

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION NO.: 1267**

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| **1267. Ms V van Dyk (DA) to ask the Minister of Public Enterprises:**  (1) Did a certain company, namely Scarlet Sky Investments, have a track record in the diamond industry prior to its appointment by Alexkor; if so, what are the relevant details;  (2) (a) why has no beneficiation for the community taken place since the appointment of the specified company by Alexkor and (b) what are the details of how transferring the sale of diamonds to the company has impacted on the value returned to (i) Alexkor and (ii) the miners;  (3) (a) on what basis was the company again awarded the contract in November 2016, (b) why is there no longer an independent valuator model included in the company’s contract, (c) who made this decision, (d) how does it impact on the sale of diamonds, (e) to which companies has the auction been opened since the adoption of the auction model and (f) who has been the most successful bidder since the start of the program;  (4) is the specified company a licensed diamond trader and the premises licensed as a tender house? NW1367E |

**REPLY:**

The response is based on information received from Alexkor SOC Ltd.

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| (1) | The company, namely Scarlet Sky Investments 60 CC (SSI) itself, had no track record, until, Mr Daniel Nathan, with twenty years’ experience within the diamond industry, was appointed as a Director of SSI in November 2014. | | |
| (2) | (a) | Beneficiation is currently taking place at the offices of Scarlet Skye Investments (SSI) based in Houghton, Johannesburg, Gauteng. SSI currently employs learners from the Richtersveld Community. Beneficiation has been taking place since 2015. | |
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|  | (b) | Beneficiation contributes an additional 9% (NINE PERCENT) income to the Pooling and Sharing Joint Venture (PSJV) to income after the tender process. | |
| (3) | (a) | The Alexkor PSJV followed its Supply Chain Management policy.  The process included: | |
|  |  | (i) | the “Request for Proposal” (RFP 03/14) was advertised in the Government Tender Bulletin dated 31 October 2014 as well as the Business Day on 25 October 2014; |
|  |  | (ii) | 7 (SEVEN) Companies expressed their interest in RFP 03/2014 and submitted proposals |
|  |  | (iii) | Gamiro Advisory Services were appointed by the Alexkor PSJV Board to evaluate the proposals received; |
|  |  | (iv) | The top 3 companies, according to the evaluation scores, were invited to present to the Alexkor PSJV Board Tender Committee; and |
|  |  | (v) | Following the presentation and assessment of the SSI bid proposal, the Alexkor PSJV Board was satisfied with the prices and proposals submitted by SSI. The Alexkor PSJV Board appointed SSI with effect from 01 March 2018. |
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|  | (b) | The independent valuator process was stopped after some of the contractors’ complained about beneficiation and it was decided that the diamonds selected for beneficiation process will be paid based on the tender price of the goods. | |
|  | (c) | The decision was taken by the Management of the Alexkor RMC PSJV | |
|  | (d) | It did not have any impact on the diamond sales as the diamonds are sold to the highest bidder and not on the reserved price. | |
|  | (e) | There are about between sixty and eighty companies attending the diamond tenders. It is not always the same companies attending the tenders; this varies from sale to sale. Since inception approximately 200 license holding companies participated in the tenders. These tenders take place at the offices of SSI in Johannesburg, | |
|  | (f) | The diamonds are not sold to one specific company but to various participating license holding companies that has the highest bid on any specific range or category of diamonds on tender. Since 2015 approximately 200 companies participated in the tenders. The sales are very competitive and there is at least 15 to 20 winning companies at every sale. (This number depends on how many carats are on sale). | |
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| (4) | In terms of the South African Diamonds and Precious Metals Regulator (SADPMR) prescripts, a license is issued to an individual “Diamond Dealer” or to a company “Diamond Trading House”. In this instance, Mr Daniel Nathan is the holder of the required Diamond Dealer license. | | |

Minister: The Department has initiated a forensic investigation into these matters.