



It was one of the biggest stories at the APEC conference in New Zealand, but the daily media missed it. Congressional investigators are now asking what Bill Clinton got up to down under...

ALL THE PRESIDENT'S MEN

A major weakness has been discovered in New Zealand's foreign intelligence analysis: **trade officials invited a rich Asian businessman** to invest here and meet the Prime Minister and top business leaders - apparently unaware that he has been publicly named by US intelligence agencies as **a Chinese spy with organised crime connections**. Now a photo of him **meeting President Clinton** at the APEC conference in Auckland is causing uproar in the US. **IAN WISHART** reports on the so-called "Bamboo Network":

It is a postage-stamp sized photo – a moment in time captured on videotape at the APEC conference in Auckland, beamed via satellite to the Fox TV news centre in Los Angeles, broadcast on Fox News across America, recorded on someone's VCR, photographed off the screen, scanned into a computer and uploaded onto the Internet. What's so special about the photo? Well, for a start it features Bill Clinton pressing the flesh of someone in the crowd at the APEC conference in Auckland last September, only this time it isn't a cigar-lovin' intern. Instead, the other face in the photo belongs to someone much more interesting: an Indonesian businessman with links to New Zealand, organised crime and Chinese Intelligence.

What's also special about the photo? Well, the same week that *Investigate* began making inquiries to locate the original APEC video footage taken in New Zealand, the raw footage disappeared from TVNZ's tape library and has not been seen since.

But it's the man in the photo that this story is about. His name is James Riady, and to those in the know he currently heads the list of America's Most Wanted – an alleged criminal on the run from US Justice. And that's why the photo is at the centre of a political furore in the United States: why is President Clinton exchanging pleasantries in Auckland with a wanted man?

Funnily enough, it's the same question asked in New Zealand back in June 1999, when Riady first turned up for a special meeting with Prime Minister Jenny Shipley.

It should have been just another unnoticed thread in the rich tapestry of New Zealand politics, but the Indonesian's

fleeting appearance in our corridors of power had all the subtle discretion of a glow-in-the-dark cat collar.

Riady heads the Lippo Group, one of Indonesia's largest companies - but a company with heavy organised crime connections.

The New Zealand Government agency Tradenz extended the invitation for the June visit with a little-publicised announcement that Riady would receive

a "red carpet" welcome in New Zealand. That welcome included a special meeting with Prime Minister Shipley, and a series of meetings with leading New Zealand business executives.

What's extremely significant is that Riady, and his company, are at the centre of a major spying and bribery scandal that's blown up around US President Bill Clinton.

Amazingly, New Zealand's intelligence agencies had failed to brief Prime Minister Shipley on this point, despite a claim by to the contrary in Parliament. The closest the intelligence briefings – released to *Investigate* under the Official Information Act - get to the real Riady is this:

"Most important of all to the Riady family in business are relationships and networks."

As you're about see, that comment is a dramatic understatement, and we'll examine shortly how Lippo Group's incursions into New Zealand and Australia could have security implications.

The latest twist in the Riady scandal comes in a letter from US Congressional investigator Dan Burton to Beth Nolan, legal Counsel to the President.

"Upon President Clinton's return from his trip to New



Clinton greets James Riady at APEC CEO meeting in Auckland



Mochtar Riady (front) and James, taken in 1994. AP photo

ton, “I was dismayed to read the following report from the Wall Street Journal on September 24, 1999:

“‘TOGETHER AGAIN: James Riady, the Indonesian businessman central to Donorgate, used an economic summit in New Zealand last week to chat with Clinton. The White House won’t talk about it, but Indonesians say Riady didn’t discuss anything “sensitive” with the President.’

“If the report is true,” continues Burton, “I am concerned that the President would meet with an individual who has continued to evade questioning by the Congress and the Department of Justice about his pivotal role in the campaign finance scandal that came to light just prior to the President’s re-election in 1996.

“As you are aware, Mr Riady was recently named by John Huang as the architect of a massive scheme of illegal conduit political contributions in the United States.

“I cannot understand what purpose would be served by the President meeting with Mr Riady except to urge him to cooperate with Federal investigators.

“From his home in Indonesia, Mr Riady appears to have orchestrated a complex scheme to launder over \$4 million (NZ\$8 million) in illegal political contributions to Clinton/Gore ’92, the Democratic National Committee (DNC), the Democratic Senatorial Campaign Committee,

state Democratic parties, individual candidates, and non-profit groups in 1992 and 1996.”

We’ll return to Burton’s letter shortly, but first a little background context. Here’s the story the New Zealand press gallery didn’t tell you about Riady, and the story the Government didn’t know either.

To put what follows in its proper context, it pays to first examine James Riady, and his father Mochtar, the way New Zealand officials see them.

“The Lippo Group is one of Indonesia’s largest conglomerates in terms of market capitalisation with estimates of value putting it at having US\$11 billion in assets.

“The vision of its founder Mochtar Riady is to transcend the institutional limitations placed upon organisations run in the traditional overseas Chinese pattern and adopt a modern publicly owned and professionally managed pattern of business.

“Mochtar has formed alliances and joint venture partnerships with world class multinational corporations and has high calibre professional management staff working for him.

“The Lippo empire rose out of the success of the Lippo Bank. Unlike just about all other banks in Indonesia its founder Mochtar Riady tended to shun the Suharto connections that for other conglomerates in Indonesia were the keys to success.

“He avoided lending to politically connected groups or to state enterprises and instead built his business on legitimate retail and trade finance.”

Yes. Well.

The real story, shorn of its diplomatic awe, begins 22 years ago with a 1978 move by the Bank of Credit and Commerce International, BCCI, to become established in the United States.

BCCI subsequently crashed in 1991 when a multi-territorial investigation revealed its connections to organised crime, arms smugglers and intelligence agencies. Investigators have since dubbed it “the Bank of Cocaine and Commen International”.

Formed by a Pakistani businessman and marketed as “an Arab bank”, BCCI used a group of American investors as a front to purchase two US banking institutions - the National Bank of Georgia, and Financial General Bank in Washington DC. Because of foreign ownership restrictions, BCCI could not appear to be the real owner of the banks.

Assisting BCCI in this subterfuge was Jackson Stephens, an Arkansas stockbroker based in Little Rock. Stephens brought in three lawyers from Little Rock’s Rose Lawfirm: Hillary Rodham Clinton, Vince Foster and Joseph Giroir.

The Clinton connection - as you’ll see - continued to grow, but in the meantime Hillary Clinton and her two law partners helped Stephens, via his company Systemat-

ics Inc, to transfer control of Financial General to BCCI.

Financial General's Washington location meant many politicians and civil servants on Capitol Hill were account holders. The intelligence benefit to BCCI and those associated with the crime bank was enormous.

In 1983, Lippo Group began its own US invasion, choosing to do so in the apparent backwater of Little Rock, Arkansas, where Bill Clinton was Governor. Lippo Finance & Investment in Little Rock brought in a former aide to President Jimmy Carter, Vernon Weaver, to chair the company and Governor Clinton acted as a character reference for Lippo boss Mochtar Riady.

In 1984, Jackson Stephens joined forces with Lippo Group to purchase stock in Arkansas' Worthen Bank, based in Little Rock. Their buy-in coincided with the establishment of a major cocaine importation operation at nearby Mena, Arkansas, and the laundering of US\$100 million a month in drug money through the local banking system and ultimately BCCI.

BCCI investor Abdullah Taha Bakhish joined Riady as a co-owner of Worthen.

By 1985, things began to get hot for Bill Clinton, but Worthen Bank came to the rescue. Clinton had authorised Arkansas state pension funds to be deposited with Worthen by a brokerage firm, but the funds lost 15% of their value as a result of bad short-term investment decisions. Although Jack Stephens wrote out a \$52 million Worthen cheque and saved Clinton's hide, it paved the way for Lippo Group to take a larger role in Worthen. Over the next few months, the Riadys increased their holding to 40% of the bank.

James Riady was appointed to the board of directors, and helped engineer a buyout of the First National Bank of Mena, a town of 5,000 people whose only claim to fame was a secret CIA supply base for the Nicaraguan Contra rebels and the aforementioned cocaine-smuggling operation.

Worthen Bank became politically close to the future US President, and Hillary Clinton's Rose Lawfirm. Bill Clinton banked with Worthen and steered much of Arkansas' state business its way. Much of Mena's billion-dollar-a-year drug money went through Worthen accounts, then on to BCCI branches in Florida and Washington DC as part of the money laundering loop.

It is around this time that another character becomes integral to the plot: Lippo Group executive John Huang. Huang travelled to Arkansas to take up a role as James Riady's right-hand man in Little Rock.

Mochtar Riady, meanwhile, also formed a joint venture operation with Jack Stephens in Asia. Together, they purchased the Seng Heng Bank in Macau – the former Portuguese island colony close to Hong Kong that's controlled by Triad organised crime syndicates. Macau is effectively an Oriental Las Vegas, and gambling is a primary source

of government revenue. Even the recent Chinese takeover of the territory seems unlikely to dent the criminal powerbase.

Systematics Inc, the Stephens-owned software company, supplied software to Macau's Banco Nacional Ultramarino - the state bank of the colony.

Over the next five years, the Riadys consolidated their empire. Selling out of Worthen Bank in 1987 they moved from Little Rock to Los Angeles to establish Lippo Bank LA.

The Worthen experience bit them hard: the bank had lent \$80 million to entities associated with either the Riadys or Stephens. In the end, an investment firm collapsed owing Worthen \$100 million, and a subsequent investigation criticised Worthen for all the inside loans to its owners.

Lippo LA came unstuck as well, and investigators there launched a criminal investigation in 1990 after discovering that a 21 year old teller had made more than 900 suspicious wire transfers to the Lippo-owned Hong Kong Chinese Bank. Each transaction totalled just *under* the magic US\$10,000 limit which had to be reported to money-laundering investigators.

Nearly all the transfers involved false names, and were initialled by a supervisor. Despite that, investigators could find no documents indicating Lippo Bank LA's top management knew of the practice.



BCCI frontman Jackson Stephens also has close ties to current Presidential hopeful George Bush jnr.

US banking regulators issued three “cease and desist” orders against Lippo LA up until 1997, on the basis of sloppy management and suspicious funds transfers.

Clinton’s presidential campaign – a move that’s illegal under US laws restricting foreigners from making political donations.



*Lifestyles of the rich and infamous: James and Aileen Riady at a Clinton fundraiser.
Courtesy House Committee on Government Reform*

In another joint venture with Jack Stephens, the Riadys purchased the Hong Kong branch of BCCI, with James Riady and Johnny Huang relocating to run Lippo Bank Hong Kong. When Senator Al Gore visited Asia in 1989, accompanied by Huang, the trip was paid for by a Buddhist organisation, Fo Kwang Shan.

In 1991, an entity known as China Resources Company Limited began purchasing shares in Lippo’s Hong Kong Chinese Bank. The price paid for the shares was fifteen percent below the market value. US intelligence agencies have since claimed China Resources Co is a front for Chinese military intelligence.

During his relationship with Worthen bank, Arkansas Governor Bill Clinton passed several pieces of legislation favourable to Lippo’s US interests. The payoff? In 1992, with the Clinton/Gore presidential campaign on the ropes over the Jennifer Flowers affair and donations drying up, Lippo Group organised for Worthen Bank to pay the Clinton campaign fund a massive US\$3.5 million bailout.

But that wasn’t the worst of it.

In addition to the money channelled via the bank, James Riady and the Lippo Group were personally funding

In August, 1992, James Riady flew from Indonesia to Los Angeles to take part in a fundraiser for Clinton. Federal investigators piecing the jigsaw together allege Riady took a limousine ride with Governor Clinton, handing over



*“How much rope will I need to Huang myself?” Johnny Huang and Clinton at a White House ‘coffee morning’, June 1996.
Courtesy CNN*

US\$100,000 and promising a further US\$1 million.

So far, it appears Riady and Huang funnelled US\$700,000 in illegal donations to the Clinton campaign, via Lippo Group employees and subsidiaries. Most did not live in the US.

One of the questions posed by US congressional investigators is “Why?”. What did the Riadys hope to gain by funding Bill Clinton? They now believe James Riady and the Lippo Group were engineering a major espionage operation on behalf of the Chinese government, a deliberate attempt to bribe an American President, compromise US security and steal US secrets.



*“Keep throwing the dollars”
- Clinton/Gore 96
campaign.
AP photo*

The operation, involving more than a hundred people, many of them Chinese, has been dubbed “the Bamboo Network” by

investigators.

By January of 1993, with Clinton now President-elect, Huang and Riady arranged for another \$100,000 to drop into the President’s coffers and, in February, Huang organised a meeting between Mochtar Riady and the President.

The elder Riady, whose business philosophy is quoted in New Zealand Government briefing papers as “Every network has to have its foundation laid on special, personal, human connections... what I am looking for is what my partners can offer in personal contacts and business connections”, urged the new US President to reinstate China’s “most favoured nation” status. He also told Clinton to relax economic sanctions against China, imposed after the Tiananmen Square massacre.

Clinton, whose election campaign was significantly funded by the Riadys, obeyed. In June of 1993, China was given “most favoured nation” status. A week or two later, purely coincidentally, the Riadys make US\$163 million in profit when China Resources Company Ltd increases its share price offer for Lippo’s Hong Kong Chinese Bank to a figure 50% above market value.

James Riady’s influence with Clinton was so great that on April 19, 1993, at the very moment the FBI was raiding the Branch Davidian religious complex at Waco Texas, killing scores of men, women and children in the process, Bill Clinton was chatting with James Riady in the Oval Office while a TV set in the background was carrying footage of the tragedy.

Clinton even had time during this national disaster to

give Riady a tour of “the Situation Room” - a kind of “Bill fiddled while Waco burned” scene.

It is the beginning of a scandal that is seeing President Clinton dubbed “China’s first US President” by some commentators.

And despite the briefing papers from New Zealand trade officials who told Prime Minister Shipley that James Riady and the Lippo group shunned the cronyism surrounding Indonesia’s President Suharto, a US Congressional Investigation paints a very different picture.

“The Riady family was able to show off its close ties to President Clinton during the 1993 APEC summit in Seattle, Washington. Lippo organised a group of Indonesian businessmen to visit Little Rock, Arkansas, before the summit.

“A sister-state agreement between Arkansas and Indonesia was to be signed at a ceremony during the APEC summit, and James Riady planned to have President Clinton and President Suharto attend.”

Despite reservations from White House staff, who told Riady that “the human rights controversy surrounding East Temor (sic) may be an impediment,” the Congressional report notes that “Ultimately, during the 1993 APEC, President Clinton did meet with President Suharto, along with James Riady, over the objections of his staff.”

Clinton met Suharto again during the G-7 summit in Tokyo in July 1993, and then sent a handwritten note to James Riady saying he’d enjoyed his visit with Suharto.

The briefing to New Zealand’s then-Prime Minister, Jenny Shipley, says “The [Lippo] group is seen as not having ties with President Suharto’s family, hence it is regarded as clean and fits in with the spirit of reform.”

At the full APEC summit in 1994, hosted by Indonesia, Clinton spent more time with the Riadys, stopping only to pose in a batik shirt alongside the New Zealand Prime Minister at the time, Jim Bolger.



*Web Hubbell, L: paid by Lippo to stay silent about Clinton’s Whitewater involvement?
Courtesy: House Cttee*

In 1994, US Secretary for Commerce Ron Brown visited China carrying an “unprecedented” US\$5.5 billion



*President Clinton and his "good friends" the Huangs. After his arrest John Huang later took the 5th Amendment more than 1000 times to avoid self-incrimination over passing US secrets to China via the Riady's.
Courtesy: House Committee on Govt Reform*

dollars worth of trade deals. Included in the package is a \$1 billion deal for an Arkansas firm, politically linked to Clinton, to expand and manage Lippo's 725 megawatt coal-burning power plant in China's Fujian province.

In April 1994, Clinton's appointee to the US Justice Department, Associate Attorney-General Web Hubbell, resigned from his post amid allegations of fraud relating to his involvement with the Rose Lawfirm and the Whitewater scandal.

After meeting Hillary Clinton in mid-June, Hubbell held further discussions with Indonesian businessmen James Riady and John Huang. White House records show the two Lippo executives visited the White House every day from June 21 to June 25, 1994.

Hubbell spent much of June 23 with Riady, and four days later the disgraced politician was paid US\$100,000 by the Hong Kong Chinese Bank, ostensibly to put him on the Lippo Group payroll. The bank, as investigators now know, is majority-owned by Chinese military intelligence.

The payoff didn't save Hubbell, who was subsequently jailed.

Asked at a news conference if it wasn't more than a little suspicious that Hubbell ended up working for Lippo, President Clinton told reporters "To the best of my recollection, I didn't know anything about his having that job until I read about it in the press. And I can't imagine who could have ever arranged to do something improper like that and no one around here know about it."

But less than two weeks after Lippo's payoff to Hubbell, the Clinton administration decided to appoint John Huang as the new Assistant Secretary of the US Commerce De-

partment. Huang's resignation from the official payroll of the Lippo Group was marked with a US\$800,000 golden parachute.

Under US law it is illegal to export high-technology material from the US. This was to enable America to maintain a military and/or commercial edge over possibly hostile nations.

But armed with an interim top-secret security clearance, courtesy of Commerce Secretary Ron Brown, Huang found himself suddenly in a position to authorise technology transfers to places like Indonesia and China. Incredibly, Huang's security clearance was issued without the routine FBI and foreign security checks.

Investigators have discovered that, on 37 separate occasions, after attending CIA briefings on encryption technology, Johnny Huang left the building a short time later and went to Lippo's offices, where he then made long distance phone and fax calls to overseas locations.

The *New York Daily News* has reported that US intelligence services subsequently determined that Huang was passing classified trade information to Lippo Group headquarters in Jakarta – his former bosses.

How did Huang end up as an Assistant Secretary with a top secret clearance in the US Commerce Department? *The London Times* quotes one source as saying it was Hillary Clinton's idea.

"He was not Ron Brown's guy, and his presence caused intense conflict. Huang was carrying water for the White House."

Huang made around 70 "water deliveries" to the White House. And all the time, China's influence in Washington was growing too. During 1994 and 1995, the Clinton administration allowed AT&T to sell its secure communications system to the Chinese Army, in a deal known as "Hua Mei". In a dramatic backfire, the Chinese reconfigured the encryption technology and re-exported it to Iraq for use in air defence systems.

President Clinton also approved the sale of surveillance system technology to China, under the aegis of a cooperation agreement between Chinese police and the US Justice Department.

Which is where Congressman Dan Burton and his letter come in. Burton heads the powerful Committee on Government Reform in the US House of Representatives, and it's his committee that's investigating the Donorgate/Chinagate/Riady spying scandal.

Far bigger than Monica Lewinsky or other Clintonesque diversions, there is now real evidence that China, and subsequently Iraq, have gained access to US defence, industrial and commercial secrets as a result of Riady's allegedly corrupting influence on Clinton.

"John Huang, Mr Riady's political point-man in the US, kept in frequent contact with his former boss and his com-

*Chinese Premier Jiang Zemin
addresses APEC delegates in
Auckland*



panies during his tenure at the Department of Commerce,” writes Burton in his letter to the White House spelling out the evidence and demanding more answers.

“Mr Riady’s Oval Office meeting with President Clinton on September 13, 1995, led to Mr Huang’s hiring by the DNC where he promptly raised over US\$3 million in illegal political contributions.

“After a week of meetings in the White House, James Riady paid former Justice Department official Webster Hubbell \$100,000 at a time when Mr Hubbell’s cooperation in the Whitewater scandal was being sought by the Independent Counsel [Kenneth Starr]. Mr Hubbell has refused to reveal why Mr Riady paid him this money.

“Finally and most importantly, US intelligence agencies report that one of Mr Riady’s chief business partners, China Resources, is an intelligence gathering agency of the communist Chinese Government.”

It is this revelation that poses a grave problem for the New Zealand Government. Intelligence briefings prepared for the then Prime Minister Jenny Shipley and released to *Investigate* do not reveal any link between China Resources and Chinese Intelligence. Indeed, the New Zealand briefing reads as though it could have been prepared by Chinese Intelligence, judging by its innocuous contents:

“The Lippo Group has a strategic position in China and Hong Kong with substantial investments and relationships with powerful business and government people and organisations.

“It owns 49% of the Hong Kong Chinese Bank with the remaining 51% held by China Resources (Holdings) which is a wholly-owned enterprise of China’s Ministry of Foreign Trade and Economic Cooperation.”

Which raises the question: was the New Zealand Government sucked in to beginning a relationship with James Riady on the basis of flawed intelligence?

What is the ongoing implication of that if such flaws are not corrected?

And just how bad was the NZ intelligence?

While our Embassy in Jakarta waxed lyrical about the sound business base of Lippo Group and the Riadys, the *Washington Post* was more critical, pointing out that Lippo Group had to be bailed out of bankruptcy by Indonesia’s President Suharto in 1995 and there was a further \$700 million restructuring in 1996.

The *Post* quotes an investment analyst at Deutsche Morgan Grenfell’s Jakarta branch, Lin Che Wei, as describing Lippo Group as a “carefully balanced house of cards, held up partly by the Riadys’ practice of gobbling up shares of Lippo stock to drive up the price.”

“Riady is a master of this kind of game,” says Lin, “He understands what investors want - a rising share price.”

And what about the briefing given to Prime Minister

Shipley which, if you missed it earlier, we’ll repeat:

“Mochtar has formed alliances and joint venture partnerships with world class multinational corporations and has high calibre professional management staff working for him.

“The Lippo empire rose out of the success of the Lippo Bank. Unlike just about all other banks in Indonesia its founder Mochtar Riady tended to shun the Suharto connections that for other conglomerates in Indonesia were the keys to success.

“He avoided lending to politically connected groups or to state enterprises and instead built his business on legitimate retail and trade finance.”

Contrast that with these excerpts from the Washington Post investigation:

“Mochtar Riady sent the President a four page letter, urging him...to support Suharto...”

“Clinton recalls that James Riady also tried to persuade him to meet Suharto...”

“James Riady arranged for...a Little Rock lawyer and longtime friend of Clinton to spend one and a half hours with Suharto in Jakarta...An official with Indonesia’s Foreign Ministry said Riady insisted that [the lawyer] ‘had the ear of President Clinton. He said the meeting would give us special access to the White House’.”

“The Riadys also promoted Hubbell at Suharto’s presidential palace as someone ‘influential with Bill Clinton’.

“After Hubbell resigned from the Justice Department amid allegations of fraud, James Riady arranged for him to tour Indonesia...Riady made sure that Hubbell, like [the lawyer] visited the former Portuguese colony of East Timor, where Indonesian security forces have been accused of widespread human rights abuses.

“Riady ‘said letting a friend of Clinton’s see Timor might help change US policy. So naturally we thought it was a good idea,’ the official said.”

“In April 1993 James Riady escorted the Governor of Jakarta to the East Wing [of the White House] for a meeting on which the White House can provide no details...”

“And Riady accompanies...one of Suharto’s most influential advisers to the White House...joining them was John Huang...two months later the Indonesian Government arranged for a group of private companies to rescue Lippo during a financial crunch.”

“‘These trips helped Lippo improve their ties to the Suharto regime,’ said a former Lippo executive. ‘As a result, Suharto helped rescue them when they needed help’.”

“In Jakarta, Lippo has approached the Suharto regime for almost everything from critical building permits to outright financial bailouts.”

The *Post* reports that Riady is also involved in a string of joint ventures with Suharto’s half-brother.

We could go on, and on, about Riady’s close ties to the

former Indonesian dictator, but you've probably absorbed the point that the message reaching our Government was a very different one from the reality.

Instead, Riady was welcomed to New Zealand with open arms by the National Government – a gesture in sharp contrast with the sentiments in the United States.

“From the above list of activities,” writes Burton, “I find it inconceivable that the President of the United States would meet with James Riady for any reason. Mr Riady has thumbed his nose at the laws of the United States and Mr Clinton appears to have rewarded him.

“Doubtless, this meeting with the President will be used to personal advantage in Indonesia and China by Mr Riady. Therefore, I would like to request that the White House provide the following information and documents in regard to this matter:

- A. Did President Clinton meet James Riady in New Zealand
- B. Identify all individuals present during any contacts between President Clinton and James Riady in connection with the President's travel to New Zealand.
- C. Describe the substance of all contacts between President Clinton and James Riady in connection with the President's travel to New Zealand.
- D. Describe the substance of all contacts between White House officials and James Riady or his associates in connection with the President's travel to New Zealand.
- E. When did the White House first learn that James Riady would be in New Zealand during President Clinton's trip for the APEC meeting?
 1. How did the White House learn that James Riady would be in New Zealand during President Clinton's travel there?
 2. Identify all individuals involved in the request that President Clinton meet with James Riady during the President's trip to New Zealand.
 3. Was the fact that James Riady would be in New Zealand during President Clinton's trip conveyed to the President? If so, when was this information conveyed

to the President? Who conveyed this information to the President? Please describe the substance of all such communications.

4. Identify any White House officials who expressed concern over President Clinton meeting with James Riady. Please describe the substance of all such communications.
- F. Provide all documents relating to James Riady, his companies, his employees, or his associates in connection with the President's recent trip to New Zealand for the APEC meeting, including all documents relating to any meetings between President Clinton and James Riady.
- G. Provide all recordings, either video or audio, of any contacts between President Clinton and James Riady, his associates, or his employees relating to the President's trip to New Zealand for the



The then-Prime Minister, Jenny Shipley, basks in an APEC photo opportunity with Chinese Premier Jiang Zemin. New Zealand Police, acting on Government orders, tried to stifle New Zealanders protesting the Chinese occupation of Tibet.

APEC meeting.

“It is my sincere hope that if indeed President Clinton met with James Riady during his trip, that the President used the prestige of his office and his long term friendship with Mr Riady to convince Mr Riady to return to the United States and answer all of the questions posed by Congress and the Justice Department so the American public can finally learn the entire truth about Mr Riady's

The unanswered question remains open: are Riady's activities in New Zealand and Australia purely commercial, or are they motivated also by espionage?

role in tampering with our presidential elections.

"I am concerned, however, that the President would socialise with an individual who has mocked the laws of this country."

Intriguingly, the New Zealand media largely missed the unfolding scandal arising out of Clinton's APEC visit. While local TV crews made much of Clinton's meeting with the Chinese leader, Jiang Zemin, and the apparent thaw in the US/China relationship, few in the New Zealand press gallery had any idea of the real issues at the heart of the problem.

The scandal over China's spying became so bad that some in the US publicly accused China of deliberately blowing up a rocket carrying two US commercial satellites, purely to get access to the technology.

And what of James Riady: what can he want in New Zealand? For a start, he owns property in Auckland, which TradeNZ identified as the Port Tower hotel. We can find no evidence of such a hotel, but there is a Park Tower Hotel which was owned by "Asian interests" up until December. But apart from his personal business interests, Riady is taking a regional political perspective as well. He was appointed as a "Roving Presidential Envoy for Australasia" by former Indonesian President Habibie, is a member of Parliament, and is a member of Indonesia's APEC Business Advisory Council.

He also clearly knows of a number of influential New Zealand business leaders.

Government briefing documents obtained by *Investigate* paint a picture of what Riady wanted to achieve on his June 1999 NZ visit, prior to his later controversial appearance at APEC.

For a start, New Zealand trade officials were told to play down his connection to Lippo Group and boost his diplomatic status, despite the fact that most of his delegation were either Lippo staff or Lippo customers. Indeed, the briefing supplied by the New Zealand Embassy in Jakarta refers to Riady wanting to visit NZ "for private business purposes," and goes on to say:

"The headings to the [official] programme currently put at the forefront Riady's position as Deputy Head of Lippo Group. We and Torry [Parantoro, Riady's executive assistant] agreed that the emphasis should instead be given to his role as Special Envoy; this title should be transposed, upper-cased and put in bold to reflect that this is the primary hat under which he is visiting New Zealand.

"This is also the title that should be used in the first in-

stance for formal introductions, except for his business meetings where he dons his Lippo Group hat.

"Parantoro showed us a fax he had received from the Indonesian Embassy in Wellington. This provided details of Sunday evening's programme, including a list of journalists for the media interview and a guest list for the dinner hosted by the Indonesian Ambassador; we noted that [National MP] Pansy Wong was included, a pleasant surprise. Parantoro was pleased with the arrangements confirmed to date for the Monday [June 21], especially the call on the Prime Minister. We clarified that whereas Riady's entourage would be able to participate in most of these calls, the meeting with the PM would be more restricted... Parantoro clearly expected this to be the case.

"We noted that we were waiting for confirmation for calls on Don McKinnon, Bill English, and Don Brash.

"Parantoro commented favourably on the agenda for Tuesday (we noted the likely addition of a call on Sir Selwyn Cushing, Brierley Investments.)

"We discussed with Parantoro opportunities to meet with the Business Roundtable and the ASEAN-NZ Business Council.

"Riady made a specific request that Doug Myers be informed of his visit and be included in his programme. However... Myers is currently in London and will not be returning to NZ until July."

The cost of Riady's June visit was to have been met by New Zealand taxpayers, according to the documents.

"We suggested that it would be appropriate to fund all Riady's expenses (including offering a first class airfare)."

Ultimately, however, the Indonesian businessman and alleged Chinese spy paid his own way.

The unanswered question remains open: are Riady's activities in New Zealand and Australia purely commercial, or are they motivated also by espionage?

"In his role as the Special Presidential Envoy for Australasia," write NZ diplomats, "James Riady has been busy. On February 25 1999, Lippo Bank signed an MOU [Memorandum of Understanding] with the Australian Trade Commission to promote the economic development of eastern Indonesia.

"Under the MOU, cooperation programmes between Indonesian and Australian businessmen will be conducted using the Bank Lippo's networks. Australia will provide training and guidance for Bank Lippo employees.

"In October 1998 James made a visit to Australia to promote relations and dialogue between the two nations. There he met with Victorian chief minister Jeff Kennett,

New South Wales Premier Bob Carr and addressed an Austrade seminar. He was also scheduled to meet with the Prime Minister, John Howard.”

Nowhere in the intelligence briefing for the New Zealand Prime Minister is James Riady’s relationship with Bill Clinton, or alleged activity as a Chinese spy, disclosed.

Nick Arathimos, the TradeNZ official who organised the June 1999 visit, told *Investigate* he was aware of Riady’s background. When questioned over his involvement with BCCI and with a bank that was laundering drug cartel money through Arkansas, however, Arathimos was clearly taken by surprise, saying he was not aware of these allegations.

Yet, in answer to a question in Parliament on July 21, Deputy Prime Minister Wyatt Creech said “The Ministry of Foreign Affairs and Trade was fully aware of the issues surrounding his relationship with President Clinton. Furthermore the Ministry did not, and does not, consider that a visit by the President of Indonesia’s special envoy raised any issues of a security nature.”

The then Opposition leader, Helen Clark, asked a follow-up question:

“Before the Prime Minister met Mr Riady, was she also aware of a draft report submitted by Republicans on a Senate committee in America that alleges Mr Riady and his father both have “a long term relationship with a Chinese intelligence agency”. If so, would that have made a difference?”

“Obviously I do not know the answer to the detail in the question,” replied Creech, “but what I can say is that this person visited New Zealand as a special envoy of the President of Indonesia, and it was in that capacity that the special envoy visited the Prime Minister.”

“How big was the cheque?” interjected one Labour MP, implying Riady’s political donation largesse may have rubbed off on National prior to the election.

Is it possible that Lippo Group may be trying to place itself in a position to steal New Zealand trade secrets or technology on behalf of the Chinese or Indonesia? There is no evidence one way or the other, but given the company’s involvement with Chinese intelligence it would be naïve to assume Lippo would not be interested if an opportunity arose.

After news of Lippo’s Chinese espionage first broke in a *Los Angeles Times* story three years ago, ongoing investigations have revealed Chinese interests associated with the Riadys have allegedly stolen not only trade, but also critical defence information including nuclear secrets.

Chinese spies have also been uncovered in Canada.

Arrested and questioned by federal and congressional investigators, Riady’s right-hand-man Johnny Huang has coughed to his boss’ involvement, but pleaded the 5th Amendment – the right not to self-incriminate – nearly two thousand times since interrogation began.

Riady has refused to return to the US for questioning or

to clear his name. Instead, he remains based at his Jakarta estate where he lives in a southern-US style plantation manor, three stories tall with massive “Greco-Roman columns”, sited amidst a Lippo golf course. The home also has a helipad and a lake, and the entire property is ringed by a moat.

Is James Riady an appropriate person for the New Zealand Government to be promoting as someone to do business with? Despite the revelations, TradeNZ official Nick Arathimos claims yes, effectively saying he’s the best of a bad bunch in Indonesia.

“You can come up with a lot worse. His companies in Indonesia are among the better organised, relying less on cronyism with Suharto. James Riady will continue to be a key player in Indonesia because of his existing interests.

“If he were to invest in New Zealand, he would have to abide by our laws and regulations.”

Which is just as well, because as many critics of our investment regime have pointed out, New Zealand is the laughing stock of the Western world for having some of the most lax controls on money-laundering and inside trading on the planet.

At the end of the day, however, one could question why we bothered to invite someone of Riady’s background to New Zealand in the first place. The argument that ‘he’s the best of a bad bunch’ could equally apply to one of the less violent members of Colombia’s Cali drug cartel.

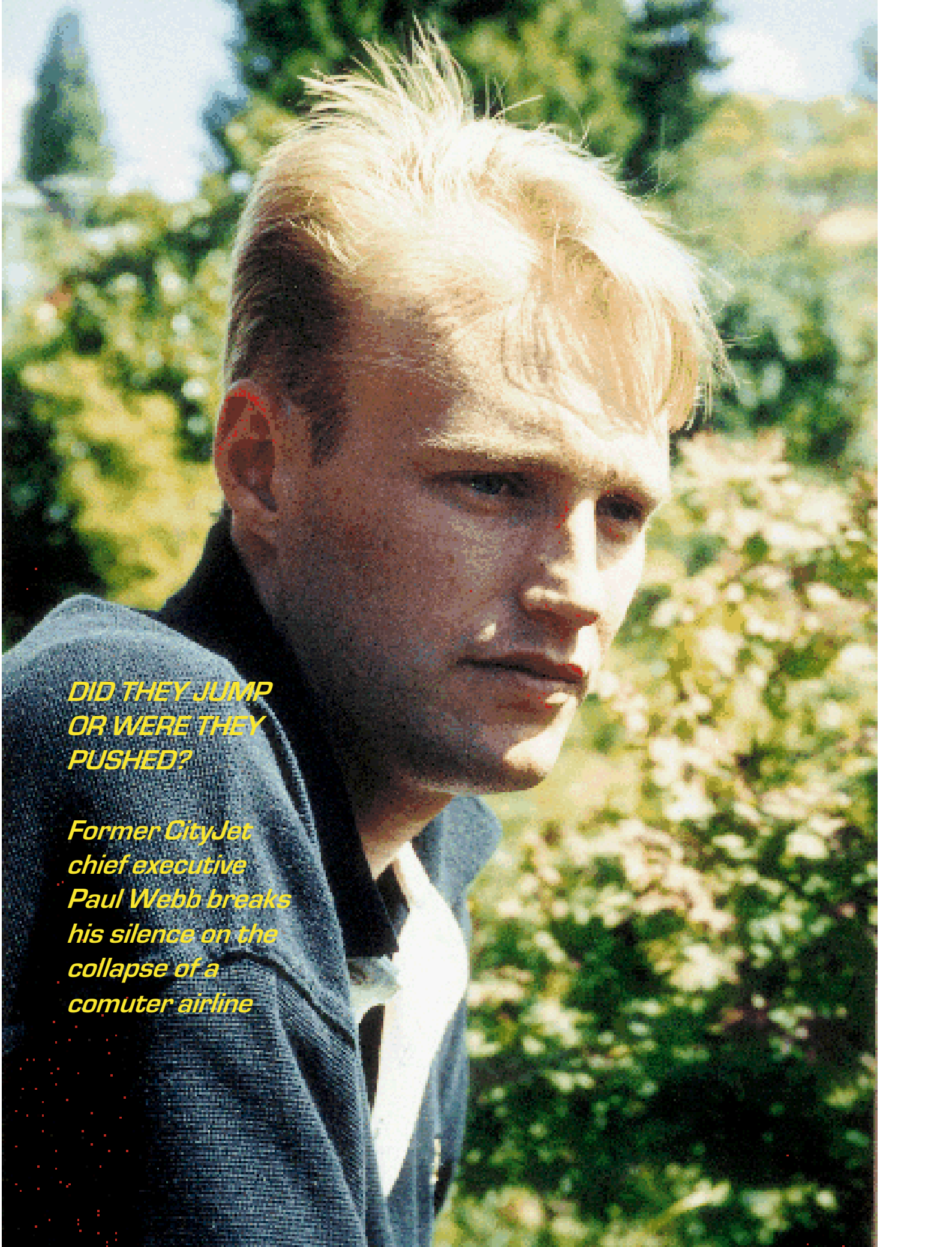
If the intelligence briefing provided to Shipley was drawn only from trade diplomats, then somebody should probably be caned for not calling in the External Assessment Bureau, and if our foreign spy agency was consulted then the Government could probably save a few million dollars by sacking the spooks and simply purchasing a subscription to the *Washington Post* or the *Los Angeles Times*.

As for the Riadys, Indonesians wouldn’t be surprised if it was a quest for world domination that they were really undertaking. The Lippo logo is everywhere in the troubled Asian powerhouse, with its interests in banks, factories and shops, hospitals and housing developments.

“In Jakarta,” wrote the *Washington Post*, “locals joke that Lippo stands for Lama-Lama Indonesia Pun Punya Oe, meaning: In the long run, even Indonesia will be mine.”

POSTSCRIPT: Nearly a year after this story was first published, James Riady surrendered to US justice and pleaded guilty to felony counts relating to the illegal campaign financing. He was sentenced to a US\$19 million fine, the largest of its kind ever imposed. Bill Clinton is now under investigation (March 2001) for granting pardons to fugitive criminals in return for money. For a more detailed investigation of Clinton’s activities, read *THE GOD FACTOR* book, available on this website.





*DID THEY JUMP
OR WERE THEY
PUSHED?*

*Former CityJet
chief executive
Paul Webb breaks
his silence on the
collapse of a
comuter airline*

WHO KILLED CITYJET?

What you're about to read is the aviation equivalent of a game of Cluedo. On the floor is the corpse of an airline. In the wings, so to speak, is a cast of potential suspects, anyone of whom had a motive to get rid of the victim. As in any good murder mystery, there are twists and turns. The reader is asked not to form any final opinions on the guilt or innocence of any suspect – all will be revealed at the end. IAN WISHART reports:

The names drop off the tongue with dismal regularity: Skybus, Kiwi Airlines, Central Pacific Airlines, K2000 Airlines and CityJet. All of them tried and failed to take on the major players in the airline industry. All of them met a nasty end.

But the mystery over the collapse of commuter airline CityJet is deepening with the release of new information implicating the Civil Aviation Authority in a dirty tricks campaign against the airline, and raising questions about whether Civil Aviation itself needs to be officially investigated.

Information obtained by *Investigate* shows the CAA began investigating CityJet just as CityJet was pulling out of a planned merger with a rival commuter airline owned by a member of the CAA board.

The story begins early in 1999. At that stage a company then known as Tranzglobal Holdings Ltd was operating an air freight service using small aircraft. Tranzglobal's owners were former Boeing 737 pilot Steve Mosen, and entrepreneur Paul Webb – also a pilot.

Their small freight airline had been operating without problems or interference for almost five years.

Webb and Mosen came up with the idea of applying for a licence to carry passengers as well as freight, which would put them in direct competition with another regional passenger/freight airline: Origin Pacific Airways, owned by former Air Nelson boss Robert Inglis. Inglis was, and is, a board member of CAA.

There is nothing sinister in this. There is no evidence to suggest any undue influence was brought to bear over the CAA. But Inglis' solicitor is the first to admit that the events that follow have left his client taking some publicity heat.

"There's never been any secret that he's on the board," says Origin lawyer Michael Smith. "There's never been any secret that there's a perceived conflict of interest. The question is whether there was any undue influence, and the answer to that is 'no'.

"He is a competitor of CityJet, no one is denying that."

But rather than competition, Paul Webb saw an opportunity to work closely with Origin, perhaps even a buyout of CityJet by the bigger player. Unbeknownst to Webb, however, the CAA was taking an interest.

A confidential briefing paper prepared by CAA Director Kevin Ward for the then Transport Minister Maurice Williamson on April 30 last year, notes:

"CityJet Ltd, previously known as Tranzglobal Holdings Ltd, operates a night freight service up and down the country using Bandeirante aircraft. This week the media reported that CityJet plans to commence a low-fare passenger operation across Cook Strait.

"The CAA has some concerns about the CityJet operation, and we are awaiting information from an outside source before deciding whether or not any regulatory intervention is necessary."

It was during this period, at the end of April, that CityJet was locked in discussions with Origin Pacific Airways.

"That was the time we were negotiating the merger," recalls Webb. "That week was when the merger was supposed to be complete, and it was probably about the 7th of May that the deal fell over. I agreed to merge, but Steve wouldn't do it."

During the cross-checking of facts for this story, Origin's lawyer described suggestions of merger discussions as "far-fetched".

"Look, from my background as a lawyer to it, it sounds like utter nonsense to me. That comment that you put to me just sounds totally and absolutely untrue. It just sounds so untrue as to not even be worth discussing, frankly!"

Despite his skepticism, Smith agreed to put *Investigate's* questions to Origin CEO Robert Inglis.

"Webb approached Origin to discuss the two airlines working together," Smith said in a statement later, "and Robert was happy to talk about it, but ultimately it went nowhere because Mosen wasn't interested. The implica-

tion in your question that Origin was looking at buying CityJet is not correct.”

Inglis did confirm, through his lawyer, that these discussions took place before CityJet’s passenger operations started.

While the deal was falling over, CAA was commencing a maintenance investigation.

“It has since been independently confirmed that there appear to be some shortcomings in the company’s aircraft maintenance organisation,” wrote Ward to the Minister on Friday May 7.

“Consequently the CAA is today conducting a special purpose audit of CityJet’s internal maintenance procedures.

“Early next week CityJet maintenance records held by the company’s maintenance contractor will be inspected.

“As far as CityJet is aware, the reason for this audit is the company’s move into passenger operations. Our concerns have not been expressed to CityJet.”

The documents provided to *Investigate* have not previously been made available to CityJet. The airline’s reaction when it heard the last comment? Anger.

“They have a legal obligation to express any concerns to the party with whom they have the concerns – immediately, in the interests of safety! That’s what their own rules say,” snarls Webb.

CityJet was not doing its own maintenance at that time. Instead, its planes were serviced by a very well known company in the aviation industry: Airwork NZ Ltd.

Airwork had the contract to operate Auckland’s police helicopter and traffic plane fleet, and it was Airwork’s aircraft that tragically collided over Auckland’s rush hour traffic in the mid-1990s, killing everybody on board the police helicopter *Eagle* and the traffic plane. Motorists and pedestrians below were lucky to escape serious injury when burning wreckage dropped onto the motorway and central city.

Airwork also has the contract to operate NZ Post’s air-mail planes, and leases passenger airliners to both Origin Pacific Airways and also Air New Zealand.

One of Airwork’s executives has served on the board of the Civil Aviation Authority. He was not a board member during the CityJet period, however.

In an industry where relationships are still forged on a handshake between men over beers at a flying club or officers mess, CityJet was beginning to ruffle feathers.

Firstly, its passenger service launch coincided with the snaffling of a major freight contract to ship New Zealand salmon nationwide. It was a million dollar contract that Origin Pacific Airways had been seeking.

Secondly, CityJet was aggressively looking for postal freight business as well, putting it in competition with Airwork, the company maintaining CityJet’s aircraft.

Webb says Airwork was the mystery “outside source”

referred to in the CAA government briefing of April 30 1999, suggesting that CityJet’s maintenance procedures needed to be investigated.

“They were definitely out there stirring the pot,” claims Webb. “We always knew that Airwork were involved in that.”

At the mention of Airwork’s name in regard to the tip off, CAA director Kevin Ward is quick to point out that he wasn’t the one who released the name of the tipster, which had been blacked out in the documents released to *Investigate* so as to protect CAA’s “sources”.

“That would prejudice any possibility that people would do that in the future.”

Despite the tip, and a massive hunt for discrepancies by Civil Aviation, there was nothing of a major ongoing nature discovered. Indeed, CAA praised CityJet for its willingness to get stuck in and correct the few problems that had been identified.

“Between the time of the company’s receipt of the CAA request on Wednesday and the representatives’ arrival at the meeting on Friday the company began urgent remedial work to clear the findings.

“As a result of the meeting CityJet has undertaken to complete clearance of all the findings without delay and to replace their maintenance controller. Company representatives have been very cooperative and positive in their efforts to meet our safety requirements, and I expect that the company will commence its Cook Strait air service as previously planned,” wrote Ward to the Minister on 21 May 1999.

“CAA officials at the meeting were left in no doubt that CityJet has ambitious plans for its future, and seems to have sufficient financial backing to put them into effect.”

CityJet certainly lived up to early expectations: *Holmes* gushed over the new darlings of the airways, and other media rushed to report on the new cut-price airline. Business increased rapidly.

But Civil Aviation was keeping a watchful eye on the newcomer, including putting its officials on CityJet flights. When a journalist sitting next to a CAA inspector felt airsick on one flight across Cook Strait, instead of reaching for a bag the CAA reached for the rule book and turned it into an official incident.

“The company has again come to our notice as the result of several aircraft occurrences which can be attributed to less than professional performance by CityJet pilots,” the CAA told the Minister on 16 July.

“The CAA will be carefully monitoring the company and I will advise you if there are further unsatisfactory developments.”

Paul Webb was stunned.

“It was like they were lining us up for a carefully orchestrated campaign. We got a letter outlining the areas of concern and it was absolute crap. One of them was this reporter feeling sick.



“Well, feelings are not an objective assessment on your ability to conduct flights in a safe manner. The reporter may well have been on the booze all night, I don’t know and nor does CAA. He may have a very low tolerance to flying across Cook Strait. That is not an objective way to assess.

“The question should be: was the flight conducted within the required parameters as set down by the law in the Civil Aviation Act? Yes. That flight was fine.”

As anyone who’s ever flown knows: sometimes you hit turbulence. It goes with the territory.

“Another of the problems they raised was that a strap wasn’t locked, and the CAA guy was about to take intervention but the pilot ‘noticed at the last minute’ and strapped the strap before they took off – well that’s just part of his normal pre-flight check.

“They were all just nonsensical. We responded to that letter in July.”

Curiously, Civil Aviation told the Government on 6 August that “Further information has since come to light and a CAA safety investigation of CityJet flight operations has begun.”

There is no indication of what “information” had come to light, but Civil Aviation was throwing everything it had at CityJet: a Spot Check of General Operations, a Routine Audit of Security, Surveillance of General Operations and a Spot Check of Flight Operations.

Apparently nothing was found, because no findings were issued to CityJet at the time, according to the official files.

A Spot Check of General Operations and Surveillance of General Operations continued during September 1999,

but it was CityJet, not Civil Aviation, which made the discovery that ultimately caused the airline’s downfall.

When pilots flew “sectors” they were required to enter details in a flight log and file it with the company’s head office. According to Webb, those “draft” logs were faxed through to Airwork each day for maintenance scheduling purposes. A data entry clerk at CityJet then typed the information into the airline’s own maintenance computer and corrected any obvious typing mistakes as she went. In early September, the clerk came to Webb with a query.

“She came to us and said ‘How can you fly from Wellington to Blenheim in five minutes?’ “We said ‘Well, you can’t. That can’t be right’, and we had a look at it.”

Aircraft maintenance relies on the number of flying hours the plane has logged up between service checks.

Flights are normally measured between “off blocks” – which is when the aircraft wheels are first released from the wheel chocks and it begins taxiing to the runway for departure – and “on blocks” which is when it comes to rest at its destination terminal. But within that parameter is also the actual flight time.

Let’s assume the flight departs Auckland Airport at 1pm and arrives at Wellington at 2pm. The actual flight time in the air might be only 50 minutes, which means the airliner taxied for five minutes at either end on average.

According to Webb, he discovered the CityJet pilots had adopted a practice allegedly used by Air New Zealand Boeing 737-200 pilots. Like CityJet’s Bandeirantes, the 737-200’s didn’t have automatic taxi-time recorders, so pilots had to estimate their taxi time for each flight.

“They just applied a standard 10 minute taxi time at

each end of the flight. Steve Mosen was a pilot on the 737-200. He and a couple of other Air New Zealand pilots were responsible for establishing CityJet's operating procedures, and part of those procedures was to record a standard taxi time when we flew. Those procedures came about because those pilots were 737-200 pilots."

But the practice could be dangerous. If a pilot logs 20 minutes of taxi time and only a 40 minute flight, when in reality the flight time was 50 minutes, maintenance might be deferred on the aircraft beyond safe tolerances because of the under-recorded flight time.

"The effect of doing this," confirms Webb, "when the reality of the time might be eight minutes out and four minutes in, shortens the flight time. And this is the time you use for maintenance recording. As a cumulative effect you can cook the books, as such."

Webb quickly realised, in assessing the "five minute" Wellington-Blenheim flight, that the pilot had logged 10 minutes of taxi time either side, leaving an unrealistic flight time on his draft log.

The horrible implication began to dawn on CityJet management, and they immediately alerted the authorities.

"On or about the 16th of September, we issued Airwork and the CAA with an internal finding identifying the fact that we had that under-recording procedure."

Webb personally drafted a seven page report and fired it off to Airwork's maintenance team and Civil Aviation headquarters.

"So we were the people that tipped Civil Aviation off."

Not that that's how Civil Aviation broke the news to the Government. Instead, it claimed the victory in discovering this scandal for itself and its anonymous tipster.

"A recent CAA audit meeting with [name deleted by CAA] on other matters revealed that [name deleted] has also discovered grossly under-recorded flight times on various sectors," wrote Kevin Ward in a "special" briefing dated 29 September.

"Such a practice has serious longer term implications for aircraft safety because the servicing and replacement of components is delayed beyond their normal 'lived' hours of operation."

Incidentally, Ward denies that the current regulations allowing rival airlines to dob each other in to CAA is an example of industry politics at work. He maintains public safety is best served by allowing the industry to set the dogs on each other - despite the fact that smaller players may be crushed under the subsequent red tape, and he insists that CAA investigations are not swayed.

CityJet, meanwhile, scoffs at CAA's grandstanding on the flight-time "discovery".

"Airwork sent us a fax, on or about 24 September, stating that they would be forwarding a copy to CAA, and that fax underlined their concerns about under-reporting of flight times. And we only got that fax *after* they'd received our report, as if they were trying to play 'policeman'.

"I mean, we advised them, then they send as a letter



photo copyright: Ian Wishart



From small beginnings: the original Airwork hangar at Auckland's Ardmore Aerodrome. CityJet were planning to open an engineering facility of their own next door. BELOW LEFT: Airwork's main engineering base at Auckland Airport.

saying 'this is bloody grossly unbelievable...cc CAA'."

To add insult to injury, CityJet had already made corrections on its logs for the plane involved in the five minute flight, to compensate for the under-recording, before the CAA and Airwork had begun making noise about the issue.

Rightly or wrongly, Webb is convinced his airline had really begun to annoy the bigger players like Airwork.

"We were infringing on their postal work. They've got the postal joint venture with New Zealand Post, and here we are: a couple of young bucks already doing a postal run every week and trying vigorously to get more postal work. They're also Origin Pacific's joint venture partner, and here we were not merging and thumping Origin on all the passenger routes."

By this stage the working relationship between CityJet and Airwork was almost non-existent, and CityJet was already well advanced in plans to open its own engineering base at Ardmore – ironically right next door to Airwork. Something had to give and, a week later during the first week of October, Airwork pulled out of CityJet's maintenance contract – effectively immediately.

CityJet presented its revised flight logs for the Cessna Cara-

van at the centre of the Blenheim investigation, but was unaware that the CAA was preparing to ground the rest of its fleet. Again, Webb alleges the company was not informed of this by CAA, in breach of Civil Aviation's own rules.

Instead, the first Webb and Mosen knew of it was while they were in Sydney negotiating to purchase some more aircraft.

"We had a conversation with somebody at Civil Aviation about midday on a Thursday – 14 October I think it was – we had a conversation with a chap there about this new aircraft that we were buying. Three of them.

"Then about four hours later we got a phone call from our office to say that Kevin Ward had sent a fax suspending our air worthiness certificate.

"We spoke to Kevin Ward for about three hours from Sydney that night, and attempted to urge him to reinstate the certificate and back down on his attack. He couldn't do that."

Indeed, Ward had already spelt out to the Government that there was no turning back. In his special "No Surprises" briefing to Transport Minister Maurice Williamson, he wrote:

"The pattern and extent of under-recording suggests that under recording may have been a deliberate and consist-



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ent company policy over an extended period of time.”

Of course, Webb says CAA and Airwork already knew this, because CityJet had told them.

“Sampling of aircraft flight logs,” continued Ward, “against flight times recorded by the Airways Corporation for the four CityJet Bandeirante aircraft during the month of August 1999 shows an average 30 percent under-recording.

“Some aircraft parts, such as the main wing spars, have a finite life which could be reached long before the records indicate, with catastrophic consequences.

“To prevent any possible safety occurrence and to allow the CAA to conduct further investigation I am suspending the certificates of airworthiness of the remaining aircraft operated by CityJet today.”

By 9.30am the next morning, Webb and Mosen were in the Wellington office of Civil Aviation, putting their case. Eventually, they struck a deal: CityJet would urgently review the logs on its flights and make the necessary time corrections, and once that was done the planes could go back in the air. But CAA would begin an on-site inspection of CityJet.

Within a week the aircraft were back in service.

Despite the dire comments made by Civil Aviation earlier, director Kevin Ward told the Government that the CAA was happy with a correction of only “an additional nine minutes for each sector flown by the aircraft” which tallies almost perfectly with the amount that Webb had estimated they must be out.

“As CityJet has completed rectification work on three of the four aircraft the Director has re-instated their airworthiness certificates and they have been returned to service.”

CAA sent in a project team led by Richard Cox and Murray Breeze. It was the task of these two men to get an inside view of CityJet’s operations. The airline called in its barrister, Matthew Muir, to help them work out the ground rules for the investigation.

“At that meeting,” recalls Webb, “CityJet felt very much ‘singled out’ on this issue of flight time recording practices. In the presence of my lawyer I tabled the allegation that Air New Zealand had been using this identical procedure for 22 years on their 737-200 fleet.

“I requested of Cox that he should look into this and come back to me, because it was something I was concerned about. I was more than happy for him to look in and show him, but I still wanted to know why it was CityJet and not Air New Zealand being knocked over.”

Later in the week, when he still hadn’t had an answer on that point, Webb asked Cox what was going on with the check on Air New Zealand. He got his answer the very next morning, Thursday 28 October according to Webb.

“Cox and Murray arrived that morning, and Cox said he wanted to see Steve Mosen and I on our own. The lawyer hadn’t arrived at that time. We went into the boardroom and as we went in my barrister arrived but didn’t come in.

“And we sat there and listened to the fact that for the better of the industry we had to remain quiet about Air New Zealand, that he had had long and detailed conversations up until midnight last night with the deputy director of Civil Aviation concerning the Air New Zealand issue and the victimisation of CityJet being singled out.

“He told us that in the interests of the aviation industry and the interests of moving forward, the investigation would be concluded that afternoon. He would walk around as if he was doing things all day but really wouldn’t be doing anything.

“He told us we would have a signed letter from Kevin Ward that afternoon.

“I’d written a very detailed and accurate report into the flight time issue, about 13 or 14 pages on how it had happened, why it happened and why it wouldn’t happen again, and the effects and corrections that had been put in place, and he said that I would get a letter that afternoon from Kevin Ward confirming acceptance of that report.

“That would be the end of the matter. Civil Aviation would leave us alone and all parties could move forward.”

Mosen and Webb were blown away. Could a so-called public safety agency like Civil Aviation simply choose to ignore what it earlier claimed was a “catastrophic” problem, simply “in the interests of the aviation industry” – whatever that meant?

Naturally, CityJet was pleased to find itself off the hook. But it was also naturally suspicious.

“I was aware of the implications of what we had just been party to,” says Webb, “and I was quite concerned that if Civil Aviation can pull strings like that then they can also do it in reverse and bring our business to an ultimate end, very quickly.

“So I very carefully documented everything that happened throughout that ‘off-the-record’ meeting. Two people interrupted us, and I had them file a report. I didn’t tell them why, I just asked them to record what they saw, what time it was and what day.

“At about 10am I delivered to my solicitor and also my accountant a copy of all my notes, including notes from the people that interrupted us. And the significance of delivering it to the solicitor and the accountant by that time was that by 3pm that afternoon we got our letter from Kevin Ward in accordance with our agreement.

“We had been told at that meeting what our ‘findings’ would be. Cox went through and detailed what our three findings would be that afternoon and told us what the corrective actions would be. I recorded those, obviously, and gave them to the solicitor.”

For his part, Richard Cox tells a very different story.

When we informed him of Webb’s allegations about

ceasing the investigation for the good of the industry, Cox was adamant in his response:

“I totally deny that.”

Cox admits CityJet told him about Air New Zealand using the same flight under-recording method: “That’s correct, that’s what they told me”, but he denies looking into it.

“I didn’t make any inquiries.”

Was he aware that any inquiries were made by CAA?

“No, I’m unaware of that.”

But CityJet’s barrister, Matthew Muir, confirms he was briefed by Paul Webb that morning on the points raised at the meeting, and that written briefing included the information above. Muir says Webb was extremely concerned, and careful to document everything.

Sure enough, at 3pm, Ward’s letter came through detailing the three findings that CityJet now already knew about. They were:

1. A finding of administrative error in regard to the under-recorded flight times
2. A finding that middle management in the company had poorly defined roles and had failed to maintain a proper flight operations set-up
3. And a finding that CityJet had lost administrative control of its Wellington-based flight crews

Civil Aviation accepted, as earlier indicated, Webb’s report into the flight times, and CityJet moved swiftly to rectify the other two matters. In the latter case, it closed the Wellington operations base and relocated the crews to Auckland.

Webb refers to the Wellington crews as “mutineers”. It is clear that CityJet management did not enjoy the warmest of relationships with their pilots.

“They were always shit-bagging us,” he grunts.

“We got those three findings, but one thing that did happen which surprised us was that the Deputy Director told us that the investigation would continue, and this was quite contrary to what Richard Cox had told us.”

It was this fairly major discrepancy that brought Webb to a decision: from here on he planned to tape all of his conversations with Richard Cox.

“The conclusion at that meeting – this is after a full week of thorough investigation of how the company operates – was that both the Deputy Director Steve Douglas and Richard Cox confirmed that they were totally impressed with the company, the way we operated and our professional approach.

“They told us there were no issues, but that the investigation would continue – it would be an ‘in the field’ investigation.”



Richard Cox

Webb, one of the founders of CityJet Airlines and a fifty percent shareholder, had had enough. He quit.

“I was totally and utterly gutted. Just truly gutted. I just felt that we were not in control of our own destiny. Our lawyer summed it up quite nicely by saying ‘nothing is ever as it seems’.”

CAA spokesman Martyn Gosling, a former journalist, told the media that the CAA had escalated its investigation of CityJet and come up with “19 minor discrepancies”.

Although he officially stepped down, Webb continued to lend assistance to Mosen and the lawyer when necessary. On Monday, November 8, Mosen and the barrister were called down to Civil Aviation in Wellington to hear some bad news. But fortunately, Webb phoned Richard Cox first and taped the conversation.

Cox told Webb that he’d been pleasantly surprised with the safety, attitude of management, and safety system that CityJet had in place, but despite all that, trouble was coming. He informed Webb that CityJet was about to have its passenger licence suspended while its entire fleet of 54 pilots were tested for competency.

“My very strong recommendation,” Cox warned Webb on the tape, “is you don’t fight too much. Now, I mean, you’re fully aware that there has been a lot of political pressure.”

Webb: “Oh, there’s a lot of people that don’t want us to be operating.”

Cox: “That’s right, and they’d find an easy way of doing it, that is, bank accounts and so on and so on, right?”

Webb: “Right. So you’re saying that from a political point of view there are people within the CAA and others that want to see us finished and the best way through this is to lie down and take it, as opposed to jump up and spit the dummy and fight with them?”

Cox: “Oh, definitely! I mean, go ahead. I mean, if you want to spit the dummy that’s fine but I really don’t recommend that, I really don’t.”

Cox then told Webb that he’d fought really hard within CAA to let the airline keep its flight licence – the implication being that CAA might pull it altogether if CityJet didn’t take its punishment lying down.

Investigate asked the CAA under the Official Information Act what Cox meant when he talked of “political pressure”, and the response from Civil Aviation was “industry commercial politics”. To further nail down how exactly “industry commercial politics” could possibly have a bearing on an independent and objective Civil Aviation investigation, we approached Cox directly.

Investigate: “The industry politics that CAA says was at the centre of that, how does that fit in – was there any contact between Origin Pacific and the CAA in regard to this matter?”

Cox: “Well, Ian, you know I can’t answer that. I cannot answer that.”

Investigate: “Was there any contact from Airwork with

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CAA that was instigated by Airwork?”

Cox: “Once again, I am unable to answer that.”

But even more important than the industry politics, Cox’s taped conversation with Paul Webb on the morning of November 8 revealed something far more significant: as far as Cox was concerned his investigation of CityJet had turned up *no* safety issues of note.

“If I firmly believe that an operator is no good then I will turn over every stone for as long as I want until they are on the ground. End of story!

“But I don’t put CityJet into that category, and I can assure you that if CityJet gets grounded then I will release you something that I have already written and put into my document management system, where I recommend strongly to the contrary. Because I won’t have any part of it, and I’ve already told my bosses that!

“I don’t want any part of [a Civil Aviation grounding] because at this stage I have found nothing to support that.”

they knew what they were in for when they went to meet the CAA in Wellington that afternoon.

Despite the chief investigator confirming he had found nothing to warrant shutting CityJet down, and in fact was lobbying strongly against it, Director Kevin Ward had a different view.

“Flights by CAA investigators on randomly-selected passenger flights with the airline have raised concerns regarding pilot competency and technical knowledge of aircraft systems.

“Following a lengthy meeting with CityJet management today, I have decided to impose several conditions on the air operator certificate held by the company.

“Passenger operations by the airline are prohibited for up to 14 days, pending completion of the ongoing investigation.

“Within the next 14 days, all company pilots, including training and management pilots, must undergo a written



An Origin Pacific Metroliner parked in the Airwork compound at Auckland’s Jean Batten Airport.

The document Cox says he wrote has not been released. Cox then repeated to Webb his comment about the commercial politics.

“Particularly with the pressures that have been in this particular case anyway, you’ve obviously stood on some dicks on the way up...obviously trodden on a few dicks somewhere along the line. They normally support the operator more than the CAA, in this case it went the other way.”

Webb claims it got to the point where Cox, the main investigator, was going back to CAA and reporting that he’d found nothing serious, only to be told “go back and look under the rocks a little harder.” Webb is convinced that somebody within CAA was determined to take CityJet down, and would stop at nothing to do so.

When Steve Mosen and Matthew Muir heard the tape,

test of aircraft technical knowledge conducted by Aviation Services Ltd.

“Within the next 30 days those pilots must undergo a flight test with an independent flight examiner to demonstrate their piloting proficiency in the aircraft. CityJet can continue its freight operations in the meantime.”

Civil Aviation was sounding the death knell for CityJet Airlines, and if CAA management didn’t know it then they should have. Banning passenger services, after earlier grounding then clearing the CityJet fleet, was sending a clear message to the public: don’t fly with these people.

Getting all the pilots to re-sit flight exams is akin to getting professional drivers to re-sit their drivers licence tests.

The ultimate slap in the face for CityJet was that its pilots all passed their written exams, and the flight tests had been

half completed without incident when the whole programme was suspended: CityJet's bankers had appointed a receiver.

Whether or not that was what Richard Cox was referring to when he warned of pressure being brought to bear through "bank accounts" will never be known for sure, but what is known is that the same finance company that placed CityJet into receivership was, according to Webb, also an advisor to Origin Pacific.

Significantly, the receivership was not caused by CityJet failing to pay its bills because of the grounding. All finance payments on the airline's aircraft were paid up to date. Instead, the finance company justified calling in the receivers on the strength of the CAA's allegations about under-recording the flight time.

"The company said the allegations may have technically breached their debenture, because it may have put their security in jeopardy as a result of insurance not being valid," says Webb. The finance company took that action even though CityJet's insurance underwriters had already been appraised of the issue on September 28 and had written to the airline confirming that insurance would continue as normal.

In the days following the grounding but before the receivership, Steve Mosen was still trying to rescue parts of his now terminally-ill business.

"At that time," recalls Webb, "discussions were being undertaken with Origin as well to possibly take over some of the aircraft. The finance company had meetings with Steve and Origin in Nelson during this time, and at periods throughout the meeting Steve was asked to leave the room so that the finance company and Origin could discuss matters."

Origin Pacific Airways confirms discussions were being held with Mosen, but says events overtook the discussions and nothing further happened.

Except, of course, that Origin was able to offer CityJet's now-stranded freight customers space on Origin's planes. Best of all, Origin snapped up the million dollar salmon contract it had been after for so long.

For his part, CAA investigator Richard Cox isn't talking.

"I'm between a rock and a hard place, OK? And to keep it in a professional direction, those questions will have to be answered by the CAA. They have all my reports, and all notes attached to the file."

Nor would Cox comment on another unexplained anomaly: In the middle of last year the CAA audited Airwork and made an astounding 47 findings against the company. Why was Airwork – a company run by a former CAA board member – still flying when CityJet had been grounded with only three findings against it?

Cox confirmed that although he knew of the Airwork audit, he was not involved in it. He made three findings against CityJet, and remains unaware of any other findings applicable to the small airline.

So if Cox couldn't talk, would CAA Director Kevin Ward?

Civil Aviation has previously refused to comment in detail on the content of the Cox tapes, but that policy changed when we put the full gamut of these allegations to them.

One of the first issues to be sorted out was the perceived conflict of interest involving Origin Pacific, whose chief executive sits on the CAA board.

Kevin Ward confirms that Origin's seat on the Board would have made it privy to his moves against CityJet.

"There was information from me to the Board, because when they meet every month I give them a situation report on all the interesting things that are going on, but there is no instructions or directions from the Board to me in those matters, it's purely just a matter of me keeping them informed."

Asked if the information passed to board members could be commercially advantageous, Ward thought about it for a moment.

"I don't believe so, because we're simply reporting actions that have already been taken. It's not as if we're giving advance notice of anything."

Ward says there was no contact from Origin to CAA in regard to CityJet, despite any ambiguity thrown up by the Cox tapes.

"The extent of the fierce competition between those operators is well known in the industry, and I asked Mr Cox directly what he was talking about in the wake of those tapes being released, and that's what he told me, and gave enough background for me to believe that that was indeed what they were talking about."

But what about Cox's assertion that if CityJet tried to fight the CAA's grounding decision there might be some industry backlash? Doesn't that mean that industry commercial politics clearly has a bearing on the CAA investigation?

"There's been no link in real life between the two things. The CAA does things according to the powers that we have and the breaches of the rules that we observe. And we do that strictly to due process. The links that appeared through those taped conversations – I don't think they bore any resemblance to what the CAA was doing at all."

Ward was then asked which specific "industry commercial" players Cox was talking about in the tapes.

"I don't think I can be drawn on that, because the discussions I had with him are in the context of employer/employee discussions on a sensitive matter, and they were undertaken under an understanding that it was a confidential matter between us in the nature of the employment relationship."

But what about the major discrepancy between the CAA's main investigator telling CityJet he'd found nothing of note and had opposed the CAA move to shut down passenger services, and the ongoing tone of Ward's statements coming down like a tonne of bricks on the airline?

"It was correct that at various stages during the investigation, the investigation team was actually quite comfortable with the things that they were finding. And they'd reported

that to us on more than one occasion, and I'd had that summarised to me by the team and by the Divisional Assistant Director. So it was no surprise to me that he [Cox] had a progress report in our computer system that essentially said 'we found bits and pieces but there's no overwhelming concern at the moment.' But that did turn around when they got into other subject areas with the company."

Despite Ward's explanation, it is hard to believe that the CAA found something earth-shatteringly new in the space of four hours, especially when Cox's comments indicated he clearly knew what CAA was planning to do that day and that he, as a senior safety investigator, disagreed with it.

The CAA's grand gesture, the coup de grace, of making all the pilots take new flying exams, proved to be a waste of time: they passed. The pilots were competent, and had been all the way through. But the damage had been done.

And again, a big question: why didn't Civil Aviation apply the blowtorch to Airwork, a company with a mid-air collision to its name, when it made forty seven findings against Airwork last year? Why wasn't that publicly released to the news media?

"We don't discuss companies' audit reports publicly. We believe, and I think we're right, that if we were to do that then companies would get in the business of hiding stuff from us when we do audits. We only start to release material when we're taking an action that is in the wider public interest.

"When we're in a normal working relationship with a company, and they are prepared to put things right voluntarily, then we don't discuss that."

What Ward didn't volunteer was that one of CAA's top Quality Assessors, Ray Goh, had resigned in August last year to take up a senior position at Airwork.

The CityJet file released to *Investigate* by CAA clearly shows the airline was being fully cooperative, and Ward himself had noted this at one point. Only three findings had been made against CityJet.

Ward still attempts to justify his public announcement that CityJet's passenger services would be suspended while he tested their pilots.

"What we had was a situation where we decided there was a risk that needed to be managed, and we removed that risk from the public arena by taking the company out of the passenger flying business."

And yet, CAA's information on that score must have been wrong. The pilots passed. Clearly the pilots were not a risk to passenger safety.

Ward now concedes it was effectively a delaying tactic.

"It wasn't something that the rest of the investigation hinged on, it was just risk management for the continuing parts of the operation. If people passed or failed that test it didn't make any difference to the ongoing investigation."

And while Richard Cox denied making any further inquiry into whether Air New Zealand pilots had been under-recording flight times, Kevin Ward was less reticent.

"I recall that explanation being given to me, and there was a follow-up inquiry by us. We did investigate it using people with an airline background to make contact with Air New Zealand and some other airlines to see what their common practice was.

"My recollection was that the recording systems for the sorts of operations that we were talking about in the major airlines are quite different. For example they have automated systems that record in the computerised flight data systems when the aircraft took off and landed – they actually have sensors attached to the undercarriage and there is extremely accurate data available to be able to distinguish flight time, which is the key thing.

"It wasn't comparable with the aircraft the CityJet were using at all."

If that is the information Civil Aviation gleaned from their inquiries, it is incorrect. In discussions with Air New Zealand Boeing 737 pilots, *Investigate* has confirmed that no auto-



Paul Webb's first opportunity to read the CAA investigation of his airline came when *Investigate* gave him a copy.

mated system exists on the 737-200s and, as CityJet alleges, pilots must manually calculate taxi times for each trip.

One pilot said that the CityJet incident caused a shakeup on the issue inside Air New Zealand, and a new practice has been put in place since then to ensure taxi times are recorded accurately. It appears Air New Zealand management had been unaware of the potential problem, and were keen to get it rectified.

News that this taxi-time recording procedure *had* been used came as a surprise to Kevin Ward, but he refused to be distracted on a point by point autopsy of the CityJet investigation.

“There was a veritable litany of problems with the company, and individual ones by themselves wouldn’t have been major issues and the company showed a willingness to put individual things right as they were pointed out. But as it turned out it was just a neverending stream of issues and it simply boiled down to the fact that the company was out of control.

“The senior people in the company simply weren’t doing the job that was expected of them, and it simply wasn’t safe to let them continue.”

Which brings us to another major development. An apparent CAA witch-hunt to drive Paul Webb and Steve Mosen out of the aviation industry for good.

After the collapse of CityJet, the CAA summoned Webb and others to a series of interrogations in the last week of November at CityJet’s Auckland headquarters. Webb, of course, had resigned from the company four weeks earlier and wasn’t on site. His interview with CAA was scheduled for November 24.

But Webb didn’t turn up. Instead, an hour earlier he’d been at his doctor’s surgery. His aviation medical fitness certificate had expired on November 20, and Webb hadn’t had a chance to see his doctor in the subsequent days.

But when he walked in, he was greeted oddly.

“Well, well, well. I’ve been expecting you,” said the medic.

“Why?” queried a bemused Webb.

“I’ve had three phone calls from a Civil Aviation investigator. They claim to have an unconfirmed report that you failed to wear spectacles while flying and they intend to prosecute you for it.

“And I’ve been asked to conduct your medical, *not* to issue it to you, but to send your file to Wellington on completion of your examination.”

Webb says he was dumbstruck.

“I thought it was lawlessness and a total abuse of power. But I played their silly little game. In fact, what I did was I had my doctor conduct my examination and send my file to Wellington.

“But he’s also A US Federal Aviation Administration (FAA) medical certifier, so to eliminate any possible doubt that there was a questionmark over my fitness to fly, I had

him issue me an FAA medical on that very day. So there was no doubt that I was fit to fly.

“I didn’t attend the CAA interview because I was running late at my doctor, and once I could see what they were doing – they were out to shaft me – I wasn’t interested in discussing it with them.”

CAA investigator Chris Green drew extremely negative inferences from Webb’s snubbing of the Authority.

“Paul Webb must be held responsible for all Operational/Chief Pilot matters arising during the period of his tenure. This is an example of deliberate negligent management.”

The official report goes on to say:

“The following are the actions recommended by the Investigation Team:

“Fit and proper person assessments to be conducted with respect to:...Steve Mosen...Paul Webb.”

Civil Aviation contacted his doctor again: was it true that Webb had an undeclared heart pacemaker?

Webb submitted himself for a further medical examination, and his doctor confirmed that no pacemaker existed. Which the CAA probably could have sussed out for themselves if they’d rung Webb on his digital cellphone – an item he couldn’t use if he had a pacemaker.

It took three weeks before Civil Aviation finally handed back Webb’s medical file and approved a new aviation medical fitness certificate. Armed with that, Paul Webb secured a job with Australia’s Impulse Airlines just before Christmas.

“I had been with the company for about one month, and I was doing very well. I got back after a flight north to Brisbane...and I was told the Chief Pilot wanted to see me.

“He was sitting with the Corporate Affairs director and the Flight Operations director. I thought ‘this is a pleasant surprise, I’m going to be commended on my performance’.

“I was sitting there and he said: ‘We’ve had a very interesting phone call from one Miss Kara Pugh from NZ Civil Aviation this morning.

“ ‘She has made an allegation that you have skipped the country, that they are looking for you, that you have an undeclared heart condition which affects your ability to fly, and you haven’t declared various other medical problems either to us or to Civil Aviation, and we’d like to know a little bit more about that.

“ ‘They’ve also asked for your log book, because they wish to see that, and they say that you’re under continuing investigation.

“ ‘And in a very strange set of circumstances, ten minutes after the phone call from Civil Aviation, our Corporate Affairs director had a phone call from the *Australian Financial Review* claiming you were flying with undeclared health problems and also questioning our company on your financial background with the collapse of CityJet’.”

In discussions with *Investigate*, Impulse Airlines’ Corporate Affairs director Simon Westaway confirmed the sequence of events laid down by Webb, and confirmed

that his company had no choice but to terminate Webb's employment on the basis of serious allegations made by a competent Civil Aviation authority.

At Civil Aviation, Kara Pugh admits calling Impulse but says she did not call the Australian news media. She is genuinely surprised to hear that Impulse received a call from the Australian press soon after she rang.

However, Pugh refuses to say who asked her to call Impulse with details of Webb's alleged pacemaker. Nor can CAA substantiate its pacemaker claim, leaving it open to be sued for defamation.

We asked CAA Director Kevin Ward if he was concerned that someone within CAA may have become aware of Pugh's phone call and leaked details to the media. We asked if he planned to investigate the allegation.

Ward: "I don't know the details of all the ins and out of all that."

Investigate: "Isn't that something that an investigation would find out, with respect?"

Ward: "Ah, it is something that I'd like to know more of the details of."

Investigate: "Are you at all worried that somebody on your staff might be doing that?"

Ward: "I would be worried if that was happening, yes, because that's very much against the way the CAA works and would be against our policy and against the ethics that we work by. I don't think it's happened and if you could prove to me that it had I would be very keen to follow that up."

At the start of this article, we compared it to a game of the murder mystery, *Cleudo*. Now it's time for our own verdict: who we believe killed CityJet.

Was it Miss Scarlett in the hallway with a blunt propellor?

Well, in a word, no. Origin Pacific Airways and Airwork both had a motive for wanting CityJet out of business: ordinary commercial competition of the kind that takes place in every city every day. But that doesn't make them killers.

The evidence suggests neither entity shed any tears over CityJet's demise, one even earned a million dollar contract out of it. The other clearly assisted Civil Aviation wherever it could.

But if Civil Aviation staff placed weight on the opinions of one of CityJet's adversaries, there is no evidence to suggest that was anything more than an exercise of judgement. Encouraging airlines to do in their competitors is the same behaviour the previous Government encouraged with its 'dob in a beneficiary' advertisements.

There are clear perceived conflicts of interest inherent in the current CAA structure, and those conflicts are causing major debate within the aviation industry. They may be a factor in CityJet's fate, but we have found no evidence that



they are the major factor. Those conflicts are not hidden, they are blatant, as all sides acknowledge.

Ultimately, it appears sheer bloody-mindedness on the part of the Civil Aviation Authority brought the airline down, despite recommendations from CAA safety investigator Richard Cox to leave them alone.

Kevin Ward is sticking to his claim that CityJet was out of control and unsafe. Whether he is right or wrong is irrelevant: the public are the losers as yet another independent airline bites the dust at the hands of regulatory authorities or bigger competitors.

Ironically, some observers believe the evidence shows it is Civil Aviation that is out of control, throwing red tape around purely because it can.

Perhaps the last word belongs to Paul Webb, the latest in a string of airline entrepreneurs to find their dreams dashed.

"To have three findings after the most exhaustive investigation, compared to Airwork's 47, just stinks in my view.

"At one point in the investigation, there was some excitement that they had found four defects on one of our planes, 'This is totally unacceptable', we were told. And yet if you read the rules it's perfectly acceptable. It is in accordance with what is called a minimum equipment list.

"If you have a four wheel drive car, and you plan to drive from Remuera into Auckland city and your 4WD isn't working, then you can say to yourself that it's perfectly safe to conduct the carriage of the vehicle to Auckland city and back without interfering with the safe operation of the vehicle.

"If your lights weren't working you could still say that, provided you operated during daylight hours. That's what aeroplanes do to ensure reliability. Otherwise every time a light bulb blew you would have to stop the plane and flights would become very unreliable.

"I was on a Qantas flight the other day, and I asked the Qantas captain, out of interest, how many defects they had on board the 747. He was carrying seven known deficiencies. It's just the way it happens, and there they are painting this incredibly gross, unsafe picture to the public and themselves of something that isn't unsafe.

"One of our planes was coming up from Wellington one night last April, and the pilot of an aircraft heading south fell asleep at the wheel and descended on to our aircraft. Our pilot noticed that his windscreen was filling up with these lights, so took evasive action immediately to avert a midair collision.

"The Air Traffic Control Service tucked it under the desk. Nothing ever happened. The pilot's punishment was to write a lecture on the importance of adequate rest. There are so many inconsistencies.

"We were flying in the most dangerous conditions. Middle of the night, shitty little towns, shitty weather and unpressurised aeroplanes. Five and a half years of not having one incident speaks for itself."

