

Correspondence between amaBhungane and Afrirent (represented by attorney Nicqui Galaktiou)

Redacted to include only relevant questions and answers

AMABHUNGANE, Nov 21, 2018

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It has come to our attention that on or about July 25 this year a payment of R300,000 was made from Afrirent to the bank account of Mahuna Investments, a company whose sole director is Matsobane Phaleng, a cousin of Julius Malema. On or about 28 August, Afrirent made another payment, this time of R200,000, to Mahuna Investments.

The Daily Maverick today published a story [\[here\]](#) alleging that Mahuna is, or has effectively served as, a front for the EFF and Mr Malema in that it inter alia channelled funds from VBS/Vele to the EFF and towards expenses related to a Sandown home where Mr Malema lived. The timing of the payments from Afrirent to Mahuna leaves us with the inescapable conclusion that they were connected to the Johannesburg fleet tender.

The payments were made shortly after the tender, which Avis seemed set to win, was cancelled... [It] looked increasingly likely that Afrirent would be shoehorned in, which it eventually was in October, on a regulation 32 appointment.

In our previous questions, sent 7 November, we put allegations to Afrirent suggesting political interference in the fleet tender. In your response to those questions, you said that "Afrirent or its directors does not have any relationship with any political parties or leaders".

1. It is now hard to avoid the conclusion that the money paid by Afrirent to the Mahuna account was in connection with the tender and was a kickback to the EFF for bringing its political weight to bear on the City of Johannesburg. Please comment.
2. We put it to you that in denying any relationship with political parties and/or political leaders, Afrirent was dishonest. Your response?
3. If you dispute the above, please explain why Afrirent has transferred money to Mahuna Investments.

AFRIRENT, Nov 22, 2018

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In order to clarify certain misunderstandings and/or false information being circulated, Afrirent confirms that there is no substance to the allegation that its contract with the City of Johannesburg, effective 1 November 2018 and awarded in terms of Regulation 32 of the Municipal Finance Management Act is in any way questionable.

The COJ cancelled the previous tender process which began in May 2017 after discovering that the bidding process had suffered material defects arising from officials manipulating the process. This is clarified in the COJ media release of 24 October 2018. Regulation 32 entitles a municipality to appoint a contractor by utilizing a pre-existing contract held by another organ of state as long as a competitive bidding process was followed. COJ first approached various other municipalities but it was not viable to pursue a Regulation 32 process and as a last resort approached Mogale City Municipality which had followed a formal tender process.

Afrirent contracted Mahuna Investments during November 2017 in respect of its contract with the Department of Rural Development. It denies any impropriety regarding that contract and points out that it has a similar contract in the Eastern Cape. It seems that your concerns rely on unfounded

conclusions. Afrirent was unaware that the CEO of Mahuna was related to Mr Julius Malema and denies in the strongest terms that any monies paid by it to Mahuna in respect of their lawful contract were a kickback to the EFF and/or Mr Malema.

Afrirent has a contract with Mahuna which provides services on its behalf in the entire Limpopo region. Payments made by Afrirent to Mahuna were strictly in terms of this contract. Afrirent's CEO has engaged with politicians but does not have relationships.

Afrirent is offended that it should be deemed to be an "obscure" company and that there is complete disregard that it has been operating for 15 years with an outstanding track record in, amongst other sectors, the transport industry. The implication that it does not have the capacity to carry out this contract is refuted and this will be clearly evident when the first fleet of 1 400 vehicles is delivered to the COJ next week. The balance of the vehicles will be delivered on time as per the roll out of the contract. It is evident that because Afrirent is a wholly black owned company there are immediate assumptions that it is involved in improper conduct and that it obtains contracts with the influence of political parties. Would this assumption be made if it was not a wholly owned black company?

Afrirent has every reason to believe that there are entities / individuals with ulterior motives and personal agendas promoting scandalous and vexatious allegations about the company particularly given its successful track record. There is no doubt that this should be exposed by an investigative journalist.

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AMABHUNGANE, Nov 22, 2018

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We have read through your response and urgently request that you share the contract between Afrirent and Mahuna (or at least the details thereof) and elaborate on the services provided.

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AFRIRENT, Nov 23, 2018

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Afrirent appointed Mahuna in 2017 to provide training and logistics for the delivery and implementation for its contract with the Department of Rural Development.

This includes Afrirent's supply of tractors and implements to the entire Limpopo province. Most of the beneficiaries are rural communities and the elderly. Afrirent chose a local company owned by a local person who understands the culture and the language of the communities. Consequently, that is how Mahuna was appointed and furthermore also required to assist with locating the beneficiaries and arranging the transportation of some of the equipment from Polokwane to some of the remote areas."

Please note an error in our initial statement sent to you. It should read that 1 400 vehicles should be delivered in the next few weeks and not in the next week.

AMABHUNGANE, Nov 23, 2018

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We have found Afrirent's answers rather unsatisfactory in helping us come to a fuller understanding of the nature of the business between your client and Mahuna Investments and would request further clarity. To this end, can your client please:

- 1) Provide a copy of the agreement between Mahuna and Afrirent; and between Afrirent and the Department of Rural Development.
- 2) Provide a little more detail regarding the scope and timeframes of the work Mahuna did for Afrirent from the time it was contracted in November 2017;
- 3) Provide any form of evidence that would attest to such work actually having been done;
- 4) Detail all payments (beyond the R200,000 and R300,000 we have already highlighted) which Afrirent has made to Mahuna or any other person in terms of the agreement between Afrirent and Mahuna.
- 5) Explain how Afrirent and Mahuna were first introduced to each other and how it came to be that Afrirent selected Mahuna as service provider.

Again we emphasise that the fact of the payments to an account alleged to be for the benefit of the EFF and its leader is prima facie a matter of great public interest. By the same token, it will serve no-one if misleading information is published. For this reason we assume that neither Afrirent nor Mahuna and its director, Mr Phaleng, would object to waiving the confidentiality that may ordinarily attach to some of the information we request. We invite you to coordinate same with Mr Phaleng. We have no objection to truly commercially sensitive information being redacted.

We ask for an indication by tomorrow (Saturday) noon as to whether our request will be met, and substantive fulfilment by Monday noon.

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AMABHUNGANE, Nov 26, 2018

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Another matter has come to our attention and we would be remiss not to put it to you and your client despite its insignificance compared to the main issues. Please be so kind as to include a response to this in the forthcoming answers.

We understand that Afrirent bid for the CoJ non-specialised fleet contract in consortium with companies Lebolex, Mcondo and MusaG Projects. At least Lebolex and Mcondo were dropped before Afrirent entered the agreement with the CoJ. MusaG's director is Musa Shibambu who is a relative of EFF deputy president Floyd Shivambu. It would appear to us that this is another manifestation of proximity between the EFF and Afrirent. Please comment on the foregoing and explain which partners were dropped and why; what the status is of Afrirent's relationship with MusaG Projects/Shibambu; and whether any compensation/fee was paid to any of the three companies and/or their officers/owners.

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AFRIRENT, Nov 26, 2018

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1. Our client has instructed us to respond to your questions as set out hereunder...

"The agreement requested is confidential between Afrirent and Mahuna. Notwithstanding Amabhungane's view that this matter is of public interest, Afrirent's commercial information must be preserved and cannot be disseminated. In order to demonstrate the existence of the contract, copies of the front page and signature page of the contract together with the letter of award from the Department of Rural Development are attached.

Mahuna issued three invoices on 1 May 2018, 1 June 2018 and 1 August 2018 in the total sum of R500k. The majority of the work for the Department is in Eastern Cape and KZN. The work in Limpopo was awarded on 17 October 2017 on an "as and when basis" for a period of 36 months. The

first request came from the Department in April 2018 once the Department's budget had been allocated in March 2018.

Afrent has many suppliers particularly in the Eastern Cape. In Limpopo, Afrent contracted with Mahuna to provide services in respect of transport / logistics and training. Mahuna was required to assist the certified trainers in training the Project Managers in several villages in the province as a result of the language barrier. In addition Mahuna was appointed for BBBEE compliance. It is farfetched to allege that Afrent would pay Mahuna an indirect payment for the EFF for a contract with the City of Johannesburg that occurred a year later after a tender was cancelled and a Regulation 32 procedure followed. Afrent is a company of substance and competence and has been operating in this industry for 15 years."

2. In regard to your questions received today regarding the cancelled COJ tender, our client has instructed us to respond as follows.

"It is incorrect to state that any company was dropped prior to Afrent concluding the agreement with the COJ as the tender was cancelled. Lebolex, Mcondo and

MusaG all approached Afrent to create a consortium because of its experience. Afrent did not know Musa and was introduced to him by the directors of Mcondo as an insurance provider. Afrent's directors have not interacted with any of the three companies or its directors since the tender was cancelled. There was no compensation / fee paid to any of the companies as the tender was cancelled. It is not unusual for Afrent to participate in joint ventures or consortiums from time to time and it is not its policy to question potential partners on their connection to any political leader or party.

Afrent denies that its business has any public interest and it should not be dragged into your investigation as there is no plausible reason to do so. It is a stretch to allege that there is a relationship between Afrent and the EFF because of its business dealings with Mahuna and other companies.

We trust that your reporting will be fair and balanced and not cause Afrent undue harm and undeserved reputational damage."

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AMABHUNGANE, Nov 26, 2018

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We note that the Afrent-Mahuna agreement is not signed by Afrent. Elucidation would be appreciated.

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AFRENT, Nov 26, 2018

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The response was prepared in a rush and we erred in stating that Mahuna was appointed to assist certified trainers with project managers. It was actually training end users / farmers and farm workers and not the project managers.

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Senzo signed by completing his name and designation as CEO of Afrent. I think it would be inaccurate to say that the agreement is not signed.

Lastly please note that Afrent has other service providers in Limpopo not just Mahuna.

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AMABHUNGANE, Nov 27, 2018

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Having considered your client's latest responses, we have to put the following to them:

You stated that Mahuna was contracted for training end users/farmers and farm workers (not the project managers as initially stated) in several villages in the province as a result of the language barrier.

Mahuna's bank statements for the relevant period shows no expenditure consistent with the services allegedly provided by Mahuna to Afrirent. On the contrary, the statements reveal Mahuna's business largely to be that of a conduit -- or a 'slush fund' as the Daily Maverick put it <https://www.dailymaverick.co.za/article/2018-11-21-vbs-bank-heist-effs-family-ties-and-moneyed-connections/> -- to the EFF and Mr Malema.

AFRIRENT, Nov 28, 2018

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It is unreasonable to expect Afrirent to have knowledge of Mahuna's bank statements and any other supplier or stakeholder for that matter. Afrirent denies that the services were not performed, as implied, and reiterates its position that Mahuna is a service provider to it. Like any business, if a service is provided and contractual obligations are met, Afrirent also pays without investigating how the service provider procured the services rendered.