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noseweek
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Letters

Strachan fix

Your editorial "What about the landlords?" leads me to ask "What about the Strachan column?" It is just not right that an avid reader must do without his monthly dose of Strachan's wry look at life. You tried to explain away your actions in spiking his offering but this did not convince me. Has Mammon raised his head at *Noseweek*? At the expense of Harold!!!

Perhaps a double dose for July will appease an irate subscriber.

Ian Shuttleworth
Sea Point

Diamond disclosures

Barry Sergeant's report on the latest legal intrigues involving De Beers and the SA Diamond Regulator (*nose*188) reminded me that in the 80s-or-so De Beers (aka CDM) were accused in Namibia of transfer pricing their Oranjemund output. Was the unfortunate Mr Benn perhaps threatening to make similar disclosures here?

Observer
Sasolburg

Combating CO_2 emissions

Nightmare tenants

While reading "Prince of Pot", Helen Grange's account of the difficulties experienced by a landlord in evicting his non-paying tenant (*nose*188), I could not but shudder in sympathy. I found myself in a similar situation after buying an investment apartment in 2007.

My tenant, a young lady, was a consulting finance expert employed by a bank. She drove a BMW 5 Series and seemed good tenant material. Shortly after she took occupation however, she stopped paying rent and for electricity and water. South Africa's insane legislation that protects a tenant from consequences normally associated with non-payment of rent, deprives a landlord of any rights.

One would be forgiven for believing the article grossly exaggerated the landlord's plight, but that is not so. It took me years and several court actions to evict my tenant. I lost all return on my investment, and was held liable for sums owed by her to the electricity and water suppliers, while being forbidden to disconnect the electricity without obtaining a court order – an expensive exercise that can take up to three years.

With no income and only expenses, including legal costs, I still had to pay the bond, which meant I had to take out a personal loan. I wish I could conclude with a satisfying account of how justice won out and I was reimbursed. Not so. The tenant disappeared into the night. I had learnt my lesson and immediately sold the apartment.

If people stop buying investment properties for letting because the risk is too high, pretty soon there will be no stock available to people who cannot afford to buy their own homes.

A C Robertson
Stellenbosch

■ His outlandish excuses about the religion (not cult) of Rastafarianism notwithstanding, the tenant Gareth Prince's chronic, barefaced abuse of the judicial system (*nose*188) has nothing to do with his use of marijuana and everything to do with his training as a lawyer.

Steve Pain
Kleinkruisrivier, Riversdale

■ To those who might call for "legal reform" of the laws pertaining to landlord and tenant (meaning fewer rights to appeal): Don't throw out people's right to appeal and to seek relief just because of one loony unemployed lawyer. Most people in fact don't access their rights, so please don't call for diminished rights based on this crazy and unusual case.

The JSC (or whoever) should however check whether the judges who assisted this unusual character were correct. Check what actually happened, don't just dive for undoing necessary laws.

Pete Swanepoel
Montclair

■ Our constitution and the PIE Act protects both landlord and tenant but it appears as though the owner was seriously let down by our judicial system.

Philip Bam
Cape Town

Lessons in St Lucia victory

Glenn Ashton's penetrating analysis of the apparently illegal aspects of the heavy mineral sands mining activities at the Tormin mine on the West Coast, by Australian Mineral Commodities Ltd (MRC), reminds us how vital for environmental protection and awareness was the great victory at St Lucia 20 years ago. In the two petitions at that time, half a million people signed to save St Lucia from strip and dredge dune mining on the Eastern Shores of the Lake. Nelson Mandela also signed.

That titanic environmental struggle led to the establishment of South Africa's first World Heritage site. Under 20 years of dedicated management by Andrew Zaloumis and his team, St Lucia has been turned into the iSimangaliso Wetland Park to achieve international repute. Not only was the goose saved, but it produces ever-increasing numbers of golden eggs – the truly win-win solution locally and nationally.

Ashton puts his finger on the key point that government is complicit – advertently or inadvertently – in the irreversible disruption at Tormin by failing to enforce compliance with the legal restraints MRC has agreed to abide by.

Prince of pot... Nightmare tenants

In the fight for St Lucia it was emphasised by the NGOs and scientists that not only is the strip mining process irreparably destructive and immitigable, but that the enforcement of regulations, for the full life and decommissioning of a mine, could never be properly achieved.

The struggle to save the Wild Coast at Xolobeni from dune mining highlights the way wealth creation and the environment can be managed – the West Coast way, or the St Lucia way.

Jim Phelps
Fish Hoek

Nest Life screws the poor

Your article about the "moral rot of unsecured lending" being exploitive and degrading (*nose*179) again brought to the surface the fact that certain business models in South Africa that are supposedly aimed at helping the most disadvantaged people, are achieving the opposite, e.g. Caiaphas Khumalo's article (*nose*180).

Another case in point: my former gardener took out a family funeral insurance plan with Nest Life, which also covered the family in the event of permanent disability resulting from an accident. His wife and daughter were badly injured in the De Doorns bus crash and his wife had to have her arm amputated just below the elbow. Nest Life covered the hospital charges for his wife, but repudiated the disability claim, saying: "Permanent disability means a state of incapacity due to member's injury which in the underwriter's opinion is permanent and irreversible, and results in the member being unable to perform the duties of any occupation on a part or full time basis. Any occupation means any occupation capable of being undertaken for remuneration or profit."

They advise him, if he is not satisfied, to approach the Ombudsman.

His wife has only ever worked as a domestic worker. Yet Nest Life's wording about any occupation essentially means that the only way to qualify for compensation would be to lose all limbs. Yet again, the poor are screwed.

Ian Pringle
Constantia, Cape Town

Fallacy of feeding the world

The World Economic Forum's "New Vision For Agriculture" reiterates the fallacy that small-scale and subsistence farming can satisfy the world's ever-increasing need for food. Waffle about the potential of small-scale farming resulted in this final communiqué: The way forward should be: "• Country-led, driven by local stakeholders in partnership with global organisations • Multi-stakeholder, engaging government, private sector, international organisations, civil society, farmers' associations and others." This verbiage will not feed the forecast 9 billion souls. Any betterment of living standards will increase the food deficit.

Hilary Venables, writing in the same vein in "Big Agri feeds it's own bottom line" (*nose*182) has been sadly misled. World population is increasing, and it is also urbanising.

My primary problem as a small farmer is getting my produce to the consumer. It is handled by three or more middlemen, which not only reduces my take of the final price, but means my produce is no longer fresh, and may be rejected. Only the big farming conglomerates can afford to process their produce themselves and have the resources to satisfy the regulatory authorities.

GM products are designed for the benefit of big agriculture. Corporates plant hectares of Roundup resistant crops, while I have to *skoffel* to keep the weeds down. My production per hectare is much lower than on the mega-farms.

I am uncomfortable about the use of GM organisms, but until the world's population stabilises, GM and massive farming corporations are the only way of keeping the wolf from millions of doors. We should be less concerned about who grows the food and more concerned about the growing population.

Ian Hurst
Groot Drakenstein

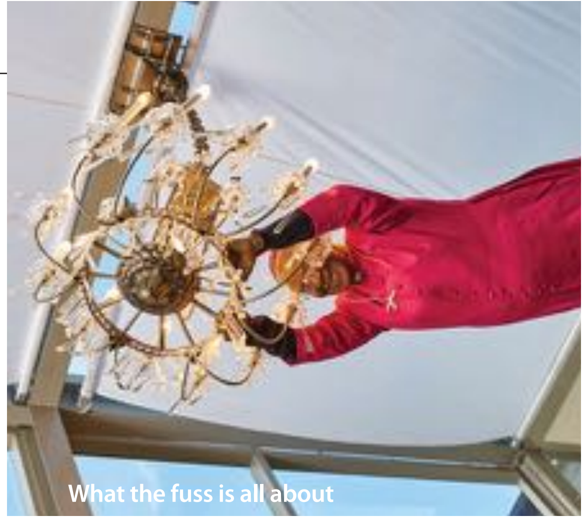
Rottweiler reportage

In one of your investigative jobs, I was your *handlanger* and I recall thinking then: "Jeez, this guy goes for the throat; first time, every time." You still go for the throat. Journalism would be infinitely poorer without you. Salute.

Ernest Oelofse
North Coast, KZN

You make it sound so gruesome, but thank you for the compliment! – Ed.

An extraordinarily slack piece


What the fuss is all about

Given the numerous errors contained in the extraordinarily slack piece in your June edition ("R852,000 flying Tutu: who cashed in?"), while putting aside the gratuitous sarcasm and innuendo, I would like to set the record straight with the facts as I know them.

First, the title of the artwork is *Arch* not *The Flying Arch*.

Second, in the middle of 2012 when I became aware that Idasa was in severe financial difficulties, I offered to buy the artwork from Idasa – because I was very fond of the piece and because I knew Idasa urgently needed cash to meet its monthly salaries and other liabilities.

Third, having made inquiries as to what it might be worth, and deciding, as you did report, that the organisation did not have the time or expertise to take it to public market, a price of R200,000 was agreed (a considerable profit on the R40,000 that your piece reported Idasa had originally paid the artist for *Arch*).

Fourth, *Arch* did not, in fact, disappear from public view in 2012, but remained flying at Spin Street until the middle of 2013, when it was moved to the Youngblood Gallery in Bree Street, where it remained for several months before then moving to hang in the Savoy Cabbage restaurant for much of 2014.

Fifth, while I was reluctant to sell *Arch*, it was an unwieldy and expensive piece to own, requiring a specialist company to move it because of its weight and delicate engineering; indeed, each move cost me around R20,000; with upkeep and spring-cleaning, I spent close to R80,000 on *Arch*.

Sixth, although in an initial conversation with Strauss & Co in early 2014 I was told I would be lucky to get R200,000 for it, given that the artist is not especially prominent, I was later approached by them to see if I would agree to *Arch* being part of a modern art auction they were planning for early 2015, and I agreed.

Seventh, *Arch* sold for a "hammer price" of R750,000 not R852,000, as even a cursory piece of professional journalistic inquiry would have discovered: the R852,000 included the 12% commission that the buyer pays the auctioneer; and, in turn, I paid my seller's 12% commission on the R750,000. I will leave your readers, if they are remotely interested, to "do the math".

Richard Calland
University of Cape Town

We rechristened him the Flying Arch *and I'm sure no-one but you has taken offence. Any slackness in our piece is to be attributed to the slackness of the many Idasa sources (yourself included) we interviewed and accurately quoted. Had you told us then what you are telling us now, I would have told you how impressed I am at the extent of your budget for art. I also conclude from where it has hung in the intervening years (inter alia in a dark, unused room at Spin Street), that you did not buy* Arch *to decorate your home, but as an investment – a smart one, as it transpires. Thanks for clearing up these issues.* – Ed.

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Rotten from top to bottom

THIS FROM A RECENT SPECIAL ISSUE OF *Africa Confidential*:

"Opening the black box of Egypt's slush funds: investigators chase $9.4 billion siphoned into secret accounts – police accused of stealing records disclosing own corrupt funds, Finance Ministry uses accounting trick to bury the bodies – by Nizar Manek and Jeremy Hodge

One sunny day last March, Egyptian government auditors walked past the concrete barricades surrounding the Ministry of Interior, which oversees the country's non-military security services. There, they sought to ferret out irregularities from the ministry's financial records, among them allegations that seven unnamed senior officials used state funds to distribute nearly $12 million in bonuses to themselves. Before the auditors could inspect the records, they were thrown off the premises. Eight months later, the audit chief complained to Egypt's new President and Prime Minister that Interior Ministry staff burgled a room his auditors used to investigate the ministry, stealing investigative records and notebooks. In a memo, the audit chief told them the ministry justified the break-in with Egypt's "war on terror", claiming that how it spends state cash must be kept a state secret.

What the auditors were looking for turns out to have been the tip of an iceberg. In previously undisclosed official records uncovered by The Angaza File in months of investigations, at least US$9.4bn of state funds had been stashed in nearly 6,700 unaudited accounts in the Central Bank of Egypt and, illegally, in a number of state-owned commercial banks, and was spent by the end of the 2012/2013 fiscal year.

And what of that more recent outpouring of Gulf aid into the country? Some, it has become apparent in recent months, was deposited in army-operated accounts at the Central Bank that are said to be used to stash stolen state funds that are never relayed into Egypt's treasury and serve as the private piggy banks of generals and other senior officials across the bureaucracy. This enables them to collect bonuses off-the-books away from the eyes of regulators and their subordinates.

For me, this report immediately brought to mind the secret funds controlled – and so liberally abused – by South Africa's chief of SAPS Crime Intelligence, Richard Mdluli, who was hand-picked to head the unit by a committee of ANC ministers (see *nose*150). He is now in his third year of suspension, after being exposed in the media, on full pay and living the life of Riley on the secret slush funds still believed to be under his control. DA shadow minister of police, Dianne Kohler-Barnard, recently revealed that Mdluli has already received more than R4,2m while on suspension – since 2012 – and still has a full-time driver and bodyguard, a state vehicle, business class flights and newspaper subscriptions – all paid for by the SAPS. He is also still actively politicking: Kohler-Barnard believes he was behind the case that saw Anwa Dramat out of his job.

Africa, it seems, is rotten from top to bottom. And still there are those who complain that the International Criminal Court appears to be targeting Africa. Might others not be justified in seeing it differently – that Africa appears determined to set itself up as an obvious target for criminal prosecution?

NOSEWEEK READERS – AND MOST HALF-intelligent citizens – have long understood the US$10 million "donation" to Jack Warner to have been a bribe to secure votes in Fifa's selection committee. It's quite simple, really.

According to Molefi Oliphant's letter to Fifa, the SA Government had decided to give US$10m to Safa to compensate it for the $10m contribution that it was no longer going to receive from Fifa for its World Cup operating budget – because Fifa was going to pay the money to Jack Warner of Jamaica on South Africa's behalf, supposedly for youth development in the Caribbean.

The complicated route suggests a clear case of money laundering. Why else did the SA Government not simply donate the money directly to the Caribbean Soccer Federation and proudly announce to the world that it had done so? Why, if Safa was the donor, had it not done the same? (Pity our own soccer youth have come so short on the development front, but never mind.)

And then there's the silence of those other dignitaries who were members of the Safa committee at the time: the likes of Michael Katz (of ENS and Nedbank fame), Koos Bekker (of Naspers/Media24), Selwyn Nathan and Raymond Hack. Did these larnies approve the payment? Did they even know about it? What say you, gentlemen? Why so quiet?

The US charge sheet states that the US$10m bribe was first promised to Warner shortly prior to the Fifa committee vote in 2004, but was only paid via this devious route much later. As an old practitioner once told me, the smartest bribes are always a thank you, never a please.

The Editor

The minutes that Investec wants obliterated from the history of the world

David Nurek rides over the rules. By Barry Sergeant

The North Gauteng high court case in which the Randgold minorities are suing Investec has to date spawned more than 15,000 pages of evidence, yet the merits of the case seem no nearer to being heard than when the case was launched on 28 March 2011.

In seemingly endless attempts to derail the case rather than have its day in court, Investec has launched one red herring after another. Legal costs so far (for both sides) are already running in excess of R15 million each.

By far the biggest sideshow in the case has been Investec's championing of the unprecedented notion that the Randgold minority shareholders have no rights, and thus don't qualify to be in this case in the first place. As it has been said, if it looks crazy and sounds crazy, it probably is – unless it's in Investec's hands, where crazy may also be normal.

As readers know (see *noses*178-181*)*, the gist of the amazing argument is that because South Africa – like any country with big stock exchanges – uses a system of nominee electronic shareholders to facilitate administration, beneficial shareholders (who bought the shares) don't have any rights. If you buy shares in a listed company, these are normally held through big, trusted broker-appointed nominees, such as Standard Bank Nominees (Transvaal), operated by Standard Bank. The court is yet to rule on this so-called *locus standi* issue.

In the meantime, one of the more interesting fact-based stories generated by the litigation can be found in sets of minutes of meetings that were released – inadvertently, it would seem – by Randgold, to the applicants (the minority shareholders in Randgold). From the applicants' points of view, they had struck gold – which might explain why Investec has applied to the high court to have the minutes struck from the court record.

At this point, consider that the foundation of the case launched by the applicants is the allegation that Investec acted, over a period of years, in collusion with certain parties, to prevent Randgold from recovering, in effect, billions of rand that the late Brett Kebble and his cohorts stole from Randgold.

One argument is that Investec was motivated by its own dirty hands. Unchallenged forensic reports, long in the public domain, show that Investec was one of the beneficiaries of the stolen cash. It was also exposed to massive losses on a Western Areas hedge fund were that company to have gone under – which it would have done had it had to repay all the stolen cash it received. The applicants contend that Investec, in order to cover its own back, effectively wanted the door slammed shut on the Randgold story.

The forensic reports show that, of the R1.9 billion in cash stolen from Randgold, R896 million went to JCI (Kebble's flagship company), R522m went to Western Areas (Kebble's biggest personal investment, indirectly held through JCI), R378m went to Kebble and his father, Roger, and R106m went to Investec in order to settle various Kebble corporate and personal debts.

After 24 August 2005, when Kebble was ousted by Investec (acting also on behalf of Allan Gray) as CEO of JCI, Randgold and Western Areas, Investec effectively took control of JCI and Randgold, and also exerted much influence over Western Areas. Various Investec acolytes were put on to the boards – while Investec was itself not a shareholder.

Investec's Global Head of Legal Risk, David Nurek, was inserted as chairman of both JCI (the thief) and Randgold (the victim) and as a director of Western Ar-

eas (the single biggest direct and indirect beneficiary of the stolen cash).

The minutes that Investec so desperately wants obliterated show that, with Kebble gone, JCI and Randgold then held joint board meetings under Investec's supervision, sometimes even held in the Investec head office on Grayston Drive in Sandton. Thus, thief and victim, who would normally have been bitter enemies, were seemingly entertaining the puppet-master.

Sample, for instance, these minutes, taken at the "JCI board" meeting on 23 February 2006:

- *The board then discussed what defences the company would employ in the event of an action by Randgold for recovery of the misappropriated shares. Mr Jowell [an Investec director] stated that the negligence of the plaintiff [Randgold] would be a good defence. Mr Thomas [an Investec director] added that JCI cannot put any number in its accounts as due to Randgold.*
- *The chairman [David Nurek, an Investec executive] suggested that this would be difficult because of the positions of the joint directors and might best be defended by a pro-rata settlement. Mr Friedman (of KPMG Services, JCI's forensic investigators) reported…*

Investec is practically having a conversation with itself. Even KPMG, Investec's lapdog auditors and JCI's forensic investigator, are conflicted and probably shouldn't be there to start with.

Addressing the court in another of the cases inspired by the Kebble era, Advocate Michael Kuper SC (respresenting JCI, not Randgold but the issues were identical) described the situation of the new board of directors at JCI (who were much the same as the new board at Randgold) as:

"...a supine board; a board riddled, paralysed, by conflict; a board, which, when it acts, acts in this strange and deviant form."

Later, Kuper was even more explicit: *"The case we make out, M'Lord, is that the JCI board was joined like a Siamese twin to the Investec board, through its head, through its shoulders, through its stomach, and indeed, M'Lord, through its nether regions."*

There's more. The minutes that Investec wants obliterated show that at least one of the joint JCI-Randgold board meetings held at Investec head office was attended by none other than Investec CEO Stephen Koseff. At this point, it's worth reiterating that one of the cornerstones of the claim launched by the Randgold minorities is that Investec colluded with others to manipulate, almost endlessly, the aftermath of the Kebble era, to the shareholders' detriment.

Various other Investec dignitaries – not already deployed as directors at one or more of Randgold, JCI and Western Areas – were invited to attend such JCI-Randgold joint meetings, whether in the Investec premises or elsewhere, and actively participated in them. The list includes Glyn Burger, Investec's financial director and Avrom Krengel, a highly sensitive legal person with a very short temper, but otherwise good manners. Other Investec names include Ciaran Wheelan and Andrew Fox – people who are paid millions to do weird and brutal things, but never involving blood.

The minutes record how the Investec directors were given report-backs by the heads of each of the two forensic teams investigating the frauds and thefts on

The cover-up of Kebble's frauds amounts to one of the most elaborate obfuscations in South African corporate history

the instructions of the Randgold and JCI boards; intended litigation against certain third parties was discussed, as was any intention the reconstituted boards of Randgold and JCI might have had to institute claims against one another.

Investec's determination to have the minutes which so deeply implicate it in the conspiracy wiped from the record – and no doubt memory – is positively ironic, given that Investec is known to have agreed, early on in this case, also to pay its co-respondent Randgold's legal expenses in opposition to the minority shareholders.

In effect, Investec paid for Randgold's early attempts to bury the minorities in thousands of pages of documents, presumably oblivious to the danger that Randgold might actually produce something from the pile of paper that would help an objective bystander gain insight into exactly how the company was run under the tight control of the bank's agents and appointees.

If Koseff's attendance at such JCI-Randgold shindigs was deemed acceptable, then consider that, at the time, he was also a director of the Johannesburg Stock Exchange. The holier-than-thou JSE supposedly supports many good-citizen notions, such as the so-called King Code, which deals extensively with corporate governance, and many other situations in which directors may find themselves conflicted or compromised.

There was a time, around mid-2008, when Randgold did sue a number of parties. This was the direct result of certain minority shareholders in Randgold warning Randgold's directors of possible personal liability if they did not act prior to expiration of the three-year prescription period commencing in August 2005.

Around mid-2008, as Randgold was issuing certain summonses, also against Investec Bank and Investec Bank UK, Nurek resigned as chairman of both Randgold and JCI. At this time, as well, Koseff quit as a director of the JSE.

Where beneficiaries of the stolen cash have been identified, settlements have often been ludicrous. In the case of JCI, a R20bn claim was settled for R600m (and JCI was never sequestrated). In the case of Western Areas, an R11bn claim effectively became valueless when Randgold indemnified JCI (in January 2010, at Investec's insistence) against claims it may receive from Western Areas – which claims were indeed recently filed.

In the case of Randgold's claims against the two manifestations of Investec, all claims were settled against no payment. Investec Bank UK did not have to return the 5.46m stolen Randgold Resources shares, currently worth some R4.8bn, that Investec Bank UK sold without Randgold's knowledge (never mind authorisation).

While Kebble's criminal schemes revolved around listed entities, led by JCI and involving Randgold, the JSE has never shown any interest in the debacle. Indeed, based on the JSE's reactions, the Kebble era never occurred.

Reacting to this article, John Burke, JSE director of issuer regulation said: "You're entitled to express your opinion; we don't have comments to add."

Which says it all.

The cover-up of Kebble's frauds amounts to one of the most elaborate obfuscations in South African corporate history, and possibly its biggest unprosecuted fraud. While it has been shown and remains unchallenged that Kebble pilfered R1.9bn in cash (from Randgold), this only deals with the sources of the pilfered cash. A full investigation of the ultimate destiny of all the untold millions remains open, having been abandoned or deliberately suppressed many years ago by Kebble's friends at SARS and other law enforcement agencies. ■

The unbearable lightness of being a forex heavyweight

By Barry Sergeant

For those with an eye on foreign markets, the 19 May announcement by the Competition Commission of a probe into suspect foreign exchange dealing by certain banks was long overdue; a 2002 inquiry was not properly conducted, nor has there been the necessary rigorous investigation by domestic regulators.

A recap: In January 2002, then-president Thabo Mbeki announced a commission of inquiry into certain foreign exchange matters, following the calamitous fall in the value of the rand, across 2001. The inquiry was besieged from every angle, as was the unfortunate whistle-blower, Kevin Wakeford, who at the time was the CEO of the South African Chamber of Business (Sacob). Wakeford said he was acting in the interests of the nation by relaying information he'd been given by credible people with knowledge of the relevant markets.

This year, again, within hours of the recent Competition Commission announcement, the minister of finance was rushing around babbling about it "not being in the national interest to undermine confidence in the banking sector" – the oldest defence of corrupt bankers when dealing with weak or deeply indebted governments. The bankers had obviously already made some calls.

But this time around, things could be different. There are indications that the new probe could be based on information directly from dealing rooms – something that the 2002 inquiry wasn't allowed to touch. This time, the specificity of the allegations announced by the commission indicates that certain foreign exchange dealers are accused of colluding by using an instant electronic messaging chat room called "ZAR Domination", to coordinate trading activities when quoting to customers buying or selling currency. (ZAR is international symbol for the rand).

The allegation is, essentially, that certain banks colluded to fix quotes. This is similar to tender-rigging, but on an ongoing basis, in the manner of a "continuing violation". Market information indicates that the South African foreign exchange market generates profits of around R600 million annually – a fairly serious amount of money, certainly sufficient to warrant fierce defences from those fingered.

The big Sandton-based law firms, one of which is erecting a new head office for R1 billion, have already been briefed and are once again set to make a pretty penny from the poor old banks. That being the case, anyone or any institution proposing to probe foreign exchange markets and prosecute miscreant banks will need all the coalface information they can lay their hands on. The foreign exchange system is the biggest sub-sector in global finance, with a daily turnover approaching US$5-trillion. It is also one of the least regulated of all sub-sectors in world finance.

Anywhere in the world you go, there is an inherent conflict in that banks execute client orders and at the same time profit from their own trades. The issue is aggravated to the extent that most deals take place off the formal markets, away from exchanges. Two years ago, probes into foreign exchange dealings were announced by regulators in big markets such as New York City and London.

These were initially based on confessions by five dealers familiar with a practice in which traders at some of the world's biggest banks manipulated benchmark foreign-exchange rates used to set the value of trillions of dollars of investments. By that time, those regulators were up to their gills in giant investigations, including LIBOR, the Interest Rate Swap scandal, the Euro gas price manipulation allegations, the manipulation of US energy prices, and more.

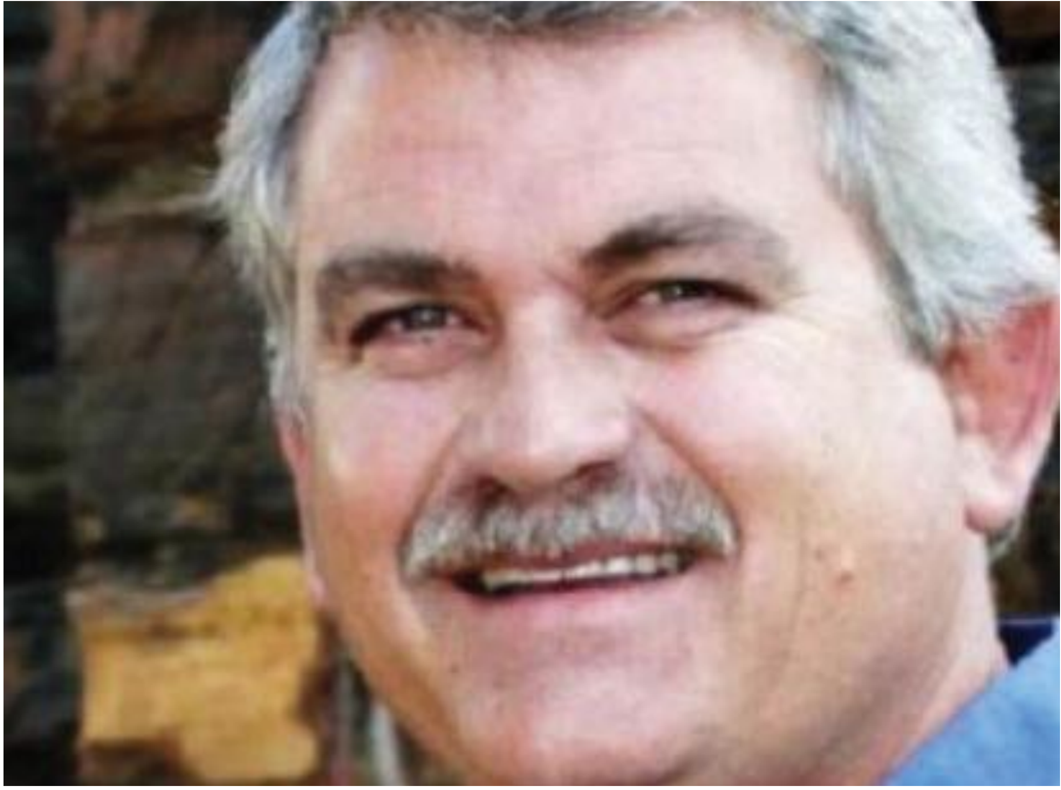
In this monsoon of delinquency, regulators extracted multi-billion-pound and dollar fines from banks for their rotten behaviour in the foreign exchange markets. According to *The Guardian* newspaper, by the end of 2014, the banks involved – mainly operating out of London and New York City– had paid fines totalling £166bn over a period of six years.

As *The Guardian* put it on 12 November last year: "The corruption of the world's biggest currency dealers was laid bare… UK and US regulators said they had found a 'free-for-all culture' rife on trading floors which allowed the markets to be rigged for five years, from January 2008 to October 2013."

South Africa's Competition Commissioner has initiated an investigation against 11 entities: BNP Paribas; BNP Paribas South Africa; Citigroup Inc; Citigroup Global Markets (Pty) Ltd; Barclays Bank Plc; Barclays Africa Group Ltd [*our friends at Absa*]; JP Morgan Chase & Co; JP Morgan South Africa; Investec Ltd; Standard New York Securities Inc; and Standard Chartered Bank.

It should be noted that Investec ranks as the only parent-entity with its primary domicile in South Africa. All the deals took place offshore, raising interesting questions about what Investec's role could have been.

Reaction to the announcement of the local probe has been mixed. A number of commentators found it odd that the investigation had not been launched by the South African Reserve Bank



Whistelblower Kevin Wakeford (top), former CEO of Sacob; Finance Minister Nhlanhla Nene (above left) and Prof Dr Jürgen Schrempp, CEO of DaimlerChrysler International

(SARB), the country's central bank, which enjoys draconian powers (dating from the apartheid era) of all kinds. But then again, for some time the SARB has no longer been an independent agency operating in the wider public interest, but rather as public relations manager for the banking sector.

One SARB deputy governor, Kuben Naidoo, was reported as saying that the commission informed SARB of its investigations "without sharing details of the probe". Wise move. No one was surprised when Naidoo also revealed that SARB's own review of foreign-exchange trading "hasn't found anything untoward in South Africa."

Meanwhile, Finance Minister Nhlanhla Nene reportedly said on May 22 that he was "very concerned" by the allegations and wanted to understand the impact on the country's financial system. A bit late, and not difficult to guess, given the kind of material exposed during the Rand Commission.

Back in 2002, evidence given at public hearings by Nedcor's Mark Parker made it clear that during and before 2001, SARB's rules had become "impractical" (in the view of the banks) and authorised dealers who tried to enforce such rules "strictly" were "bypassed" by "certain" foreign banks.

According to Parker, a SARB circular issued on 14 October 2001 was an attempt to re-enforce the rules, followed a "long period" during which exchange-control regulations had been allowed to fall into disuse – with SARB's knowledge. While the country's authorised foreign-currency dealers were required to ensure that all rand trades by foreign banks were backed by real underlying transactions, the rules had in "some" cases not been "clearly" enforced.

This was crucial evidence and, of course, it was buried in the press, if mentioned at all. The evidence showed that there was – above all else – an atmosphere, if not a culture, of non-compliance. Some complied sometimes, but the majority of players were non-compliant. And the SARB couldn't have cared less.

With no-one enforcing the rules, the few big players could flex the biggest muscles, and – most important – could undoubtedly move the market, especially when the trend line was intensifying in a certain direction. It was clear from the evidence read as a whole, that SARB's inability – or unwillingness – to do its job properly was at the core of the rand's meltdown.

SARB's lackadaisical attitude opened the door during 2001, and before, to an environment where market players identified opportunistic niches where monumental amounts of "one-way" money could be made.

One-way? The record shows that the rand has been something of a one-way bet for decades. From inception of the currency market in 1961, when the rand cost a princely US$1.40-a-piece, right through to 1982, when the long-term depreciation of the currency set in. During 2001, the depreciation reached extreme proportions, with a fall of 45% from R7.60 to R13.84 to the dollar.

The defence of the rand's value (which may be accurately described as the most important price in the economy) has long been SARB's job; to quote from South Africa's Constitution: "The primary object of the South African Reserve Bank is to protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic."

Despite one of the greatest meltdowns of any emerging market currency, the Rand Commission was closed down in mid-July 2002 by the then justice minister Penuell Maduna.

At the time, Wakeford interpreted the closing date of the commission as premature. He had further concerns: "It was obvious that the commission failed to conduct widespread investigations and limited its efforts to certain areas. Although the two executive summaries differ on some of their findings and recommendations, both reports refer to elements of delinquency in the markets. It is important to note that the commission did not investigate the possibility of collusion and manipulation in the markets."

Despite SARB's omnipotent statutory powers, it has something of a record for turning a blind eye to certain significant events – and names. One of the classics from the Kebble era was a total of 5.46m Randgold Resources shares stolen by Kebble and his sidekicks from Randgold & Exploration in Johannesburg, and sold in London by Investec Bank UK. There has never been any evidence that the stolen shares were cleared by SARB – as required by law – for dealing and sale on a foreign exchange.

More generally, the latest foreign exchange probe will be taking place in a country where every imaginable puddle is polluted. All kinds of vested interests already conspired more than a decade ago to severely curtail the work of the Rand Commission, and to shut it down prematurely, and to treat the episode as though nothing had occurred. Those who sought the truth were treated brutally; obsequious bootlickers were unimaginably rewarded.

Commissioner Christine Qunta, who made dramatic findings and was outspoken in calling for a deeper and, in effect, proper investigation, was ostracised and marginalised after the Rand Commission. She had broken ranks and would

Despite one of the greatest meltdowns of any emerging market currency, the Rand Commission was closed down in 2002

pay a terrible price for exercising her independent view on what happened to the rand in 2001. Her Cape Town-based commercial law practice, which had become well known and highly respected, fell on very hard times.

Another commissioner, Mandla Gantsho, along with commission chair John Myburgh, delivered the majority (whitewash) report of the Rand Commission. In 2003, Gantsho was appointed a director of Sasol, the most seriously implicated non-bank in Wakeford's allegations. Gantsho was also appointed a director of, among others, the SA Reserve Bank.

During 2002, Myburgh was appointed chairman of the board of directors of the Ombudsman for Banking Services, a position that he served in for many years. From August 2002 to March 2003, he was appointed to conduct a review of the corporate governance of the five biggest South African banks. He was appointed chairman of the Sasol September 2004 Accident Trust, where he served from 2006 to 2009. In 2009 he was involved in the review of Sasol's competition-law compliance.

Maduna, the justice minister who set up the Rand Commission, appeared as the first-up beneficiary in a Sasol announcement on 1 July 2006. He was named as the main man in a so-called broad-based black economic empowerment consortium called Tshwarisano, which acquired 25% of the Sasol subsidiary, Sasol Oil, worth a princely R1.45bn.

Early in October 2002, Wakeford had been sacked by SACOB chairman Christoph Köpke, whose boss (unbeknown to Wakeford at the time) was Jürgen Schrempp, CEO of DaimlerChrysler International. Less well known: Schrempp was also on the advisory board of Deutsche Bank, which had been most seriously implicated by Wakeford. Ouch. (Also worth remembering: Köpke was the man at the centre of the scandal involving the gift by DaimlerChrysler of luxury cars to the likes of Tony Yengeni and other politicians influential in the notorious 1999 arms deals – see *nose*35.)

And Schrempp was a non-executive director of Sasol. Ouch again. As if this were not enough, Schrempp sat on the investment council formed by Thabo Mbeki – the president who always feared the influential voice of business – and had himself had some pretty strange car dealings with DaimlerChrysler.

In many ways, however, pride of place in this story of dirty tricks and disgraceful conduct goes to Caroline Southey, the then-editor of the then-influential *Financial Mail*. On 29 March 2002, Southey launched an unseemly *ad hominem* attack on Wakeford, which included this key paragraph: "In our view [*Wakeford's letter*] raises serious doubts over the need to call a commission of inquiry into the collapse of the rand. The allegations are neither substantiated nor even, in some cases, coherent. Organisations and individuals are maligned, their integrity impugned, their motives and actions condemned."

Southey launched endless missiles at Wakeford, while referring, almost religiously, to "the integrity and efficacy of SA's financial institutions", without proof of any kind.

Not long afterwards Southey moved on from the *Financial Mail*, to a plush executive job at Standard Bank. During 2010, she really moved up in the world, when she took up the position of specialist: chief executive communications – at ABSA. Her new boss: ABSA CEO Maria Ramos, local representative of the Barclays group, one of the key targets in the latest probe.

Is the latest development some kind of poetic justice waiting to unwind?

● *Sergeant is author of* The Assault on the Rand *(Random House Struik).*

Too sweet to be true

Popular new sugar-free, organic chocolate proves to be neither.

By Barry Sargeant

ANY NEW ENTRANT INTO THE HEALTH food market should be prepared for all kinds of scrutiny. Just ask Daniel Waldis, apparently the owner and founder of Le Chocolatier, based in Paarl. Waldis's problems with a number of retail outlets hinge mainly around his use of the terms "no sugar" and "organic" on certain chocolates he has sold (always on a cash up-front basis).

For any number of people, this seemed like manna from heaven, especially those suffering from diabetes, and also many forms of cancer. It has been known for decades that cancer cells flourish when their host ingests sugar.

Chocolate has long been a favourite of humankind; its attraction stems from the presence of an alkaloid. As the Royal Society of Chemistry puts it, "Caffeine, nicotine, quinine and cocaine are all better-known names in the alkaloid family, but none has the same appeal as theobromine", the active alkaloid in chocolate, derived from the cocoa bean. "A clue", we are told, "might come from the Greek origins of the name which approximates to 'food of the gods'".

A number of retail outlets have sent the Waldis "no sugar" chocolates to independent laboratories for testing. Five sets of results have shown that the chocolate contains sucrose, ranging, rather impressively, from 26.1% to 30.9%. Waldis has complained about the results, citing a lack of independence, but, he tells *Noseweek*, he has amended his labelling accordingly.

In the meantime, he has attracted lots of attention.


Daniel Waldis

A Facebook page named "Le Chocolatier South Africa fraud" has attracted more than 1,600 "likes" to date. A number of complainants, such as Jean-Pierre le Roux, have been threatened by Waldis with court interdicts and damages claims.

Waldis has also made some other remarkable claims, not least that he has a friend in Switzerland who has invented a process that (miraculously) de-bitters cocoa beans. For anyone who has dealt with such beans, this would be the equivalent of claiming that a method has been invented to make honey without the involvement of honeybees. It's never been done, and is unlikely ever to be done. If it were to be achieved, the inventor would make a small fortune.

For Waldis, the irony, perhaps, is that there are chocolate products which can fairly be labelled sugar-free. As WebMD, an online publication, puts it: "To sweeten 'sugar-free' chocolate, most companies use maltitol, a sugar alcohol that is 90% as sweet as sugar…" This type of sugar replacer (a group that includes sorbitol, xylitol, mannitol, and isomalt) mostly bypasses the ingestion process.

At one stage, Waldis claimed that he was using powdered honey to sweeten chocolate. Sounds very natural, but it's just another source of sugar.

Debbie Logan, the passionate founder and owner of Organic Emporium in Bryanston has been one of the fiercest, but fairest, critics of what has developed into a debacle. She has contacted, where possible, suppliers that Waldis has named.

"Organic" is just one of the other – and further – claims that Waldis has put on his products, yet when Logan contacted a Swiss company that Waldis named as a supplier, they disclaimed any links with him and declared his use of their organic certification a fraud.

Logan visited Waldis at his premises on 19 May and repeatedly asked him about the sugar-free status of his chocolates; each time he confirmed the claim. Logan also established that Waldis was in fact importing chocolate bars, and reworking them into different slabs. The implication of this is that Waldis is not involved in the process of "handmade".

As any connoisseur of fine chocolates knows, the art of the process starts with roasting cocoa beans, and then going through the long and complicated process of rendering a liquor. Only then can the crafting of the chocolate really start up.

On its website, Le Chocolatier claims that "since 2010 we have been producing unique handmade truffles and pralines the Swiss way" and that "In order to keep our clientele highly satisfied we source only the freshest and finest ingredients for our chocolate making process."

When Logan visited Waldis's facilities, she saw a roaster – but for coffee beans. The other equipment was apparently involved in reforming chocolate. The bottom line, however, is that nothing Waldis tells Logan checks out. ■

Medical waste plant breakdown

Eskom blamed as freezers and incinerators fail and containers of body parts and blood remain stacked and rotting in the open. By Helen Grange

Solid Waste Technologies SA, the country's largest medical waste disposal enterprise with dozens of hospital contracts, including with the Netcare group, boasts on its website: "The best medical waste treatment and service delivery company in Africa, providing exceptional standards in environmental and integrated waste management services. We strive to conduct all activities within the confines of environmental laws."

Yet nothing could be further from the truth. The SWTSA plant at City Deep in Johannesburg was shut down for a week last November for a list of serious environmental transgressions, not least the leakage of dangerous medical waste near stormwater flow paths; containers full of medical waste left uncovered in open areas; and hazardous waste not being correctly treated to ensure all bacteria and other pathogens are killed.

Noseweek has a copy of the report by the Department of Environmental Affairs which shut down the plant. It tells of an operation that flouted the regulations over several months, turned a blind eye to the pollution and environmental degradation it was causing, and ignored the risk that it could spread disease by its illegal disposal practices. The report is dated 10 November 2014.

Medical waste includes all waste generated by clinics and hospitals, including removed body organs; diagnostic samples; blood-soaked bandages; discarded needles ("sharps"); unwanted microbiological cultures; used surgical gloves; and scalpels. Most medical waste is incinerated, while some of it is sterilised in autoclaves (steam and pressure chambers) or industrial microwaves before being sent to a landfill site. Medical waste may also be frozen for up to 90 days before being processed for disposal.

Blood leaking from a non-functional freezer at a Solid Waste plant in Gauteng

Without proper treatment and disposal, much medical waste is infectious or biohazardous and could cause the spread of infectious and extremely dangerous diseases.

At the SWTSA's City Deep plant, the DEA found that laboratory waste was "stored outside on a routine basis in the open, with no form of containment, and several containers were open", and that untreated waste and treated waste-residue, was stored in an open area at the lowest point of the site, where it was potentially exposed to rain and could flow off the site.

Neighbours have told *Noseweek* that, on occasion, early in the morning they have seen hoses from the plant discharging into open municipal drains.

Its Electrothermal Deactivation System (ETD), which processes more than 2,500 tonnes of waste per month, was faulty, thus the necessary temperatures weren't being reached to effectively disinfect the waste. "The ETD has consistently failed to reach the required operating temperature… Disinfection temperatures are routinely not achieved," the report states. This had been the case for nearly four months at least.

Meanwhile, the treatment tubes (large metal pipes) containing untreated waste were in an unenclosed area where maintenance, involving grinding, generated a large quantity of dust which had the potential to distribute pathogens over a large area, the report found.

The freezer was out of order and hadn't been working for at least three months so waste was being stored without refrigeration, while blood was "seeping from the freezer on to an open area from where it will be washed off site in the event of rain", the report found. Also, a large storage area had been constructed without authorisation from either the DEA or the Johannesburg City Council, where "hundreds of anatomical waste buckets and at least 20 isolation waste boxes are being stored".

In terms of the regulations, these containers are supposed to be destroyed, but employees believe they are being sold for resale to unwitting township dwellers as convenient water buckets.

Isolation waste was in fact stored in several areas of the site, including non-functioning freezers, and "the majority of containers on the site are not marked in a manner that shows the source of the waste and date of receipt", the report found.

Finally, SWTSA had no ability to treat contaminated water from the waste stored outside, nor to capture that water prior to discharge.

In conclusion, the DEA report found that SWTSA had "knowingly treated waste despite the required temperatures not being reached, had stored waste inappropriately, and had accepted waste knowing there is no refrigeration facility".

"Any one of these contraventions has the likelihood to cause significant pollution and together pose a serious risk of cumulative pollution."

The plant was ordered to shut down immediately, to move all the waste to another facility, and to inform all its clients that no more medical waste would be treated because of its "failure to adhere to the necessary design parameters of the plant". In addition, the DEA said it was considering suspending and/or revoking SWTSA's waste management licence due to these various contraventions, because "such contravention may have, or is having, a significant effect on health or the environment".

SWTSA was given 20 days to make representations to the DEA on how it intended to deal with these issues.

Two days after the report was delivered to SWTSA, its CEO, Edgar Adams, drafted a letter to clients – a copy of which has been given to *Noseweek* – telling them the plant was shutting down for two weeks due to "technical, maintenance, compliance and validation testing". Again, this couldn't have been further from the truth.

"During this time we will be collecting your waste as per normal collection scheduling times and transporting the waste to other approved facilities in the region," wrote Adams.

● SWTSA evidently hasn't been too fussed about its financial duties towards employees either. Staff deductions for their Momentum provident fund were not paid for for four months, from August to November last year, and this led to Momentum's threatening SWTSA with legal action and the termination of their participation should the outstanding monies not be paid.

In January, SWTSA applied to liquidate the Momentum provident fund. Since then, only staff who have left the company appear to have been paid out.

Asked for comment, SWTSA CEO Adams said his company had disputed the DEA report, and afterwards the two parties nominated experts to conduct tests. "We had to fix the transformers, which are badly affected by load shedding. We shut down the plant for two weeks and did the tests over six weeks. We passed the tests, and reopened the plant, and now it is running as normal."

The tests he refers to presumably relate to the temperatures achieved by the incinerators and refrigerators; it does not explain the four-month lapses and the storage of contaminated materials in the open yard and irregular warehousing.

Noseweek asked Momentum for comment, but no response had been received at the time of going to press. ■

Between a rock and a hard place: Part 2

Clifford Elphick strikes a hush-hush diamond deal with a cabinet minister in Lesotho. By Jack Lundin

The story so far...

Electronics whiz John Bond's state-of-the-art laser technology that cut rough diamonds to Hearts-and-Arrows perfection, had dazzled Clifford Elphick, wannabe diamond king and chief executive of newly London-listed Gem Diamonds. But Bond's Calibrated Diamonds and its revolutionary know-how was owned by arch rival Petra Diamonds.

Then Elphick discovered that Petra, still to emerge as the force it is today, was vulnerable: it was not feeding Bond enough rough diamonds to enable him to meet targets for a £28m performance payout. So Elphick broke a "no contact" agreement to lure Bond away with the promise of 1,779 carats of rough diamonds per month. On the strength of this pledge Bond eagerly facilitated Gem Diamonds' acquisition, Calibrated, from Petra for R47m. Towards the end of 2008, production of polished diamonds using the ground-breaking technology looked set to begin on the Indian Ocean island of Mauritius.

Except that Clifford Elphick was up to yet more tricks...

In Mauritius, a factory was rented in the small town of L'Escalier, close to balmy Blue Bay. And Andy Allan, new business analyst at Gem Diamonds, assured Mauritian Industry Minister Rejesh Jeetah that the newly-formed Gem Diamond Technology (Mauritius) and its "state of the art laser polishing technology" was only months away from producing "the best quality diamonds in the world".

But by the fourth quarter of 2008 the global banking crisis had hit the diamond industry and Gem was obliged to raise $98.8m by issuing 75m additional shares to settle outstanding debt. The drive was now on to generate cash and lower the outflows, said Elphick, ordering the beneficiation project in Mauritius – and another in Dubai – to be placed on ice.

However, unknown to Bond and Minister Jeetah, there was more to it than that. *Noseweek* can reveal that in the months before Gem's R47m acquisition of Calibrated from Petra Diamonds in September 2008, Clifford Elphick was struggling to pull off a gamble which, if successful, would enable him to keep his acquisition promise to deliver to John Bond each month enough high quality carats, while still also supplying diamonds from his Letseng mine in Lesotho to the Matrix cutting plant in Antwerp, and opening the way for his planned diamond cutting/selling operation in Dubai.

Central to the plan was one of Lesotho's most powerful men, Monyane Moleleki, long-standing Minister of Natural Resources and a leading figure in the ruling Lesotho Congress for Democracy (LCD) party. Mining was then a department within Moleleki's portfolio, headed by a commissioner.

Before the announcement of his September 2008 purchase of Calibrated, Elphick had secured Moleleki's "full support" to a Top Secret Addendum dated 14 August 2008. This addendum would effectively circumvent the original Concession Agreement between the mine and the Basotho Nation, and allow Gem to buy top quality rough diamonds for cutting and polishing direct from Letseng. (The 25-year concession, signed back in October 1999, required all sales of the mine's production to take place in "recognised diamond markets, by tender or auction", and entrusted this function to a single London-based brokerage, WWW International Diamond Consultants. In terms of a marketing contract concluded in May 2001, WWW sold all Letseng's product by tender in sealed bids at auction in Antwerp, taking a 2.5% commission.

Noseweek can reveal that in June 2008, two months before the secretly drafted addendum was due to be signed off, Gem jumped the gun and "extracted" some top value stones from a parcel of Letseng rough in Antwerp, to give to Matrix for cutting and polishing. Letseng's former CEO Keith Whitelock tells *Noseweek* how Gem's man in Antwerp "did a dawn raid on our latest parcel, which was with WWW preparatory to tendering, and selected and removed the six biggest top-quality stones." Gem's Stephen Wetherall "phoned me and asked me to issue an invoice so that Gem could pay Letseng for the stones, based on WWW's preliminary on-mine estimate on their value," says Whitelock. "I refused."

Whitelock emailed Elphick: "Mr Leleka (Bataung Leleka, Minister Moleleki's Principal Secretary at Natural Resources) advises that the Government of Lesotho has not approved the extraction…The extraction for sale prior to tender would in any event currently be a breach of Clause 16 of our Concession Agreement… No legitimate sale could have taken place."

Elphick replied: "Minister Moleleki and I discussed the Addendum matter in great detail." The diamonds, he wrote,


Clifford Elphick rides the range at Kurland

had been extracted "on the assurance that the Addendum would in fact shortly be signed… In the event that for some inconceivable reason the Addendum does not get signed then the question of what happens to the proceeds (if there are any profits) of the extracted beneficiated diamonds will be discussed and agreed prior to their sale."

Elphick added: "In the circumstances there can be no question of a breach of the Mining Agreement since all of the above has taken place with the full, knowledge and in discussion with the Minister and the PS. Indeed the Minister expressed his surprise to me on Sunday that the Addendum had not yet been finalised as agreed. It had his full support as well as that of the PS, the Commissioner and legal advisor as expressed to us as far back as April."

The three parties to the controversial Addendum were the Lesotho Government, Letseng Diamonds Pty (the mine) and Gem Diamonds. The only consent outstanding was that of any one of the two government-appointed Lesotho nationals sitting on the Letseng Diamonds board: either attorney Tiisetso Sello-Mafatle or Retsepile "Tsepi" Elias, CEO of investment banking group African Alliance in Maseru.

Gem Diamonds jumped the gun and 'extracted' some top value stones from a parcel in Antwerp

June's dawn raid by Gem in Antwerp still irked Keith Whitelock. Instructed to secure Elias's signature, Letseng's CEO escorted both government-appointed non-execs to the mountain mine by helicopter, walked them around and had a quiet word in their ear. One day, he told them, people are going to realise this country is being ripped off. And they're going to be looking at you, for not looking after their interests.

"I just pointed out to Elias the 'Trojan Horse' nature of the agreement," says Whitelock today. "Elias reverted to the Minister and the PS and outlined some concerns which he had and the Minister supported him in his decision not to sign the Addendum."

With the spotlight unexpectedly now on the addendum, it seems that Moleleki had a change of mind. Much to Elphick's fury, the whole thing was quietly aborted.

At the same time Elphick was challenging the exclusivity of WWW's contract through (secret) arbitration in Johannesburg. But as reported in *Noseweek* last month, retired Judge LI Goldblatt's award shattered that hope in September 2009, when he not only

The muscle behind The Man

Until he stepped down last month, Clifford Elphick's muscle at Gem Diamonds was provided by non-executive director and decorated war hero Richard Williams, 48, former Commanding Officer of Britain's elite 22 SAS Regiment. Lieut-Col Williams MC, who led SAS undercover operations during the Iraq war, is a colourful cove who was banned from SAS headquarters in Hereford for breaking the regiment's code of silence by co-operating in a book describing SAS activities that led to the deaths or capture of 3,500 insurgents.

In February this year Williams appeared in a TV programme, *Exposure: The Kill List*, describing for the first time activities within an SAS command bunker called the "Death Star", which tracked enemy insurgents in Iraq and Afghanistan via their mobile phones, checking numbers against information held by the US National Security Agency. Men from his unit then raided insurgents' homes – up to four raids a night. Death Star, the colonel told viewers, "did deliver from it quite a lot of death".

Though tipped for the highest ranks, Williams unexpectedly quit the British Army and by February 2008 was sitting on the board of Gem Diamonds, a year after the company listed on the London Stock Exchange. His initial annual non-exec fee was £70,000, but by 2012, when he was chairman of the remuneration committee it had dropped to its final £52,500 (still a handy R968,625). Last year he sat on the audit and remuneration committees.

Looking after Elphick's security problems at Gem must have seemed tame to Williams compared to his other occupation these days as "strategic adviser" to global trouble-shooters the Olive Group. Olive is a mob of discreet heavies who specialise in the rescue of hostage and kidnap victims, plus the delicate task of ransom delivery. Almost like the old days with Death Star. ■

confirmed WWW's exclusive right to market Letseng's entire production, but interdicted Letseng Diamonds from entering into any other agreement during the term of the contract.

Even today the Elphick Addendum is extremely sensitive. Whitelock, 79, initially agreed to give *Noseweek* sight of it, but with Mosisili's government – and Moleleki – back in power for the next five years, the need to preserve his own present prospecting licences by maintaining "good relations with the powers that be" prevailed.

"Gem refused to give us a copy; why did it have to be so secret?" asks Charles Wyndham, co-founder of WWW. He procured a copy anyway and has described it as "giving Gem the right to extract whatever goods it chose and to sell the resultant polished as it wished, or more specifically without any obligation to sell the polished through WWW."

Wyndham, an ex-De Beers diamond buyer and director of its key Central Selling Organisation, recalls how, around this time, Gem tried to sell the fabulous 478 carat Light of Letseng – reputedly the 20th largest rough diamond ever recovered – by private treaty through a different broker. "They denied this but we had incontrovertible proof," Wyndham tells *Noseweek*. "Despite all their machinations we sold the 478 carater and all the other production." (The Light of Letseng went for $18.4m).

Board members were excited – they couldn't wait for Lesotho people to be sent to Mauritius for training in producing polished diamonds

The Secret Addendum, and the behind-closed-doors arbitration proceedings with its devastating judgment, was never revealed to Gem's shareholders. And of course John Bond must never know about it.

The following years, 2009 and 2010, were empty ones for Bond and his team, confined to updating specifications and manuals at Calibrated's offices in Johannesburg, while the secret technology languished in storage. But in 2011, with WWW and Letseng's troublesome CEO Keith Whitelock both out of the picture and sales of the mine's production finally in the hands of Gem Diamonds Marketing Services, Elphick's interest in the "uplift" to be gained from processing rough diamonds into polished gems was revived.

Gem's 2011 Annual Report informed its shareholders of an exciting development in Lesotho: as part of Letseng's downstream activities, the mine was establishing an in-country manufacturing facility "utilising the proprietary diamond processing technology of Calibrated Diamonds, a Gem subsidiary". Completion of the facility was scheduled for the second half of 2013 with full production in 2014.

During its construction, John Bond persuaded Gem's exco to let him open a small plant in Mauritius, to train Lesotho workers so they would be ready to staff the new facility in Maseru. This was approved and in September 2012 Elphick flew to Mauritius with two Letseng board members, Mazvivamba "Mazvi" Maharasoa (the mine's CEO) and the previously mentioned Tsepi Elias, to witness the secret technology in action.

Maharasoa and Elias were "hellishly excited," recalls the 63-year-old Bond. "They couldn't wait for Lesotho people to be sent across for training and for the factory to be completed so they could start producing polished diamonds in Lesotho."

It was only 14 months later, at an airport stopover in Dubai on 14 Novem-

Letseng mine has a controversial history

THE LETSENG DIAMOND MINE, AND the name Letseng, feature prominently among the annals of controversial corporates in southern Africa. The mine itself is unusual. It is the highest diamond mine in the world, atop the Maluti range in the highlands of Lesotho.

The mine has a history of producing big stones. Its production profile resembles alluvial (water-washed) deposits (where poor stones don't survive), rather than a kimberlite pipe. Sometimes the mine produces freaks; "specialties".

The history includes abandonment by two big mining companies, RTZ (Rio Tinto in the modern manifestation) in 1972, and De Beers in 1982, which quit Letseng after disagreements and ego-butting between Leabua Jonathan, who ran Lesotho, and Julian Ogilvy Thompson, who ran the then joint Anglo American and De Beers empire.

In 1996, Letseng Guernsey, represented by London-based lawyer and investor Montague "Monty" Koppel, was formed to again exploit diamondiferous ores at Letseng. In the early 2000s, the diamond mine fell under the control of the late Brett Kebble. Koppel remained, as a minority shareholder in the mine, and a creditor of Kebble's JCI "empire".

In August 2005, Kebble attended his final board meeting at his mother ship company, the JSE-listed JCI. He was unusually honest in his assessment of Letseng Holdings, at that stage owned 50% by JSE-listed Matodzi (a 58% subsidiary of JCI), 40% by JCI itself and 10% by Koppel's (confusingly-named) Letseng Guernsey.

Said Kebble: "You know basically where Investec stands… I think part of the problem with Letseng has been their view of our financial situation, and our weakness in the marketplace, they felt they can low-ball our offer…"

Investec had been clandestinely supporting a permanently cash-starved Kebble for many years. During early 2005, JCI had hired Investec to find a buyer for Letseng Holdings. When Kebble spoke at his final JCI board meeting, Investec, backed by Allan Gray (moneychangers based in Cape Town), had agreed to bail-out JCI. One of the conditions was that Kebble resign.

As independently-conducted forensic reports published in 2006 would show, Kebble started stealing shares owned by entities he controlled, mainly JSE-listed Randgold & Exploration, as early as 1999. Long before 2005 dawned, he was simply out of cash.

In some ways, Letseng could have been Kebble's last big hope of surviving. In March 2005, Kebble had indicated that he'd be amenable to seeing Letseng Holdings sold for R400m (he proclaimed adamantly, however, that it was worth R2.5 billion).

At this point, Clifford Elphick's Gem Diamonds, the leading contender, was prepared to pay R300m. Elphick had previously worked for a good number of years at E. Oppenheimer & Son, the investment vehicle housing the Oppenheimer's family interests.

One of JCI's biggest creditors had refused to accept Letseng as a settlement. Mining entrepreneur Peter Skeat was only one name owed tens of millions of rand by JCI. When Skeat sued, Kebble reacted by saying: "I will give you all my shares in Letseng in settlement of the debt."

Skeat says this was unexpected, "but I soon worked out that if I accepted, then I – my company, Benoryn – would have been given an undue preference over JCI's other creditors. Kebble did not have the authority to give it to me because his company [*JCI*] was bankrupt".

Less than two months after Kebble departed this life, on 18 November 2005, Gem Diamonds bid R565m for Letseng Holdings, and quickly increased that to R665m, and again on 10 March 2006 to R950m. At this level the bid was accepted by all shareholders. Even Monty Koppel approved.

It was more than three times the "low-ball" bid that Gem Diamonds had tabled a year earlier. Elphick relied heavily on the stake in the Letseng diamond mine, when Gem Diamonds listed in London in 2006. Over the next three years, Gem Diamonds would raise a total of US$811m from investors, most of it in 2007.

Gem Diamonds had spent US$119m buying 70% of the Letseng Mine, and a terrific US$250m buying the Ellendale operations in Australia. Yet from its listing in 2006 through to the end of 2009, Gem Diamonds produced negative free cash flow (operating cash flow less capital expenditure) in excess of US$144m.

The London stock price quoted for Gem Diamonds peaked during 2008, at close to GBP12.00 a share. Over the next year, the stock price fell by 80% and more, and has never really recovered; recent trades took place around GBP1.50 a share. ■

ber 2013, that Elphick gave Bond the bombshell news: there would be no cutting factory in Lesotho after all. Tlaali Khasu, the new Mining Minister, he said, had refused to issue a cutting licence!

This bizarre cutting licence "refusal" has never been reported. To the media, Elphick again wheeled out the global economic climate as the reason why this part of a $280m expansion plan at Letseng had been placed on hold.

Keith Whitelock's successor as Letseng's CEO, Mazvi Maharasoa, is an attorney who was previously principal legal adviser in Moleleki's Ministry of Natural Resources, where she handled the negotiation of mining leases. Maharasoa is a great admirer of Clifford Elphick and she declines to throw light on the licence puzzle.

"Letseng Diamonds (Pty) Ltd is not in a position to comment on Lesotho Government policy nor Ministerial decisions and further does not discuss its business strategy in the media," reads her statement.

And 54-year-old Elphick, through his chief financial officer Michael Michael, has already said that Gem Diamonds is neither able nor willing to respond to *Noseweek's* questions.

If the cutting licence was indeed refused by Minister Khasu, as Elphick claimed to Bond, could Lesotho's volatile politics be the reason? In May 2012, four months before Elphick took Maharasoa and "Tsepi" Elias to Mauritius to see the technology in action, there had been a parliamentary election in Lesotho. Clifford Elphick's Ministerial buddy Monyane Moleleki – deputy to Prime Minister Pakalitha Mosisili, whose LCD party had ruled since 1998 – was out of office.

Now there was a first-ever Mining Minister, Tlali Khasu, from incoming Tom Thabane's rival All Basotho Convention party. The briefly-serving Khasu knew all about Moleleki's closeness to Clifford Elphick. Could a cutting licence refusal for Gem have been a belated expression of his disapproval?

In February's latest round of musical chairs, Khasu/Thabane were out and Mosisili is back, holding the reins of a coalition government. Moleleki is back with him, despite facing high court charges that he had abused his position as Minister of Natural Resources in 2012 by self-enrichment over the issue of diamond prospecting licences. His next court appearance is scheduled for August. In April Moleleki was inaugurated – as Lesotho's new Minister of Police. [*The Lesotho government has clearly been taking strategic advice from its neighbour.* – Ed.]

What, you may ask, were Elphick and Bond doing at an airport layover in Dubai? For years John Bond had been supplying his laser cutting machines to one of Japan's leading conglomerates, for use in its automotive and aerospace divisions. Another division produced synthetic diamonds, and Bond had cut some of its synthetic rough at the Mauritius plant, producing yellow, pink and blue diamonds of a quality the Japanese declared they had never seen before.

Elphick twice accompanied Bond to Japan (via Dubai). On the first trip, in March 2013, the Gem CEO was feeling vulnerable after takeover forays from two formidable rivals – Johan Dippenaar's Petra Diamonds and Lucara, the Canadian diamond producer headed by William Lamb. At dinner that night in Osaka, Elphick told Bond that he was desperate: a takeover of Gem looked possible and he suggested that he and Bond should form a joint company and buy the secret technology, which he thought he could convince his board to sell for $4m. If he was ousted from Gem they could go together for a polishing deal with the Japanese.

Next day, at a meeting with top Japanese executives, Elphick told them that in his view synthetic diamonds were superior to the natural product and

Bond had cut some synthetic rough at the Mauritius plant, producing yello, pink and blue diamonds of a quality the Japanese declared they had never seen before

that diamond mining, with its explosives and slime dams, was a calamity for the environment. A surprising view from the CEO and founder of Gem Diamonds, whose Letseng mine last year dug up and blasted 6.4m tonnes of ore to recover 108,569 carats of diamonds.

However, by the time Bond signed a six-month marketing agreement with the Japanese giant on Elphick's behalf in January 2014, Elphick had regained his corporate cool. He hit the roof, suspended Bond for his presumption and travelled to Osaka to inform the Japanese that it would be inappropriate for Gem to involve itself with synthetic diamonds.

Back in Joburg and faced with a disciplinary hearing, Bond submitted his resignation. In a parting shot he urged Gem chairman Roger Davis to conduct an investigation into actions by Clifford Elphick in 2006 and 2007 that enabled Gem to acquire Calibrated.

Davis, former CEO of Barclays's UK banking operation, replied: "Gem Diamonds Ltd denies the allegations contained in your email. Consequently no further action will be taken and any further communication will be referred to the company's lawyers." Elphick's own response rejected Bond's "unfounded allegations of breach of contract and misrepresentation". ■

Turning up the heat on Defy

All I wanted was a caring response. By Jaron Tobias

Why is it that CEOs believe they are untouchable living in their ivory towers hiding from those who put them there in the first place – and continue to pay for them to be there, protected by their lowly PAs and receptionists? And why is it that they refuse to speak with their client base or deal with the real issues surrounding their companies?

Following the publication of my article on Defy (*nose*188) and the total lack of concern by those in the ivory tower of Defy, I have never had so much attention from one company and such concern from so many people in such a short space of time.

It started with a call from Ogilvy & Mather PR, one of the country's largest (and probably most expensive) public relations consultancies, now retained by Defy. I was confused by the call and told them so: what was it they wanted from me, and why were they calling me? Transpires they called because they "really wanted to apologise on behalf of Defy". A little late for that one, I told them. In any event, why were they calling, and not Defy? "Because we are the public relations arm of Defy, and that's what we do," the caller explained.

When I suggested they get He Who Is Ultimately Responsible for the problem to call me, I was told the Defy CEO was in Turkey and they would discuss it with him on his return.

A day or so later I received a call from Koort Barnard, head of commercial operations at Defy, who advised me that he had been oblivious to the ordeal I had gone through and if only he had known he would have dealt with it immediately.

I responded that if this was truly so, why did no one in the entire organisation offer to put me through to him or even mention his name in response to my many calls? No answer. Instead he went on to apologise profusely on behalf of the organisation and repeatedly asked what he could do to rectify the matter.

Defy general manager Hakan Kozan

Start by dismissing all those in the organisation who did not do their job and had caused the great aggravation to my wife and me, I suggested. That would show true remorse. Not possible, I was told. So I suggested that the walls be breached and that Mr Kozan (Defy's Mr Big, the MD) should step forth from his ivory tower and explain why he had not taken or returned my calls.

Koort Barnard seemed to think that was a good idea and promised to recommend that Mr Kozan contact me when he returned from Turkey in a few days' time. He also emphasised that Mr Kozan did not speak a good English. I assured him that since my Turkish is not great either, we were sure to get on just fine.

Later that evening I received a missed call from Turkey and a message was left by Kozan that he would call me on his return.

Early the next week I received a visit from Lucky Ndebele from Defy: he was insistent on seeing me, as he was the bearer of gifts to make the problem go away. I once again did not feel it fair to attack the messenger and very nicely explained to him that my *Noseweek* article was not in order to obtain gifts from Defy, but merely to deliver on my promise of going public should Kozan not return my calls.

He was adamant that I accept the box of small appliances and a bottle of bubbly for the inconvenience suffered.

Finally the call came from Kozan with the expected apologies. (He started by checking that Ndebele had delivered the box.) I asked why he was calling me now, when much aggravation on both sides could have been saved had he taken my calls or returned just one of them when I really needed him.

Had he not received my messages left with his PA? After a pause, he replied: "I heard you had called." He tried to tell me that he is constantly on the move and does not spend much time in the office. I reminded him that in today's world we have cell phones and if he could not talk with me, Barnard could have been instructed to do so. I asked why he was calling me now, when I no longer needed his help. Was it because he now needed my help?

I repeated the recommendation I had made to his deputies: that the guilty be held accountable and was told that if this was Turkey they'd certainly have been dismissed, but here in South Africa it was very difficult.

He was kind enough to give me a rundown on the statistics of the company and told me how important each client was, to which I once again asked "If so, why did no one from Defy want to deal with the matter, and only now, when the spotlight is on the organisation, is anyone – or should I say everyone – interested?"

He promised me his personal service going into the future – if there is going to be one with Defy – and offered his e-mail address and cell number. I repeated that all I was really looking for was the courtesy of a returned call and someone interested in the plight of his clients.

I strongly recommended he voluntarily step out of his ivory tower rather than wait to being dragged through mud outside his door.

That remains my advice. ■

Times Media plans to screw the workers

Medical aid increases are only for former top management.

By Jack Lundin

VICTORY – OF A SORT – FOR AN ELITE minority of 23 former Times Media pensioners, in their battle for annual increases to be restored for their post-retirement medical subsidy.

The 23, led by former Times Media MDs Stephen Mulholland and Roy Paulson, with ex-*Sunday Times* managing editor Jimmy Mould doing the donkey work, have discreetly accepted a settlement offer by incumbent CEO Andrew Bonamour that will see their full medical subsidies restored, backdated for the last two years. But Bonamour refuses to extend the settlement to the group's remaining 365 old-timers.

The settlement came just before Tiso Blackstar, which has been buying steadily into the ailing media group since 2012, finally achieved 100% ownership in June. And since Bonamour's deal with Mulholland/Paulson/Mould amounts to what looks like an unshakeable precedent, it seems only a matter of time before he caves in to restore full rights to the rest of the greytops.

Bonamour – who's also CEO of dual-listed Tiso Blackstar – clearly clings to the vain hope that the pensioners' leadership will take the money and run. But quite apart from any precedent, Bonamour's ilk don't understand how Times Media used to be, with its quaint commitment to notions like honesty and decency. Anticipating the worst, Mould has buckled on his breastplate and informed the rest of the hoi polloi: "We were not able to get TMG to apply this decision to all pensioners. Hence the decision to launch new proceedings in which we will seek judgment in favour of ALL pensioners."

Since Tiso Blackstar started circling TMG in 2012 Bonamour has conducted a ruthless cost-cutting and retrenchment campaign aimed at restructuring the balance sheet to make the faltering media group, with its listing flagship *Sunday Times*, attractive to its BEE partner, "Nkunku" Sowazi's Kagiso Tiso Holdings.

On the medical aid subsidy issue, TMG's 2013 Annual Report spelled out the numbers: 305 subsidy-holding members still in service, plus 383 pensioners – 688 in all. Post retirement subsidy liabilities were running at R274m, with the group's annual contributions for benefits at R7m.

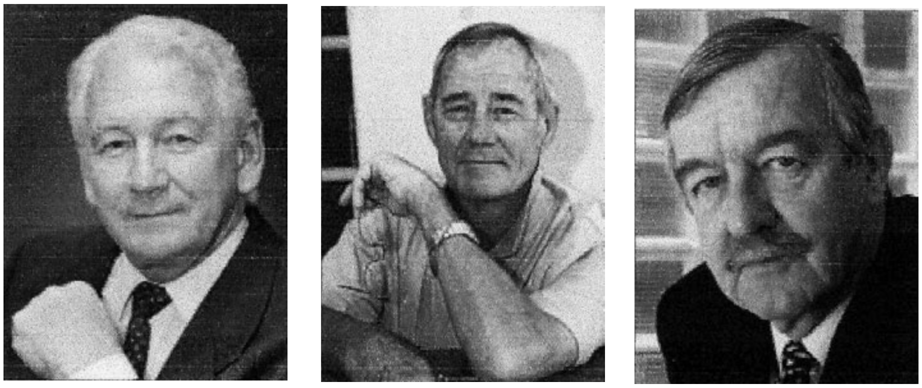
Quite apart from any precedent, Bonamour's ilk don't understand how Times Media used to be, with its quaint commitment to notions like honesty and decency

Bonamour pulled a cheap shot, offering staff and pensioners once-off cash buyouts to end TMG's medical aid obligations for good. The offer, described privately by Roy Paulson as "frankly, bloody dishonest" was indeed laughable. A pensioner in his 70s, for example, was offered around R90,000, which with tax deducted at 22%, brought a cash payout of R70,000. With the cost of Discovery's Classic Comprehensive scheme presently running at R44,352 and increasing by 10% annually, R70,000 wouldn't cover two years' contributions. Even Discovery's poor man's Saver plan at R26,064/year would be eaten up within three years. Both plans then leaving the pensioners without medical aid at a time in life they need it most.

In a bulletin to pensioners Jimmy Mould wrote: "We believe that staff were fed a story that if the Company was ever sold, all future medical aid subsidies might be stopped. A real scare tactic."

However, this shameful ploy worked, certainly as far as the serving staff are concerned – 67% of the 305 snapped up the cash offer. But only 8% of the – older and wiser – 383 pensioners did so. The R274m liability was reduced to R87m.

Paulson protested to Bonamour: "The bulk of these pensioners are black. How can you with any conscience offer them the money – you know the lower-paid blacks will take the money. What if they then come to you and say: 'I've got cancer and I need help but I haven't got a medical aid?'" To which Bonamour allegedly replied: "That's their problem".



Times Media old-timers (l-r) Roy Paulson, Stephen Mulholland and Jimmy Mould

In researching this dispatch, *Noseweek* has evoked the fury of Roy Paulson and Jimmy Mould, both of whom have done everything they can think of to keep the settlement news out of the media. An odd view, you may think, for old hacks to hold.

Just as secret for these apartheid-reared veterans is how much the pensioners' battle with TMG is costing – and who's paying. Only hint came from Jimmy Mould in a private remark: legal costs were "already in the six-figure region".

Since none of the rank-and-file pensioners have been asked to chip in, there is clearly a helping hand at work. "There is no cost to the participants," Mould has said. "I have secured guaranteed funding."

The services were secured of top law firm Bowman Gilfillan who, in turn, retained senior counsel to draft a 30-page founding affidavit. Some speculated that Stephen Mulholland might be a mystery donor, seeking to make amends when, as hatchet MD in the 1980s, he fired 2,200 workers in order for the group to survive.

However, Roy Paulson denies that Mulholland has put in anything. "Steve's wealth is a myth," he declares. "We're getting a pro bono deal. We've got a senior partner at Bowman Gilfillan who's acting pro bono."

Bowman Gilfillan takes a commendable approach to the cash-strapped. In the financial year ending February 2015 its lawyers clocked 8,609 pro bono hours worth R15.5m across its Cape Town and Johannesburg offices (revealing the firm's billing rate of R1,800/hour!)

Although Mould has expanded his announcement of the settlement from the favoured 23 to all pensioners, Roy Paulson pleaded with *Noseweek* not to write the story. For heaven's sake don't run it," he said. "It will really mess us up."

Later the former MD (of the five MDs who succeeded him at Times Media, Paulson is the only one who wasn't fired – and the only one who didn't get a golden handshake) emailed that he was "very angry" after we told Jimmy Mould he had pleaded with us not to run the story.

Paulson then said he had lied when he told *Noseweek* about receiving pro bono legal aid from Bowman Gilfillan. "I deliberately misled you about the source of funding as I did not altogether trust you," he penned. "Our lawyers did not assist us in funding or in any other way. You should know that lawyers do not get involved in pro bono assistance in cases such as ours."

So where does the funding truth lie? Jimmy Mould's "it's in six-figures" or Roy Paulson's pro-bono nothing? And if it is pro bono, who could the "senior partner" at Bowman Gilfillan be? Heads of law firms no longer bear the title of senior partner – it's chairman now. Bowman Gilfillan's chairman is Robert Legh, until recently head of the firm's Competition Law practice. Could it be Legh with his 25 years of corporate finance, antitrust and regulatory prowess? The firm's managing partner Alan Keep does not respond to our request for clarification.

Former *Sunday Times* managing editor Jimmy Mould wants all-embracing censorship too, albeit more politely: "We are very much aware of the devastating firepower *Noseweek* can bring to the party and appreciate your keenness to help the cause," he says. "However, Roy and I both agree that the time is not yet right to launch an attack on the enemy. In the event of Bonamour not coming to the party or offering a settlement, you will be the first to know. We believe it is absolutely essential to first attempt to settle via the Court, rather than start a bar-room brawl." ■

Nigeria. Buhari sets out agenda against chaotic economy

POPULAR EXPECTATIONS OF NEW President Muhammadu Buhari were stratospherically high before his 29 May inauguration in Abuja – all the more so because chronic fuel shortages, increasing power cuts, billowing state debts and mounting pay arrears have haunted the final weeks of outgoing President Goodluck Jonathan's government.

Buhari's immediate answer to this is a laconic, "expectations are too high". We hear, though, that his speech in Abuja's Eagle Square will give Nigerians and foreign officials, including US Secretary of State John Kerry, both a reality check and a promise of positive change. The attack on grand corruption will go beyond rhetoric and Buhari is set to spell out how he will call the state oil corporation, which he helped to establish over 30 years ago, to account.

There is no shortage of worldly and smart thinkers in the ranks of the victorious All Progressives Congress (APC) but their success in transforming good ideas into practical policy will depend critically on more mundane matters, such as overhauling the civil service. So the choice of Buhari's Chief of Staff and the new Secretary to the Federal Government will provide a key signal. These appointments will give an idea of the leadership style of Buhari Mark II. For constitutional reasons alone, he will not be able to resort to the diktats and decrees that were available to Buhari Mark I (military leader, 1983-85). He will be sorely tried by some of the egotistical politicians who are claiming credit for his impressive win in the presidential election.

At every turn, Buhari insists it will not be business as usual. In his meeting with state governors, when they complained about their depleted treasuries, he told them to be realistic. He added, we hear, that they should not expect much influence over his choice of federal ministers. That was something of a shock to the governors, some of whom, in Lagos, Rivers and Kano, preside over budgets bigger than some smaller African countries.

Buhari's cabinet list will surprise many people, party insiders say. On 22 May, Buhari suddenly left for London, ostensibly to rest before his toughest assignment in his 72 years (see below). His allies say he had to get away from the frenzied lobbying of politicians and interest groups eyeing prominent positions in his government and to draw up the final lists of aides and ministers. His unscheduled sojourn took several party barons unawares, which may have been part of the intention.

After General (retired) Buhari sets out the ethos and goals of his government, his colleagues say his priority will be to ensure that state institutions work effectively, carry out agreed policy and are held accountable. The failure of the petroleum ministry to produce a credible audit of the Nigerian National Petroleum Corporation (NNPC) over the past five years typifies the state of most ministries.

Doubtless the APC's Abuja summit to debate policy on 20-21 May was an important preparatory step. It also offered a glimpse into the workings of the APC. Star of the show was Nasir el-Rufai, Governor-elect of Kaduna State and lead speaker on the panel that explored ways of reforming the country's dysfunctional public service. As a former head of the privatisation bureau and Minister of the Federal Capital Territory, El-Rufai knows of what he speaks. His session at the Transcorp Hilton was packed: his attacks on outgoing President Jonathan ("one of my favourite subjects") and the "evil" NNPC drew much chuckling and cheering.

El-Rufai came to prominence many years ago on the platform of the People's Democratic Party, like many of the familiar faces in the new governing APC.

In 2013, El-Rufai released a tell-all memoir, which many assumed would end his political career. His landslide victory in the governorship elections points to the unpredictability of Nigeria's partisan politics. Seven years ago, he was in exile, returning home only when Jonathan took over. Five years ago, he was a loud critic of Buhari's presidential ambition. Today, he is one of the most powerful members of the new order, drawing on his tumultuous experience in government. ■


Nigeria's Muhammadu Buhari

Delta, dollars and Downing Street

SECURITY, CRIME AND MIGRATION TOPPED THE AGENDA when Nigerian President-elect Muhammadu Buhari met United Kingdom Prime Minister David Cameron at 10 Downing Street on 23 May. Aside from congratulating each other on their recent election wins, the two leaders discussed stepping up British training for and intelligence co-operation with Nigeria's military, as well as tougher action against organised crime, said a Downing Street official.

Cameron also offered technical aid for the new government's anti-corruption reforms after Buhari's inauguration on 29 May. During his last stint in government, as military leader in 1983-85, he led one of the country's toughest-ever anti-corruption campaigns which spared neither Nigerian nor foreign targets. Cameron also knows that the fate of what is set to be the biggest company on the London Stock Exchange, the merger between Royal Dutch Shell and BG Group (British-based oil and gas exploration multinational), valued at around £200 billion (US$308 bn) depends substantially on developments in Nigeria.

Nigeria produces more than 12% of the company's global business, say Shell officials. Some oil experts say Nigeria has historically been one of the top three revenue-earners for Shell. The country is the world's fifth-largest natural gas exporter and twelfth-biggest oil producer. The new Shell-BG company, with stakes in both, will be the biggest foreign company in the country.

Buhari's sudden visit to London, billed as a private trip, didn't get into the details of his plans to crack down on corruption but British and other foreign companies are watching developments extremely closely. Their concern is twofold: with an effective anti-corruption strategy, Nigeria could prove a much more complicated place in which to do business; a serious crackdown on corruption will also have heavy political and security consequences, especially in the Niger Delta.

Some Nigerian journalists delightedly reported how the outgoing Oil Minister (and former director of Royal Dutch Shell's Nigerian subsidiary), Diezani Allison-Madueke, had hastily booked herself on to the same flight to London as Buhari. The two did nothing more than exchange pleasantries, say sources in Buhari's All Progressives Congress. Many in the APC are calling for a full investigation into Allison-Madueke's tenure at the oil ministry as soon as the new government takes over. They want an investigation to cover the provisional findings of PricewaterhouseCoopers's forensic audit of the state-owned Nigerian National Petroleum Corporation, as well as such deals as crude oil swaps, the allocation of oil lifting contracts, the management of the fuel subsidy scheme and the sale of NNPC assets to private companies.

Although the new government wants to focus on fixing electric power and on reform of the corrupt oil and gas sector, Buhari's associates have told *Africa Confidential* that the political calls for a thorough probe into the NNPC and its top officials could prove irresistible.

For the biggest companies and their business associates, a brand new, honest oil regime would add another layer of complexity as market conditions get tougher. Western consumers have seen some benefits from the 50% fall in world oil prices over the past year but the international oil companies' margins are getting squeezed. As market analysts reckon that prices will stay low for the next five years or so, company strategists are focusing on financial as well as political risks. For oil companies such as Shell, Total, Exxon and Chevron, the state of the Niger Delta over the next few years will be a critical factor.

Together with the South-East, the Delta remains the surviving bastion of outgoing President Goodluck Jonathan's People's Democratic Party. According to the disputed figures from the Rivers State electoral officer, some 95% of the vote there in March went to the PDP candidates. Their rivals in the APC are determined to overturn what they claim was outright election fraud.

Another difficulty for the new government is the integration of former Delta militants into the PDP. For example, Prince Farah Ipalibo ("Dagogo Farah"), a former "general" in the Movement for the Emancipation of the Niger Delta (MEND), is now a (opposition) PDP member of the Rivers State House of Assembly. Many militants see membership of the PDP, which will control all the state governorships in the Delta, as a way of ensuring access to state coffers and of consolidating their support base.

"*Need anything from the bank?*"

Such are the stakes in the Delta that clashes between rival parties over contract awards and political access could flare again into a shooting war, as they did before the amnesty of 2009. Those clashes shut down about a third of the country's oil and gas production.

As Buhari's electoral triumph hits home, militant groups are working out which way to jump. It seems that veteran nationalist Edwin Clark and the influential Ijaw Youth Council want to negotiate a coexistence deal with the APC. However, those gang leaders who argue that the APC won the elections as part of an elaborate northern plot will stay with the PDP. They include Ateke Tom, Dokubo-Asari and "Pastor" Reuben Wilson, and are close to the new PDP Governor of Rivers State, Nyseom Wike.

The wealthiest and most astute militant leader, High Chief Government Ekpemupolo, alias Tompolo, sat the elections out without offering public support for either side. Victor Ben Ebikabowei a.k.a. Boyloaf, a former militant sponsor of Jonathan's successor as Bayelsa State Governor, Timipre Sylva, says he's disappointed with Jonathan and won't welcome him back to his home state.

Efforts to stop oil and gas theft, which costs at least $3 billion. a year, will involve not just taking on the local and foreign gangsters who run the racket but also the senior naval and military officers who facilitate it. Likewise, gangsters and state security officials have been colluding in piracy operations in the Gulf of Guinea, now one of riskiest areas for shipping.

Jonathan's strategy was to win over militants such as Tompolo and Asari with big security contracts. Tompolo now has his own mini-navy. New contenders are coming up. Younger militants are trying to replace their elders. After getting payments from the amnesty programme, they now see the end of the programme and no immediate alternative.

Much of the Delta's traditional economy has been decimated by the oil and gas industry, which has created few jobs in its wake. For many militants, the most lucrative deals were the security contracts awarded by Jonathan. However, younger fighters have little time for the older generation of militants whom they regard as having benefited from the Jonathan era but having done little to improve conditions in the Delta. ■

LEN **ASHTON**

Forecast. Watch this space

NOSEWEEK NEVER SNOOZES. On a recent hectically busy trip to Britain, I drew up a list of Books Column possibles. The British reviews offered a positively luscious selection of newly published tomes. The plan was to obtain one or more of the eligibles for review on returning to South Africa.

Fat chance. None of the desirables are available here yet. What to do? In extremis, and on deadline, desperate measures are called for. So, this month's Book Column is by way of being a trailer for some of the riches en route to these parts. Yes, we do know that, in the cynical Hollywood mode, trailers tend to be the best bits of coming attractions. But herewith some arbitrary extracts from the dizzying range of new reading featured daily in Blighty.

Readers of historical bent will doubtless be interested to know that Peter Longerich's *Goebbels* (Bodley Head) provides new insights into the twisted mind of Hitler's fervent disciple and chief propagandist. Longerich is rightly unsparing in his 992-page exposition on this "skinny, mean-featured, club-footed" creature of negligible gifts. The world knows that this failed human being contrived to dominate Nazi Germany by controlling the media, but, when The End loomed, he committed suicide with his seemingly complaisant wife Magda and non-complaisant six children.

Hitler adored all the Goebbelses, big and little. And Joseph Goebbels adored Hitler. Psychologists have their views on the significance of that cosy relationship, but such depths of depravity, as with mad Roman emperors, are literally beyond comprehension. They nevertheless are endlessly compelling.

Positive compulsion is suggested by *On the Move: a Life* (Picador) by the renowned Oliver Sacks, he of *Awakenings* and *The Man Who Mistook His Wife for a Hat* fame. It is Sacks's autobiography. After finishing the book he discovered he had terminal cancer and only months to live. Reviewer James McConnachie in Britain's *The Sunday Times*, wrote: "This book, then, will be the last word from the great writer, physician and neurologist". *On the Move* apparently contains some startling revelations. Fearful of his schizophrenic elder brother and of his own homosexuality, he left England for America aged 27. His mother described him as an abomination. A teacher had written: "Sacks will go far, if he does not go too far." He worked hard and played hard. A keen body-builder, he was also a biker, going by the name Wolf.

Another talent who left home to find success abroad is actor Antony Sher, who has just had his *Year of the Fat Knight: the Falstaff Diaries* (Nick Hern Books) published.

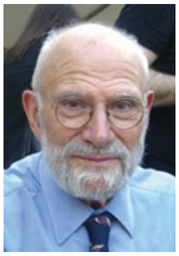
The former Sea Point resident, who lived unhappily in South Africa before finding fame and a knighthood in England, describes (and illustrates) the background to the Royal Shakespeare Company's recent production of the two *Henry IV* plays featuring the bluff Falstaff. The role required wearing voluminous fat suits, which apparently often cause intimate awkwardnesses.

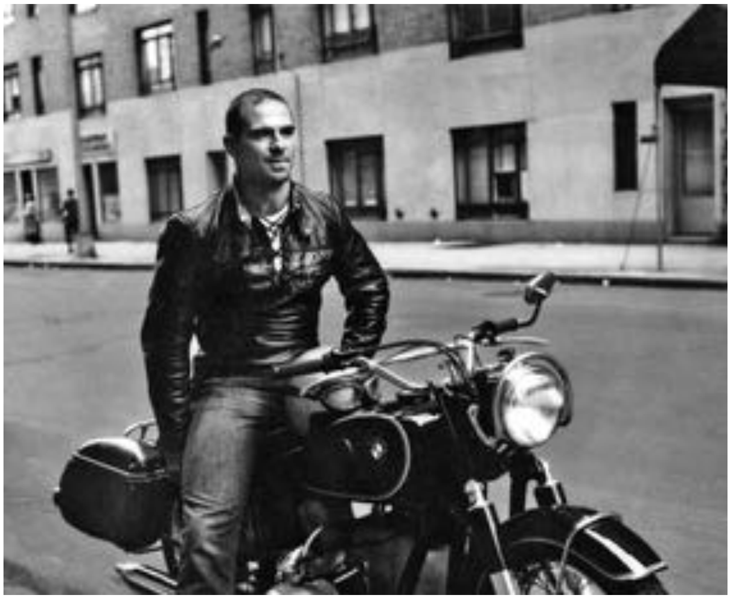
Interestingly, Sher confesses a preference for writing, as opposed to acting. Clearly the business of learning lines endlessly, and the physical demands of performing eight times a week, are a lot more onerous than the writing process.

Hitch would have agreed with him. In *Alfred Hitchcock: The Man Who Knew Too Much* (by Michael Wood, New Harvest) the great director is shown to revel in his powerful behind-the-scenes role – but always ensured that the creativity bore his imprimatur. The fans knew that, if you kept your eyes skinned, you were bound to spot that rotund figure flitting through a scene.

Unusually, the book is apparently not just another gushing tribute to the master of suspense. He is described as having been obsessed with "the troubled, often violent relations between men and women".

All of the above is written in the fervent hope that readers will nag publishers into distributing the four works in South Africa a.s.a.p. I can't wait. ■





Two ages of Oliver Sacks

JACQUES **PAUW**

Journalism? Far nicer things to do

I WAS A JOURNALIST – FOR 30 YEARS. A female columnist for a Sunday newspaper once wrote that if journalists were the "*nagkardrywers*" (sewerage cart drivers) of society, I'm grubbier than any of them.

She said it probably because I've encountered my fair share of loonies and psychos, civil war and genocide, warmongers and cut-throats and scammers and tricksters.

Hunter S Thompson once said that journalism is a "cheap catch-all for fuckoffs and misfits – a false doorway to the backside of life, a filthy piss-ridden little hole nailed off by the building inspector, but just deep enough for a wino to curl up from the sidewalk and masturbate like a chimp in a zoo-cage."

I think he exaggerated but then my mother till her death wanted to know when I'm going to get a "real job" and was convinced that there are much "nicer things" to do.

That's why I sometimes wish that she could see me now. My day starts at six when I get up to cook eggs, bacon and sausages. At nine I rush out to fetch trays and cartons of salad leaves, carrots and beetroot.

I then dash to the wineshop to stock up on Swartland Chenin Blanc and Shiraz. I have to carry the boxes uphill to my Nissan Bakkie – something I never thought I would drive. I had an Alfa when I was a journalist.

I then hit a dirt road to the farm butchery a few kilometres outside of Riebeek to collect sheep neck, whole sirloins and legs of lamb. Tannie Susan greets me like a celebrity and parades me to farmers waiting for their T-bones. I had days before appeared on a KykNet talk show.

By the time I get back to the Red Tin Roof, it's time to prep for lunch and dinner. Today's specials are lamb sosaties, green bean bredie, pickled fish and malva pudding.

Riebeek-Kasteel is notoriously hot in summer and temperatures frequently rocket towards the forties. The kitchen is five or six degrees hotter and by dinner time it resembles a war zone.

I'm trying to reinvent myself as a guesthouse owner and restaurateur – with various degrees of success and the occasional disaster.

I've told a Spanish tourist to fuck-off when he complained about the thickness of his Dom Pedro. He gathered his extended family and stormed out. He returned the next day to demand an apology. He got one.

I've always been known as a generous host. My wife and partner, Sam, insists that our portions are too big and are going to drive us to bankruptcy.

I also chop and change the menu far too often with the result that the other chefs don't know what to cook any longer.

Much of the success of a restaurant kitchen revolves around the art of ordering just the right amount of food and produce in order to avoid wastage.

Journalism is in crisis. Young, relatively inexperienced *snotneuse* are appointed editors

I have no clue how to order. My staff is growing fat on left-over pie, curry and leg of lamb. The bar is booming; the kitchen is far less profitable.

Sam and I live in the roof. We had extensively renovated the property, a 100-and-something-year-old manor house that guards Riebeek-Kasteel's south-eastern entrance on Hermon Road. We have re-vamped her from head to toe and decorated her with our eclectic mixture of art and collectibles accumulated on our travels around the world.

Our money ran out before we got to the roof. "You know what," Sam said to me the other day, "we live like white trash".

Yet, this is all better than listening to the lies, spin and bullshit I had to endure during the last few years of my journalism career.

And it wasn't just the politicians, civil servants, money mongers and lawyers that spun; it was everyone around me.

I left journalism in November last year as the head of investigations at Media24 newspapers. My title meant nothing. There were only two of us left in the unit. My colleague was much younger than me and about to land a lecturing job.

When I started the unit in 2009 I was promised heaven and earth. We comprised ten journalists and we had our own budget. The company appointed a senior editor to oversee the unit.

Money was no object. At some point, Media24 tried to buy the whole investigative unit of the *Sunday Times*. They threw enormous salaries at Rob Rose, Stephan Hofstatter and Mzilikazi wa Africa.

The deal was done and the trio signed contracts – just to go back to their editors at the *Sunday Times* to extract even bigger packages from


Jacques Pauw (at head of table) – and friends

them in return for staying.

This happened before the troika was exposed for their disreputable reporting on the so-called Cato Manor death squad and the alleged complicity of General Johan Booysen in murder and a host of other crimes.

Somewhere in 2013, Media24 announced retrenchments or what they called a "restructuring" of the newspapers. It was the death knell for the investigative unit.

They left, one after the other, and their posts were frozen. In the same breath, the media bosses fibbed that the unit was invaluable to the company and had the full support of management.

It was simply drivel – on the same scale as that of Mac Maharaj, Riah Phiyega, Gwede Mantashe or Number One himself.

Journalism is in crisis. Young, relatively inexperienced *snotneuse* are, across the board, appointed as editors. Some have hardly seen the inside of a newsroom; others are imbecilic enough to wear their party colours to political rallies.

The greed of media bosses has propelled journalism downwards. Gone are the days of those *hardebaard* editors that had cut their teeth in the trenches of journalism and earned the respect of their peers.

After all my experiences in the apartheid era, the mere thought of Nkandla or the Guptas made me vomit. I couldn't deal with such matters any longer. I had to leave.

Opening a guesthouse and restaurant in the quaint Western Cape village of Riebeek-Kasteel was my out – out of journalism.

There are only three things I can do properly: writing, cooking and gardening. (I once, long, long ago, was a reasonably good golfer.)

I could never, financially, survive as an author. I don't know enough plants to open a nursery. A restaurant and guesthouse were the logical option.

Riebeek-Kasteel, surrounded by tanned corn fields and bountiful vineyards, feels as though it's thousands of miles from Gauteng. It is wall-less, tractors full of grapes roar through the streets and in winter the mist tumbles and tosses down Kasteelberg.

I have found great joy in searching the area for produce and wine. There are magic moments like a winetasting at Saronsberg or discovering a world champion cheesemaker in neighbouring Tulbagh.

But journalism is a freaky beast. Once it has sunk its teeth in your flesh and injected its venom in your veins, it never lets go again.

I think I will always be that misfit that, now and then, lapses into longing for Thomson's "piss-ridden little hole".

There is fortunately not much time to think such thoughts. The tomato bredie – made according to Louis Leipoldt's recipe – has been in the oven for four hours.

It is dinner time at the Red Tin Roof. ■

Letter from Umjindi

BHEKI **MASHILE**

Cosmetic. Firmly affirmative

Like many an avid newspaper or magazine reader, I am drawn to the stories that I read first by their headline. I then go through the whole paper and read everything except for the careers section. (I don't need a job, but sometimes I feel I should be looking for one, considering the hardships of trying to farm on top of publishing a community newspaper that will never make me moola.) Argh but I do love these two pursuits dearly.

Back to headlines. In Section 2 of the May 17 edition of the *Sunday Times*, I noticed the headline: "Affirmative action must go if South Africa is to flourish".

Affirmative action must go? In South Africa? Is this writer for real? What racist whitey wrote this crap? I asked myself. Then I read the sub-headline: "Race-based legislation doesn't help black people, it hinders them… says Herman Mashaba".

I have no clue who Herman Mashaba might be, but I immediately label him as some wealthy tenderpreneur, or BEE fronting boy or beneficiary. On reading the piece, it turns out he is the founder of the very successful black market targeting cosmetic firm, Black Like Me.

That raised my blood pressure. This so-called brother, thought I, has got to be kidding! Just because he is one of the very few who have made good…

In his piece Mashaba talks about his trials and tribulations because of apartheid. Yes, we all have our stories but some things repeated over and over become annoying. And no, I am not suggesting that the history of apartheid is annoying.

I'm a firm believer in the old saying that those who ignore history tend to repeat it and, in a way, this is what Mashaba implies when he refers in his piece to affirmative action as a racist policy against South Africa's minorities.

Mashaba is dead wrong. Affirmative Action is a policy designed to undo the racist policy that has greatly benefited the minority. What about South Africa's majority, Mr Mashaba? We blacks were not a minority but a majority that was subjected to minority access to land, economy, rights etc, Mr Black Like Me.

Mashaba sounds like some of those patronising whites who condemn apartheid's keep-them-down policies yet in the same breath will utter, "But hey, I (or my father) worked hard and achieved this and that. Why can't your people do the same?" Forgetting of course that apartheid deliberately kept the black majority out of the mainstream economy and used them as cheap labour.

Mashaba then points out some of the discriminatory policies that blacks were subjected to – but only in relation to himself. Also, I must highlight two very interesting facts about his piece. First, it is an edited version of a speech given to the UN committee on elimination of all forms of racial discrimination.

We deserve to be more than ANC flag waving, freedom-song singing darkies

Would a body of the UN disagree with a policy intended to undo racial laws that have been described as a crime against humanity? I should think not.

Second, the UN happens to be situated in New York, in a country that champions affirmative action.

Finally, what I have observed in my little town of Barberton (and in other towns I've visited) is a blossoming black middle class, due in large part to policies such as affirmative action. A middle class that, I am sure, is contributing handsomely to Mashaba's bottom line. Unless of course he has tapped into the market consisting of AfriForum members.

Does Mashaba really mean to tell us that this middle class could or would be developing without such policies in place?

Yes, no doubt there is nepotism and other forms of corrupt practice that undermine the good intentions of these policies. But I must say to Mr Black Like Me, there was a time when, driving along the main road, General Street, into Barberton, one was met with the ugly sight of shacks. Now, those have been replaced by black "middle class" homes. If that can be attributed to affirmative action, hurrah say I.

But without these policies, all we would have is maintenance of the status quo, where whites, – because of the advantages this "minority" enjoyed under apartheid – still ruled the roost and we "Black Like Me" millions continued to be restricted to being civil servants, garden boys, under-paid freelance reporters covering the Township beat, with a handful of successful Blacks-Like-Me such as Mashaba.

No Mr Mashaba, we deserve to be more than ANC flag-waving, freedom-song singing darkies, but rather CEOs, editors, dealer principals and of course cosmetic company founders – despite the fact that their hair relaxer stuff defies the black pride and natural look of our women folk.

Mashaba exemplifies the universal problem wherein someone who "makes it" starts to look down upon others of their ilk who are still trying to – wishing to – make it, or, more important, need all the help they can get to do so.

This writer supposes that Mashaba's company name, Black Like Me, once had some meaning, but reading of his anti-affirmative-action stance, I can only suggest he might want to seriously consider changing it, because he clearly is not Black Like Me, at least not any longer. ■

HAROLD **STRACHAN**

Thinks. It's a wee world

HERE I SIT ON THE SENIORBURGERS se bankie at my Friendly Spar, as advertised. I am a seniorburger with extra mustard and chilli tomato sauce because I am darem so waais, man, also mature, like a good cheese. And what I am so wise and mature about is summoning up remembrance of things past to the sessions of sweet silent thought, 'ksê. Presently the sight of a great robust Zulu security guard brings to mind remembrance of hitch-hiking through British Africa in a university blazer in 1950, with a collapsible fishing rod and nice pulled-up woolen socks so everybody can see I am a jolly decent sort of chap and give me a lift.

I arrive in a place called Dodoma in Tanganyika, and the place is abuzz because the District Commissioner himself will be here this evening, he's on tour of his territory for cocktails and speeches, see, and as it happens his secretary has just given me a lift into town.

Great stuff, man! The great robust security Askaris are on parade. They wear a red fez titfer like King Farouk of Egypt and smart khaki shorts and tunic, with a Sam Brown belt like Kitchener of Khartoum and leather sandals like Caesar's soldiers and their legs are polished. They don't wear socks, hey, so their legs have to be all shiny like Tommy Atkin's boots. They get issued with special brown leg-polishing wax and if their legs aren't shiny they suffer military punishment. Also their toenails must be cut to regulation length.

Inside the boma stand invited Brit coffee farmers and senior colonial staff and yours truly, sipping cocktails and murmuring platitudes about the King's health, and after cocktail #12-or-so I need a lavvy and make my way to the edge of the lawn where stand many gentlemen shoulder to shoulder and all doing a wee in the direction of a rising moon. In Africa urination is the great male leveller; here stand the DC, coffee farmers, staff, Askaris and myself, all democratically relieving ourselves.

Culturally speaking, this is the Great African Bospis. I am next to the DC. Nice fellow. So you're from the South? says he. Yes, say I, Natal. Aaah Natal, Natal! says he, sentimentally. But conversation flags. How do you find Tanganyika? says he. Umm... er... say I, where do ladies wee? What a strange question! he exclaims; where do they er... do it in Natal? They don't do it by moonlight, say I, it's time for cultural revolution and gender equality. He gives a good shake of head and willy and tells me to depart his territory tomorrow. He departs indoors.

Well anyway, here sit I now on the Spar old toppies' bench and summon up remembrance of a visit to SA family in Oz just last year and doing the Great African Bospis in Seednee with nephew Arthur after beer #6 or so.

A full moon is rising, Queen and huntress chaste and fair, and a distant array of nav lights appears alongside her; what a sparkling show! That's the plane from New Zealand, says Arthur, where nothing happens. So what's happening in Australia, say I, apart from our GAB? Oh I don't know, says he, we do play our international role, you know. Ja, say I, so maybe you can explain how a South Pacific country can be part of a North Atlantic military force in the middle of Asia? You know – Afghanistan? You are an intellectual wanker, says Arthur.

I don't know. I don't think there's much chance for humanity, we're all so bloody shabby, think I.

This Spar is abuzz on Saturday morning, trolleys groan 'neath loads of food, at the tills the display screens twinkle great sums of profit. At one of them the great robust Zulu security man is engaged in endless altercation with the till girl and a customer. A trio of muscular young men appear: two look sort of eastern Mediterranean, the other African, and all so handsome, handsome. They wear T-shirts with the motto COURAGE TO BE FREE and they are those gays which in the evil old days used to be called fairies, their wrists are dangly and their hips wiggly. They stand about whilst the quarrel grinds interminably on and on. Then suddenly one of them makes a move, firmly embraces the security man and plants a purposeful kiss upon his face. Security man is utterly flummoxed; is this sexual assault, GBH grievous bodily harm, or what? Should he knock this person down, put the handcuffs on him?

But there is only one thing he can do; all the till girls are giggling, customers are smiling, he has no choice. He smiles too, if feebly. There's a chance for humanity yet. ■

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Jules, Have a happy happy birthday. Lots of love Mum xxx

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