point out that betting that a particular rare or unforeseen event (what he calls a Black Swan) will never take place (as many bankers did, and apparently still do) is a poor strategy, no matter how unlikely that event, if its occurrence will have consequences that are too catastrophic to bear.

Which brings Taleb to his philosophy of knowledge. There is no way of knowing whether an unforeseen event will take place, he says, until it happens. He is a self-confessed follower of the philosopher Karl Popper (as is George Soros), who proposed that no hypothesis can ever be definitively proven. You can only disprove

hypotheses, according to Popper.

For this reason, Taleb based his stock market career on mathematical trading: using probabilities to make relatively modest, but consistent, profits. He demonstrates that many traders who made spectacular gains suffered equally spectacular blowups. Their short-lived triumphs were due to chance. There are times, he argues, when the market, and life, happens to favour the foolish. We tend to think that making money and intelligence are closely connected. It ain't necessarily so, says Taleb.

The human inability to assess risk may seem depressing: doctors, lawyers, scientists, and, yes, even journalists, make spectacularly bad judgments because they don't have a grasp of causality, probability and scientific scepticism. But they're just being human.

We are not cold, rational Vulcans like *Star Trek's* Mr Spock. The human animal is more comfortable with “the visible ... the narrated and the tangible; we scorn the abstract”. But therein lies our humanity. “Everything good (aesthetics, ethics),” says Taleb, “and wrong (fooled by randomness) with us seems to flow from it.”

The best approach to random foolishness, when dealing with experts, is, it appears, (to quote Sergeant Phil Esterhaus from the 1980s US cop serial *Hill Street Blues*): “Hey, let's be careful out there”. The same goes for our own stories about the world. ■

# Be afraid, be very afraid



Below is the account of a well-known test – an embarrassing one for the medical profession. The following famous quiz was given to medical doctors (which I borrowed from the excellent Deborah Bennett's *Randomness*).

*A test of a disease presents a rate of 5% false positives. The disease strikes 1/1,000 of the population. People are tested at random, regardless of whether they are suspected of having the disease. A patient's test is positive. What is the probability of the patient being stricken with the disease?*

Most doctors answered 95%, simply by taking into account that the test has a 95% accuracy rate. The answer is the conditional probability that the patient is sick *and* the test shows it – close to 2%. Less than one in five professionals got it right.

I will simplify the answer... Consider that out of 1,000 patients who are administered the test, one will be expected to be afflicted with the disease. Out of a population of the remaining 999 healthy patients, the test will identify about 50 with the disease (it is 95% accurate). The correct answer should be that the probability of being afflicted with the disease for someone selected at random who presented as a positive test is the following ratio:

$$\frac{\text{Number of afflicted persons}}{\text{Number of true and false positives}}$$

here 1 in 50.

Think of the number of times you will be given a medication that carries damaging side effects for a given disease you were told you had, when you may have had only a 2% probability of being afflicted with it!

*From: Fooled by Randomness by Nassim Nicholas Taleb*



## YOU COULD BE A WINNER!

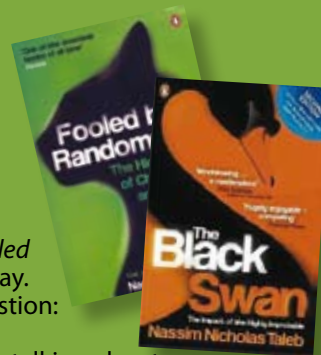
Noseweek has three sets of Nassim Nicholas Taleb's *Fooled by Randomness* and its sequel *The Black Swan* to give away. To stand a chance of winning, answer the following question:

When Nassim Nicholas Taleb refers to “Black Swans” is he talking about:

- (a) Beneficiaries of BEE deals?
- (b) Rare events?
- (c) A children's fairy tale?

Email your answer and your name to: [win@noseweek.co.za](mailto:win@noseweek.co.za)

Prizes will go to the senders of the first three randomly selected emails with the correct answer. The closing date is Friday 15 October. The editor's decision is final.



**J**OURNALISTS DON'T LIKE to lose: when pursuing a story – or a culprit – we go all out. But every once in a while, despite the hard work that's gone into a story, the culprit gets away.

This was the case with one Phindile Sithole – well so far, anyway. This menace to society was a home care worker, who had been assigned to look after a Correctional Services employee afflicted with some or other disease – I suspect one of the big three, but hey, I can't say for sure.

Anyway, the poor fella died and – *voilà* – Miss Sithole claimed that old man Mashego had paid lobola for her, while he was on his death bed. Now that is sick.

I had my own little suspicions about this odd state of affairs, and started looking into it, interviewing family members and so on. I even went to Home Affairs to confirm whether or not a lobola certificate had been registered to Mr Mashego and Miss Sithole. Nothing of the sort. But it gets better – or worse, rather – for the seven children Mashego left behind.

I finally sent a copy of the story as it appeared in *The Guardian*, my little country gem, to the Government Employees Pension Fund (GEPF).

The fine, upstanding citizens at the GEPF promised they would investigate Miss Sithole's claim to Mr Mashego's pension. For days on end the affected mothers of Mashego's children and I were a constant pain to the GEPF, as we tried to get them to clarify whether or not they would pay out this dubious claim. Well, the bastards did.

A result was that the mothers of Mashego's children were suddenly *gatvol* of me and my *Guardian*. Ah – people always expect miracles from journalists who get interested in a story that affects them. But I can tell you: being accused of failing in my duty as the people's fighter does not make me feel good; in fact, it pisses me off, no end.

So what have I done to redeem myself? Well, firstly I launched a campaign against the GEPF. Not one of those US things where an angry former employee goes in with an M16 and takes everybody out. Just a simple enquiry, actually. On the order of: hey, how could you pay this scoundrel R65,000 of a man's pension after you were provided with evidence that the claim was fraudulent. How? Please tell me, how?

But what do the bastards say? (Please excuse the way I'm referring to



Some of the Mshego children

# Hot meals, not hot line!



Bheki Mashile's  
**Country Life**

Kids go hungry  
as home care  
worker pockets  
her patient's  
death benefits

those hard-working processors of people's hard-earned money, but journos are only human after all.) All the GEPF could say was: "Please refer the matter

to our corruption hotline."

Your corruption hotline? You idiots: what about the kids? There are seven of them – they do not need a hotline, they need hot food, and school uniforms.

Miss Sithole, meanwhile, has gone underground. The law firm that assisted her to commit this fraud has closed its offices in Barberton. How convenient. Ironically that same law firm was started by a lawyer who did his articles at my best friend's firm, Lucas Louw. He was the one who hit me with a warrant of execution and took my beloved Vespa scooter. I am not implying anything here, but hey, read into it what you will. Can he sue for this? I don't think so.

Anyway, family and community have been trying their best to help the Mashego children. At the end of the day we still practice *ubuntu*. As for the GEPF – they have not heard the last of me. No no.

If we can't put our trust in institutions like the GEPF, in whom can we have faith? The GEPF owes the Mashego children, and me, an explanation. Above all, they need to rectify this fraudulent payment.

It's not over till it's over. Just wait. **W**



## Big Boy

**I**T IS AUGUST THE EIGHTH, and here on the telly appears a certain US Army Air Corps aviator, name of Colonel Tibbetts, way back in 1945, and he has this great shiny fifty-metre metal tube, specially reinforced so it can rise to 40,000 feet without bursting, and Col T sits in this high-pressure prepuce and smiles sweetly at us through a little window, whilst photographers take snapshots of the sweet smile with the name of the 50m shiny tube writ large beneath it: ENOLA GAY. This is the name of the Col's mommy, see, whom he loves every bit as much as he loves the shiny tube. One thinks what a pity Onkel Sigi Freud isn't around with his little notebook, also one wonders ungraciously about Daddy Tibbett's shag-tackle. But I dare say all this is beside the point.

The point is that great swarms of such tubes called B29s freely roamed above Japan back then, out of reach of clapped-out fighter aircraft, demolishing cities until they were running out of cities to demolish. Japanese dwellings being built mainly of drinking straws and toilet paper, they combust at the mere lighting of a match, hey, and a tarmac road ignites instantly with a dollop of thermite, whilst Jap bricks are sort of powdery, so everything more or less went WOOF! when the B29s arrived, leaving naught but a braaivleis smell and a lot of grubby brown smoke blanketing the place. So why then had the USAAC left six nice cities pristine and untouched by B29s? Because they now had ready a bomb full of a new something called Uranium 235; this bomb is quaintly called Fat Boy because it's so big and round, and another is coyly called Tall Boy because it's long and skinny and filled with a particularly dirty new something called Plutonium, and they want to test these humorous items on real live intact targets, that's why. It is now 2am and the Col. must be off so can arrive at Hiroshima at 8am when citizens are flocking into the city.

He has to do this Fat Boy thing to save lives, you see. Another aviator with Tall Boy will do Nagasaki to save lives, a million of them by military reckoning. Japan is now knackered, kaput, not much navy left, not much air force, but because of their Bushido, Jap soldiers are terribly fanatical as everyone knows, and if Uncle Sam were to land troops in their home-

land the carnage would be just too gruesome for any decent soldier to endure. Therefore we will end it all quickly and nuke them into immediate surrender. Ja, but then again if the B29s have done their job so well why not leave them to demolish the remainder of Japan with ornery ol' molecular explosives at their own pace, maybe also starve the buggers into submission with a total blockade? Because nukes are more humane, that's why. They save lives.

*Oukei. Nou kan julle maar gerus ophou kakpraat.* Stalin wasn't as dof as Hitler; he didn't want a war on two fronts, so he got the European side of his war all tidied up before taking on Japan. The Red Army hammered straight through from Stalingrad to Berlin; hard bastards these, and they suddenly appeared on the border of occupied Manchuria and the Japs suddenly forgot all about their Bushido at the nightmare spectacle. Casualties were on the light side, the Reds drove straight through Manchuria into Korea and parts of China and now it seems that they might come ashore in Japan, soon, and the Japs there might also forego their Bushido and what then, hey? Then the USSR would have a place at the armistice table and a military presence in Japan after the war, that's what. And THAT'S what Fat Boy and Tall Boy were about, dear reader. To scare the

shit out of the Russians, the beginning of the Cold War. Tweedledum and Tweedledee killed a quarter of a million people between them, after the Holocaust the most calculated indecency in the whole history of the human species.

So it is now August the Eighth 2010, and here we stand with the TV crew in Hiroshima, at Ground Zero. It seems the whole city is here, motionless, heads bowed, it is almost 8am. The silence is total, solemn, we wait for the great bell to toll at the exact moment. This bell does not clang, it is a Japanese bell, struck with a wooden shaft; it booms. Now it starts, eight strokes, two to the minute, the tension is awesome, the last boom is the moment of Death 65 years ago, precisely. People weep. It is very intimate, it is a Japanese mourning. And there stands the US representative lamenting the horrors of war like Angela Merkel with Nicolas Sarkozy at the Arc de Triomphe on 11 Nov. But then again – no, it is not. Germany has denounced its Jew-killers, disowned them. Nuking Japan was no more an act of WW2 than was the Holocaust. This was a political act of cold indifference to human grief, it was power at its most evil. This guy's presence is like the kindly ghost of Heinrich Himmler at an onsite remembrance in Auschwitz. ▣

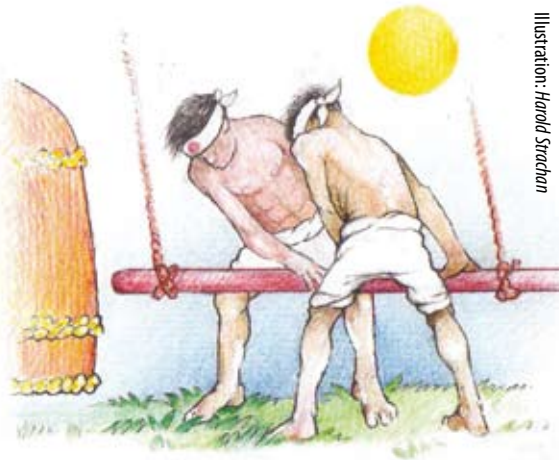


Illustration: Harold Strachan

**Nukes  
are more  
humane.  
They save  
lives**

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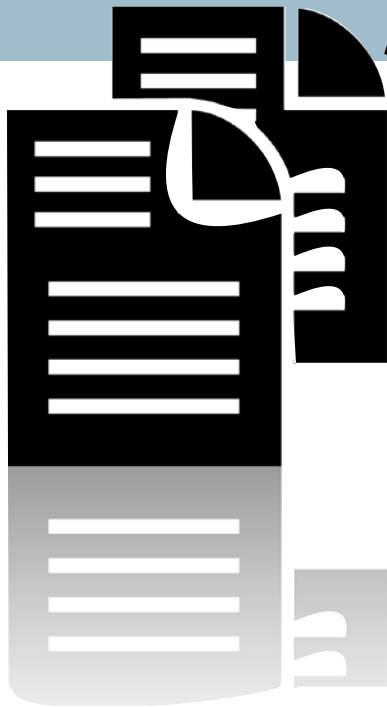
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