

National

Smokes, sex and the

A net of local and international investigations is drawing in on one of the most controversial and influential players in the South African arms deal — Zimbabwean tycoon John Bredenkamp. **Sam Sole reports**

In March 2006 a heavily armed Scorpions team launched raids on a set of cigarette importing and manufacturing businesses in Linbro Park, Sandton.

In October 2006 members of the United Kingdom Serious Fraud Office (SFO) swooped on the Berkshire premises of Aviation Consultancy Services (ACS).

Though he may not be the immediate target, one man appears in the background of both these probes: John Arnold Bredenkamp.

Bredenkamp (68) is a man who made his fortune trading in tobacco and arms with pariah states, beginning with Ian Smith's Rhodesia and ending with Robert Mugabe's Zimbabwe — with Saddam Hussain's Iraq thrown in along the way (see "Barely legal").

But ACS, which has a long-standing relationship with British defence company BAE-Systems, also played a key role in lobbying for BAE to secure the sale of fighters and jet trainers in South Africa's ill-fated arms deal.

Last year the *Mail & Guardian* revealed that ACS's sister company, Kayswell Services, registered in the tax haven of the British Virgin Islands (BVI), received about £37-million from BAE for its role in the South African deal (now worth R691-million).

Now both the SFO and the Scorpions are looking more closely at what ACS might have done to earn this staggering "commission" — notably whether the com-

Casting a shadow on the arms deal

Bredenkamp and cigarette smuggling

1998

BAE-Systems selected as preferred arms deal bidder

2000

Aircraft contracts signed

2001

Joe Modise dies. Zimbabwean cigarette manufacturer grants US\$4-million loan to Bredenkamp

2002

Modise's former special adviser Fana Hlongwane gets £1-million BAE annual retainer

2003

BAE commissions begin flowing to Bredenkamp-ACS via Kayswell Services

2004

BAE-Systems local agent Richard Charter dies

2006

March: Scorpions launch raid on cigarette and transport companies and name Zimbabwean Yakub Mohamed as suspects

2006

October: UK launches raid on Bredenkamp-ACS in BAE bribery investigation

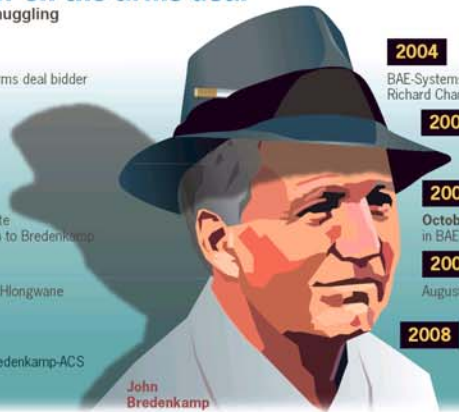
2008

August: Mohamed sues Bredenkamp for US\$3.87-million

2008

September: SARS picks up Scorpions cigarette probe and raids local Bredenkamp cigarette company

Graphic: JOHN MCCANN Research: SAM SOLE, STEFFANS BRÜMMER



John Bredenkamp

Dangerous liaisons 1: JB and the suspects

Sam Sole

Cigarette smuggling is the contraband business to be in. The returns are as good as those from drugs and the risks and penalties are relatively low (see "Better than drugs").

Investigators say there is a "golden highway" of cigarette and tobacco smuggling into South Africa from Zimbabwe and other Southern African states with lax border controls and weak policing.

Bredenkamp's position on or off that highway is still under investigation. Bredenkamp trades in tobacco via Breco International, which has headquarters in Harare and manufactures the Mega brand. But he also operates through Masters International Tobacco Manufacturing in Johannesburg.

The M&G has established that in September this year a yellow-jacketed national enforcement unit from the South African Revenue Service (SARS) launched an inspection at the Johannesburg premises of Masters International Tobacco Manufacturing, confiscating about 4 500 master cases of cigarettes, comprising 45-million cigarettes.

It was by far the biggest seizure to take place in terms of a nationwide SARS project to crack down on the

illicit trade in tobacco products that started this year, which has seen more than 7 500 master cases seized.

SARS, bound by secrecy regarding tax matters, won't say exactly why the cigarettes were seized.

Around the time of the raid, Bredenkamp also put Masters's local company into liquidation.

What is clear is that Bredenkamp has had business relationships with individuals who have been alleged to be part of a contraband network that is the subject of parallel SARS and Scorpions investigations.

The M&G understands that the Masters raid flowed from information obtained during an earlier round of SARS inspections in June this year targeting another company with Zimbabwean connections, Mavambo Coaches.

Mavambo, the business of which is passenger transport between South Africa and Zimbabwe, is a subsidiary of Pioneer Corporation Africa, a logistics company listed on the Harare stock exchange.

Mavambo was also a target of the armed Scorpions raid in March 2006. In that case the Scorpions obtained warrants of arrest for Zimbabwean citizens Yakub Mahomed and Simon Rudland, the latter described as the "de facto managing director"

for Mavambo as well as for South African Ebrahim Adamjee.

According to the affidavit used to obtain search warrants, Mahomed ran two related cigarette manufacturing companies, Gold Leaf and Sahawi, which were used to supply cigarettes on which no VAT or excise duty had been paid.

Adamjee allegedly "controlled the cash generated from the illegal cigarette sales" and some of the cash was laundered through Mavambo and other accounts controlled by Rudland, who was also allegedly involved in smuggling Sahawi cigarettes.

All those involved deny any wrongdoing.

The investigation has stalled because of a challenge to the Scorpions search and seizure process that is still awaiting a hearing in the Supreme Court of Appeal. The case was formally withdrawn because all the seized documents are under seal at the Johannesburg High Court pending the outcome of the appeal process.

Mohamed told the M&G this week that the case was dead and that the Scorpions had "got the wrong end of the stick".

But this June's SARS raids at Mavambo, where computers and documents were removed, suggest that



John Bredenkamp.
Photo: AFP

BETTER THAN DRUGS

"It's quicker, easier money than drugs," says one investigator of the criminal allure of cigarette smuggling.

The worldwide effort to tax cigarettes heavily to reduce consumption and raise revenue means the major cost of selling cigarettes is in the VAT and excise duties payable. For example, in 2005 in South Africa a pack of 20 cigarettes cost about R1 to manufacture, but was liable to about R6 in tax.

Avoiding tax by the illegal sale of cigarettes means you can undercut the legal operators and still make huge profits. The allure of avoiding tax has been such that for decades the major international brands also made use of back channels to distribute some of their products, but in the past 10 years intense international scrutiny has forced them to clean up their act. This has allowed a gap to open up for smaller, more unscrupulous players.

South Africa has been no exception and official estimates suggest 15% of the local market may be illegal. There are several ways of achieving this. Cigarettes may be smuggled into the country and sold for cash without paying excise duties and VAT.

More sophisticated players produce cigarette packs marked with counterfeit or stolen tax die-stamps, which indicate that duties have already been levied.

Still others manufacture or import cigarettes and declare to the South African Revenue Service that they have been re-exported, claiming the taxes back from SARS, when in reality the export certificates have been faked and the cigarettes are sold locally for cash. — Sam Sole

Dangerous liaisons 2: JB and the secret

Sam Sole

The website of John Bredenkamp's Breco Group is keen to suggest its hands-on approach: "A small management team enables fast decisions to be taken," it boasts.

The only member of the team actually profiled is Bredenkamp.

However, in one section there is a contrastingly coy tone about the role of the "Group Chairman".

Under the heading "Representative for aircraft manufacturers", the website notes: "In respect of defence procurement, John Bredenkamp is a passive investor in a company which acts as a ... consultant for established European and North American aircraft manufacturers in Southern Africa with valid Government approved export licences. John Bredenkamp is not involved in any day-to-day activities of the company."

The unnamed company, Aviation Consultancy Services (ACS), represents the dark heart of the Breco empire and despite the reassurances about government approval, Bredenkamp clearly wants it understood that he doesn't know exactly what goes on there.

Since the raid on ACS and Breco offices in 2006 by the UK Serious Fraud Office (SFO), this hands-on approach to the arms dealing side of his business has been emphasised. The raid was part of a broad SFO investigation into possible bribery by defence giant BAE-Systems in various parts of the world, including South Africa.

For example, his spokesperson told *Africa Confidential*, "Mr Bredenkamp was not personally involved with the BAE-Systems deal in South Africa. He knows nobody who was on the BAE-Systems side of the deal in South Africa. And like-

wise Mr Bredenkamp doesn't know anyone on the South African government side of the deal."

The importance of Bredenkamp's stance of non-involvement has increased as evidence has emerged that he benefited personally from the deal.

In January 2007 the M&G revealed the SFO had obtained information indicating that BAE paid £37-million to an ACS-linked company, Kayswell Services, in commissions on the South African deal — alongside generous payments to local BAE agent Richard Charter (see *Dangerous liaisons* 3: JB and Mrs Charter) and to Fana Hlongwane, former adviser to the late defence minister, Joe Modise.

And earlier this year *Africa Confidential* revealed that internal company documentation showed that of £26-million paid by BAE to Kayswell between June 2003 and September 2005 about