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AGAINST TRANSNATIONAL  
ORGANIZED CRIME

# **SOUTH AFRICA'S ILLICIT COPPER ECONOMY**

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## ABOUT THE AUTHOR

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# CONTENTS

Acronyms and abbreviations.....	2
<b>Executive summary .....</b>	<b>3</b>
<b>Copper theft and the risk to South Africa's infrastructure .....</b>	<b>6</b>
Electricity supply .....	6
The health sector .....	7
The transport sector.....	7
Telecommunications services .....	9
Cable theft in mining and construction .....	9
<b>Monetizing stolen copper .....</b>	<b>11</b>
<b>The market for stolen copper .....</b>	<b>13</b>
The domestic market.....	14
Exporting illicit copper.....	14
International trade in scrap copper .....	17
<b>Criminal networks in the illicit copper trade.....</b>	<b>19</b>
Level one: Criminals who steal copper .....	19
Level two: Informal and small-scale scrap metal dealers.....	20
Level three: Recyclers, mills and exporters of stolen copper .....	23
Level four: International buyers .....	24
National networks involved in theft.....	25
Blurring the lines: Legal vs illegal .....	26
Cash is not always king .....	28
Corruption and stolen copper.....	28
Links to other criminal networks.....	29
Players outside the scrap metal sector.....	32
Supply chains involved in copper theft.....	33
<b>International responses to copper theft.....</b>	<b>34</b>
Banning the scrap trade in Africa.....	35
<b>Addressing copper theft.....</b>	<b>36</b>
Legislation and regulation of the illicit copper trade.....	36
Policing stolen copper .....	39
Coordination.....	42
A new scrap metal trade policy .....	42
International cooperation .....	46
<b>Conclusion and recommendations .....</b>	<b>47</b>
Notes.....	50

# ACRONYMS AND ABBREVIATIONS

<b>CDAA</b>	Copper Development Association Africa
<b>CEO</b>	Chief executive officer
<b>CMAA</b>	Criminal Matters Amendment Act
<b>DPCI</b>	Directorate for Priority Crime Investigation
<b>DPO</b>	Designated Police Officer
<b>FLASH</b>	Firearms, Liquor and Second-Hand Goods Control
<b>GI-TOC</b>	Global Initiative Against Transnational Organized Crime
<b>ISS</b>	Institute for Security Studies
<b>MRA</b>	Metal Recyclers Association
<b>NFMCCC</b>	Non-Ferrous Metals Crime Combating Committee
<b>NIP</b>	National Infrastructure Plan
<b>POCA</b>	Prevention of Organized Crime Act
<b>PPS</b>	Price Preference System
<b>Prasa</b>	Passenger Rail Agency of South Africa
<b>SAPS</b>	South African Police Service
<b>SARS</b>	South African Revenue Service
<b>SHGA</b>	Second-Hand Goods Act



## FROM VISION TO ACTION: A DECADE OF ANALYSIS, DISRUPTION AND RESILIENCE

The Global Initiative Against Transnational Organized Crime was founded in 2013. Its vision was to mobilize a global strategic approach to tackling organized crime by strengthening political commitment to address the challenge, building the analytical evidence base on organized crime, disrupting criminal economies and developing networks of resilience in affected communities. Ten years on, the threat of organized crime is greater than ever before and it is critical that we continue to take action by building a coordinated global response to meet the challenge.



## EXECUTIVE SUMMARY

Copper is an essential commodity that is widely used in modern economies and infrastructure. Several major industries rely on copper, as it is highly conductive, malleable, corrosion resistant and antimicrobial. Copper has also become a critical component in renewable and clean energy solutions.

Copper is one of the few materials that can be recycled repeatedly without any loss of performance, and there is little difference between the quality of recycled and mined copper. The recycling process also requires less energy than primary production and the product is cheaper to refine than raw copper. Between 2009 and 2018, recycled copper accounted for 32% of all copper used worldwide.<sup>1</sup>

Most recycled copper comes from legitimate sources, including scrap originating from end-of-life products and so-called new, unused scrap generated during production and downstream manufacturing processes. However, some comes from stolen supplies, which are reprocessed and fed back into both the legitimate and black markets.

Every day in South Africa, criminal elements strip copper from wherever they can find it, including roads, homes, construction sites and mines. The theft of copper from already ailing infrastructure severely affects the capacity and operations of state-owned entities and municipalities. A 2022 report by the Global Initiative Against Transnational Organized Crime (GI-TOC) assessing the risk posed by organized crime in South Africa found that the country's critical infrastructure was 'at a tipping point after years of chronic mismanagement and rampant theft', and identified copper theft as a contributing factor.<sup>2</sup>

Damage to the electricity supply caused by thieves stealing copper cables has not only increased the costs incurred by national and municipal power utilities, but has also placed an additional burden on businesses, residents and service providers already grappling with scheduled rolling blackouts, known locally as load shedding. Residents and businesses have been left without power for days as a result of cable theft from electricity substations, and some residents and neighbourhood watch groups have even taken to locking and guarding substations themselves to prevent such thefts from occurring. In March 2023, many residents and businesses in Roodepoort, south of Johannesburg, were left in the dark for more than 48 hours after an outage caused by an explosion at one of the substations. Preliminary investigations have suggested the explosion occurred due to a cable theft incident.<sup>3</sup>



**FIGURE 1** Some of the uses of copper.

In the transport and communications sectors, copper cable theft has damaged and disrupted railway lines, trains, telecommunications and internet services. The theft of copper cabling from signal boxes has also led to railway accidents.<sup>4</sup> In addition, copper theft has had a negative effect on several critical services, including health care and water supply. At hospitals, the theft of copper cables and pipes has put patients at risk and affected the quality of care.

South Africa's National Infrastructure Plan (NIP) 2050 identifies infrastructure development as critical to achieving long-term economic and social goals. The plan states that infrastructure delivery will be one of the most important contributors to South Africa's transition from a historically closed mineral economy to one that is globally and regionally integrated, low carbon, inclusive and supportive of dynamism in the industries of the future. The plan goes further, declaring infrastructure investment as a non-negotiable foundation for transformation and inclusive growth.<sup>5</sup> However, unless the ongoing theft of copper from South Africa's infrastructure is urgently addressed, the plan will be at risk of failure.

Phase two of the NIP 2050 recognizes the effect of crime and corruption in undermining the delivery of public infrastructure, its maintenance and the use of its services. The plan also notes that 'some of the most common infrastructure crimes revolve around the theft of metal, itself a consequence of high metals prices and rising demand for scrap. This is particularly the case for copper cable and



Copper cables confiscated by police in Pretoria. Theft of copper cabling causes extensive damage to South Africa's infrastructure. © Theana Calitz/Media24

steel rail sidings'.<sup>6</sup> The second phase of the plan commits the government to working with its social partners to develop a 'vigorous and flexible approach to securing infrastructure'.<sup>7</sup>

This report focuses specifically on the consequences of copper theft and how it affects South Africa's infrastructure. It also examines the value chain and market for stolen copper and how organized crime has become entrenched in these areas. Finally, the report explores what measures have been taken to combat copper theft and what further measures could be taken in the future.

This document draws from an extensive review of articles, papers and media reports, interviews conducted with a number of stakeholders in the copper sector, and previous work undertaken in compiling the 2022 Strategic organized crime risk assessment: South Africa.<sup>8</sup>





# COPPER THEFT AND THE RISK TO SOUTH AFRICA'S INFRASTRUCTURE

**A**lthough copper cable theft has been a problem in South Africa for many years, the activity became more prominent when international copper prices soared during the 2000–2011 commodity boom, and organized criminal networks became entrenched in the market. These networks continued to operate after this period, when the price fell, and copper theft continued to have a significant negative effect on the country's infrastructure. Since 2019/20, there has been a renewed spike in cable theft, possibly linked to the boom in demand for copper worldwide, as scarce supplies and low inventories have pushed prices to record highs.<sup>9</sup> Between April 2020 and June 2021, the global copper price more than doubled.<sup>10</sup>

In 2021, state-owned enterprises Eskom, Transnet and the Passenger Rail Agency of South Africa (Prasa) and partially state-owned company Telkom said they were experiencing combined direct losses of about R7 billion a year, with an estimated R187 billion in associated losses to the broader economy, due to copper cable theft and vandalism.<sup>11</sup>

## Electricity supply

Eskom infrastructure targeted by criminals includes copper cables, overhead lines, copper used in conductors and copper being stored for later use. This cost of this theft is between R5 billion and R7 billion a year, plus about R2 billion to replace stolen cables.<sup>12</sup>

Municipal power utilities are also affected. Johannesburg power utility City Power recorded 444 cases of cable theft for the period between December 2022 and February 2023 alone.<sup>13</sup> According to reports, most thefts occur during load shedding.<sup>14</sup> The power utility reported that the cost of replacing cables stolen between July 2022 and February 2023 was R380 million,<sup>15</sup> with 2 000 incidents of cable theft being recording in the 2022/23 financial year.<sup>16</sup>

From 1 July 2022 to 30 June 2023, eThekweni in KwaZulu-Natal lost approximately R120 million to copper cable theft. The municipality reports an average of 80 cases to the South African Police Service (SAPS) each month.<sup>17</sup> The theft disrupts the city's communications networks, electricity supply,



railways and traffic services.<sup>18</sup> In a 2022 interview, the mayor of Cape Town, Geordin Hill-Lewis, said copper theft was occurring on a monumental scale in the city, ‘crippling’ its infrastructure, and that the cost of repairing street lights alone was about R2 million per week.<sup>19</sup>

Throughout South Africa, cable theft also has a domino effect on water supply, as pump stations, reservoirs and purification plants are affected by power outages.

## The health sector

In the Gauteng province, the health department claimed to have lost about R5.4 million to copper theft and fires between April 2021 and April 2023. More than R4.5 million was due to the destruction of copper pipes, and R917 297 to the destruction of copper wiring.<sup>20</sup> However, these figures may be underestimated. In July 2021, as Charlotte Maxeke Johannesburg Academic Hospital began to reopen after a fire gutted parts of the building in April, the Human Rights Commission expressed concern over the looting of more than R30 million in copper piping from this facility alone.<sup>21</sup>

Since then, there have been further serious incidents of copper theft at hospitals in Gauteng. In December 2022, Chris Hani Baragwanath Hospital experienced two cases within three days. In the first, a 10-metre pipeline supplying oxygen to the main intensive care unit was stolen, and staff had to scramble to shift 24 patients.<sup>22</sup> Two days later, copper pipes supplying two operating theatres with high-pressure water were stolen, leaving the cooling system compromised.<sup>23</sup> Charlotte Maxeke and Lenasia South District Hospital experienced similar thefts.<sup>24</sup>

Health care facilities elsewhere in the country have also been affected, including Cecilia Makiwane Hospital in the Eastern Cape and Bongani Regional Hospital in the Free State.<sup>25</sup>

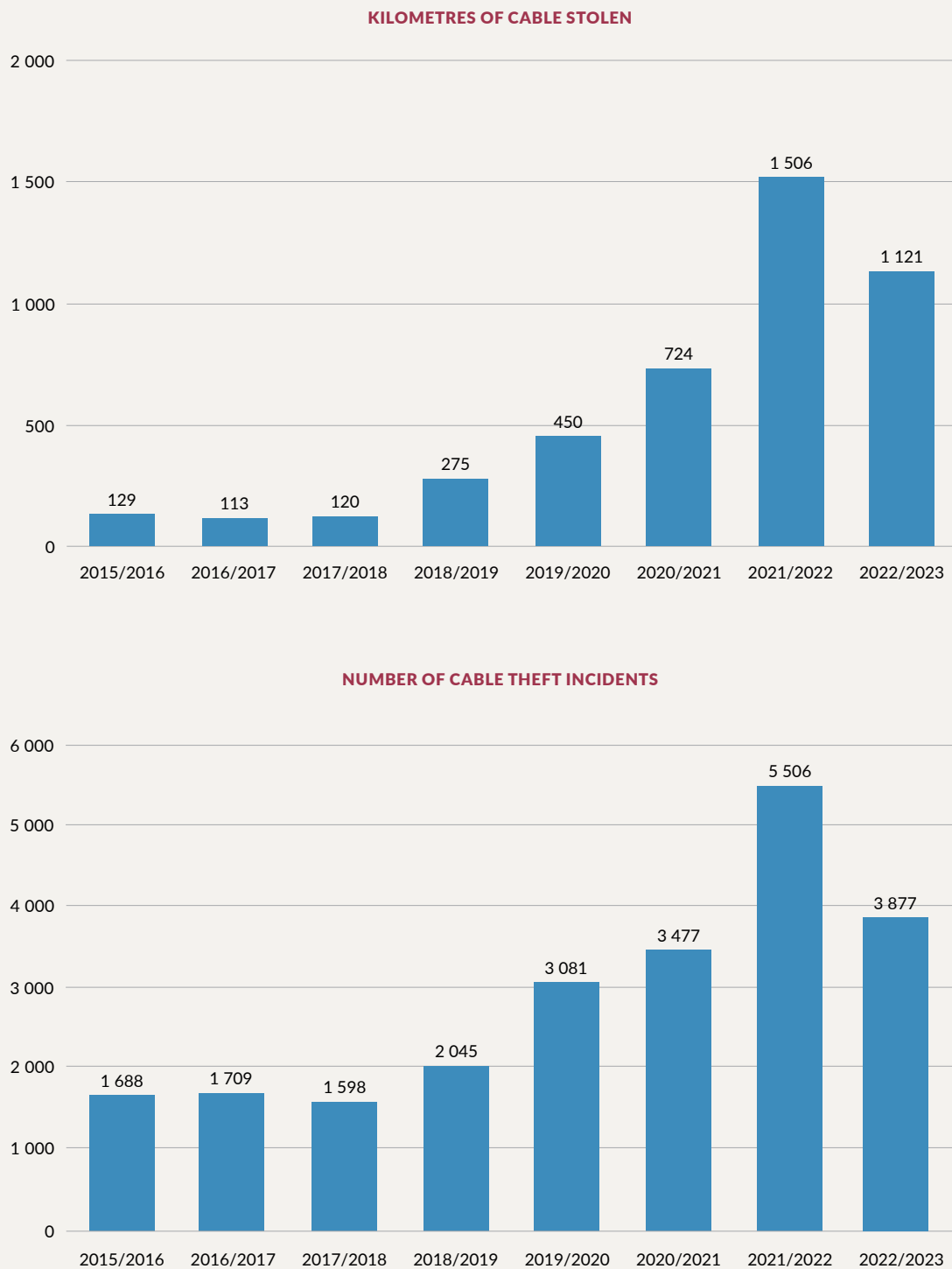


Looting of copper piping from Charlotte Maxeke hospital in Johannesburg has caused further damage to already failing infrastructure. © Sharon Seretlo/ Gallo Images via Getty Images

## The transport sector

In 2021, Transnet's freight division, Transnet Freight Rail, claimed that copper theft from its rail network had increased by 177% over the previous five years.<sup>26</sup> According to the company, hundreds of thousands of metres of cables were stolen in 2020, resulting in the cancellation of around 20 trains a day. In the 2021/22 financial year, Transnet experienced more than 5 500 incidents of copper cable theft involving over 1 500 kilometres of cabling, and while the number of incidents declined significantly in 2022/23, to 3 877, the company still lost more than 1 121 kilometres of cabling.<sup>27</sup> In

the 2021/22 financial year, Transnet committed to spending R1.6 billion on security and R400 million to replace stolen cables, and this security spend may have contributed to the decline in incidents in 2022/23.<sup>28</sup> However, even with this expenditure and the reduction in incidents since 2021/22, the number of incidents and the amount of cabling stolen in 2022/23 was still considerably higher than in any year prior to 2021/22.



**FIGURE 2** Kilometres of cable stolen and number of cable theft incidents, reported by Transnet, 2015–2023.

SOURCE: Figures obtained from Transnet by consultants during the drafting of the GI-TOC's Strategic Organized Crime Risk Assessment: South Africa, September 2022; Transnet annual results presentation for the year ended 31 March 2023

These thefts directly affect the company's revenue and its customers, with train services being disrupted or cancelled. Key exports carried by rail, such as coal and grains, have been particularly affected.<sup>29</sup> In April 2022, Transnet began talks with coal exporters over existing long-term contracts, claiming that legal proceedings and security issues such as cable theft constituted a force majeure.<sup>30</sup> In a single week that same month, there were 123 attacks on South Africa's railway infrastructure, including the theft of 39.4 kilometres of copper cabling.<sup>31</sup>

There has been a dramatic decline in the number of freight trains running, and those that do often experience significant delays, in part due to cable theft. Commenting on the impact of these rail freight disruptions, Ford Motor Company said that it 'makes us extremely uncompetitive against the rest of the world'.<sup>32</sup> The South African Minerals Council estimated that the country lost R30 billion in coal exports in 2022/23, linked to the disruption of Transnet's freight lines. It attributed about 20% of these lost exports to cable theft and electricity disruptions on the coal rail corridor.<sup>33</sup>

Prasa has also been severely affected by cable theft on its lines. In February 2022, the passenger rail company estimated that the cost of replacing electrical and signalling cables since the start of the COVID-19 lockdown in early 2020 had been R3.3 billion.<sup>34</sup> Cable theft on passenger lines has resulted in delays, disruptions and the cancellation of services. These factors have contributed to a decline in the number of commuters using the train, with many who previously relied on the low-cost mode of transport now having to use more expensive but reliable alternatives.<sup>35</sup>

According to a person involved in investigating this criminal activity, the sharp increase in cases of copper theft and vandalism is reflected in the number of trains Transnet is able to run.

## Telecommunications services

From January 2017 to November 2022, Telkom recorded 1 321 instances of copper cable theft, which caused significant disruption to critical communication services.<sup>36</sup> According to the infrastructure service provider Openserve, a subsidiary of Telkom, this theft has a 'significant effect' on internet connectivity, and resulted in costs of more than R60 million in 2020/21. Openserve has identified more than 800 so-called hotspots for cable theft and vandalism across the country, affecting thousands of customers.<sup>37</sup>

## Cable theft in mining and construction

The mining and construction sectors are also severely affected by copper theft. A chief executive officer (CEO) of a large construction company based in Gauteng that operates nationally said copper theft, particularly of cabling, had a negative effect on the sector, causing millions of rands in losses per year. Although many companies have insurance to cover the theft, the effect is often far greater than the cost of the stolen cable. Projects are delayed when cabling has to be redone, and companies have to spend more on security to protect their sites. The CEO said his company is often forced to place a permanent guard on sites with high-value copper, or to fence off the area and install motion sensors to warn of intruders. According to the CEO, construction projects in and around Pretoria are the worst affected when it comes to copper theft.<sup>38</sup>

Thieves operating in South Africa's mines strip copper from power cables in the underground tunnels with impunity. In an interview in 2022, Mark Munroe, then head of Impala Platinum's Rustenburg complex, said: 'Every single day there is at least one place that's not working because of cable theft.'<sup>39</sup>



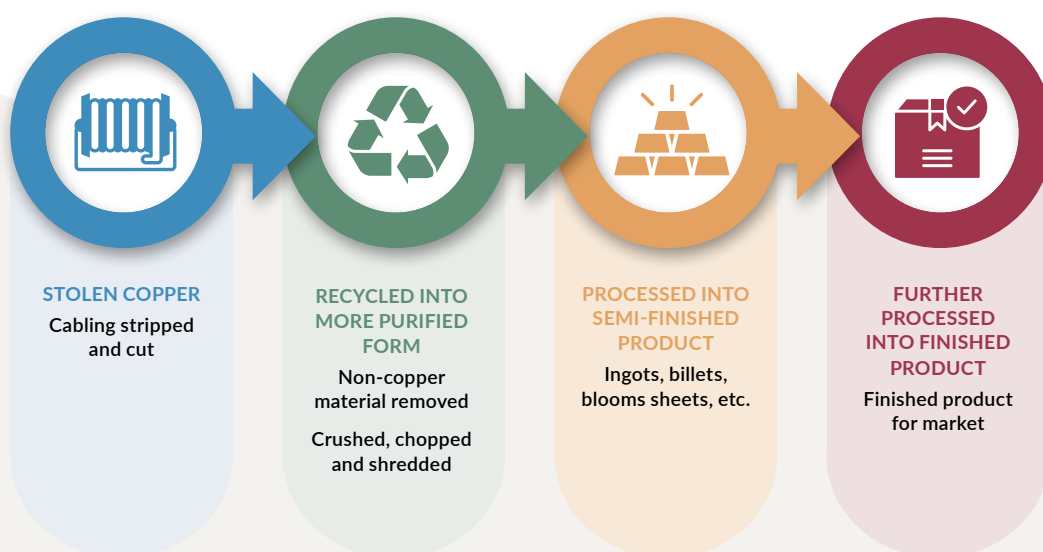
Sibanye-Stillwater in the North West province experienced 120 incidents of cable theft in 2021, and 45 incidents in the first three months of 2022. Over the same period, the company recovered more than 3.2 tonnes of stolen copper.<sup>40</sup> In 2022, copper theft cost Sibanye-Stillwater's platinum group metals operations more than R1 billion in production.<sup>41</sup> Speaking at a mining conference in March 2023, Royal Bafokeng Platinum CEO Steve Phiri recalled an incident in which the mine had 300 metres of copper cable stolen: 'We replaced it and the same evening those guys came again to steal the cable we replaced. Fortunately, we waited for them and they ran away.'<sup>42</sup>

The theft of copper cabling also poses a life-threatening risk to miners. In March 2022, stripped cables at Sibanye-Stillwater's Thembelani shaft caused a fire that spread quickly, forcing the evacuation of 140 workers, 10 of whom were treated for smoke inhalation.<sup>43</sup>

## MONETIZING STOLEN COPPER

**T**he legal scrap metal industry contributes approximately R15 billion to South Africa's gross domestic product each year.<sup>44</sup> While copper accounts for only 2% by volume of all scrap metal legally traded, its value per tonne exceeds that of most other scrap metals.<sup>45</sup> The high price and demand for recycled copper, coupled with the ease with which the metal is reprocessed, makes it a lucrative business for legitimate traders as well as criminal operations. Once acquired, stolen copper can be passed on to scrap dealers, who either repackage it for resale or melt it down, for distribution either on the legitimate market or on the black market. The general price for scrap copper wiring ranges from R20 to R60 per kilogram.<sup>46</sup> However, interviews suggest that the value of stolen copper is in the lower range, usually between R15 and R20 per kilogram.<sup>47</sup> After the copper has been recycled and processed, the selling price can increase to between R140 and R160 per kilogram.<sup>48</sup>

In April 2023, five members of an illegal copper syndicate were found guilty in the George Regional Court. During the trial, it emerged that one of the accused, Malome Matsetela, who owned a scrap metal business, had received more than R15 million from the sale of copper over a two-year period from 2012 to 2014. He was sentenced to 77 years imprisonment. The co-accused, who were involved in the actual theft, had earned amounts between R119 480 and R506 114, and received effective sentences ranging from eight to 17 years.<sup>49</sup> This was not Matsetela's first brush with the law, and his syndicate is described in more detail later in this report.



**FIGURE 3** Monetizing stolen copper.

A private investigator told the GI-TOC that a container used for export through the ports can typically hold about 24 000 kilograms of scrap copper. If it is bought at R70 per kilogram (half the current legal price) but sold at the full price of R140 per kilogram, the profit on a single container is R1.7 million.<sup>50</sup>

While some legitimate operators argue that illicit product represents only a small fraction of the value of the scrap copper trade, it is clearly still a highly profitable business.<sup>51</sup> Moreover, the damage done to South Africa's infrastructure and economy is immense.

In addition to its value, there are several other features that make the illicit copper trade attractive to criminal elements. Some of these characteristics include:

- Copper has a distinctive colour that makes it easy for criminals to identify and distinguish from other metals.
- The extensive use of copper means there are bountiful opportunities for theft. Much of it is also easily accessible and poorly secured.<sup>52</sup>
- It is easy to sell, and there are always scrapyards dealers who will buy it without asking questions.
- It is inexpensive to import furnaces and process stolen copper into resalable scrap. A home furnace sells on Amazon, for example, for US\$225 (R4 116).<sup>53</sup> Small industrial smelters are available on popular e-commerce websites, with prices ranging from R14 600 to over R366 000.<sup>54</sup> Furnaces can also be bought second hand or imported cheaply from countries such as China.
- Information on how to sort and reprocess copper is readily available on the internet, and there are videos that demonstrate how best to strip the wire and smelt the metal. There are even videos on how to build a homemade furnace.
- Once scrap copper has been granulated, sheared or shredded, it is virtually impossible to trace its origin, as the processing machinery erases any identifying marks.<sup>55</sup>
- Stolen copper, once processed, can be laundered alongside legally acquired copper without the buyer necessarily being aware of the fact.

International copper inventories are currently at their lowest seasonal level since 2008, which has helped to increase prices. And demand for the metal continues to grow, accelerated by the needs of the green economy, leading to a further decline in its availability. Despite this, new copper mining sites have become less identifiable, according to S&P Global, which forecasts a global shortfall of over 1.6 million tonnes of much-needed copper by 2035.<sup>56</sup>

If S&P Global is correct, this would not only push prices up even higher, but also create a potential scramble that could well play into the hands of organized criminal networks in the illicit scrap metal trade.



The legal scrap metal industry contributes significantly to South Africa's economy, but is increasingly blurred with the illicit trade. © Petri Oeschger via Getty Images



# THE MARKET FOR STOLEN COPPER

Approximately 150 000 tonnes of copper scrap is legally traded in South Africa each year, with a value of over R10 billion.<sup>57</sup> Most is sold on the local market, with a smaller percentage, approximately 13%, exported to other countries.<sup>58</sup> However, some experts believe this figure may be underestimated, due to industrial-scale under-invoicing and mislabelling.<sup>59</sup> This view is supported by the Copper Development Association Africa (CDAA), which points to the export guidelines for scrap, which were gazetted by the government in September 2013 and then revised several times because of the ingenious ways some scrap dealers found to circumvent them.<sup>60</sup>

Although the amount of scrap copper exported may be less than that sold domestically, the export market is considered to be highly lucrative. In 2021, the value of South Africa's recorded legal exports of scrap copper was R457 million.<sup>61</sup>

With regard to stolen copper, there are no precise estimates of how much is traded, partly because some is laundered back into the legal market, making it untraceable. However, it appears more is exported than in the legal trade. Scrap dealers often melt stolen copper down into ingots or granules, which until recently did not require an export permit. Alternatively, buyers may destroy any identifying marks before reselling the product on the domestic market.



**FIGURE 4** Markets for stolen copper.

## The domestic market

Because stolen copper that is laundered back into the legitimate market is reprocessed, it is extremely difficult to trace or even detect. There are allegations that some scrap metal dealers go so far as to tender or quote to supply copper on the legitimate market, and then commission thieves to acquire the quantity needed to meet their requirements.<sup>62</sup> Smaller amounts of stolen copper are recycled and sold on the informal market, particularly in construction and vehicle repairs, and there are claims that it is used by people involved in illegal electricity connections.<sup>63</sup>

There are also more creative uses. In July 2022, police seized copper worth R1.5 million from an illegal scrap metal dealer in Ntuzuma, north of Durban. During the raid, in which seven people were arrested, it was discovered that the dealer was using it to manufacture traditional three-legged cooking pots. The copper had allegedly been stolen from Transnet and eThekweni municipality.<sup>64</sup>



An illegal scrap metal dealer in Ntuzuma, north of Durban, was discovered using stolen copper to make traditional three-legged cooking pots. *Photo: Sowetan LIVE (supplied)*

## Exporting illicit copper

Some scrap metal dealers or recyclers involved in the illegal export market are part of sophisticated networks with links to foreign agents, local forwarding and clearing agents, and international buyers. There are also scrap dealers or recyclers who operate largely legitimate businesses, but also launder stolen copper into their existing legal stock before export in order to take advantage of the lucrative international trade.

In 2010, the Institute for Security Studies (ISS) reported that some foreign buyers of illicit copper were setting up their own procurement, processing and distribution networks to bypass local scrap metal dealers. One syndicate operating during this period, of Pakistani origin and with an address in Hillbrow, Johannesburg, used shipping containers in remote areas as drop-off points for thieves. These containers were then transported to Durban for shipment abroad, using false paperwork.<sup>65</sup> Similarly, in 2015, an eight-man syndicate was arrested in KwaZulu-Natal and the Free State, following a nationwide manhunt, and linked to 27 cases of copper theft for export to China and India.<sup>66</sup>

More recently, in 2023, a police officer from the Hawks, the SAPS Directorate for Priority Crime Investigation (DPCI), said he was aware of a group of foreign actors currently active in the illicit copper trade in the south of Johannesburg. According to his description, this group was operating in a similar manner to that described by the ISS. In other words, they operated outside of the scrap metal sector but had their own recycling and export processes.<sup>67</sup>

The routes used to export stolen copper often mirror those used by the legitimate market, with ports of entry being used as exit points. One police officer said he was aware that some smugglers were using South Africa's land borders to transport stolen copper into neighbouring countries.<sup>68</sup> While this may be happening to some extent, a far more popular route appears to be through the harbours, with Durban and Cape Town being key smuggling hubs.

Stolen copper smuggled by port leaves the country in containers that are either mislabelled or have false documentation. In some cases, scrap copper is labelled as raw copper. This practice, which involves customs fraud, appears to be common both in the smuggling of stolen copper and in the export of scrap copper by some legitimate dealers. In other cases, illegal scrap copper is mislabelled as non-metal goods, such as textiles, and then exported under the corresponding codes.<sup>69</sup>

According to one industry player, mislabelling increased after 2013, when the government introduced the Price Preference System (PPS). This policy requires scrap metal dealers to offer their stock to the domestic market before exporting. Under the PPS, discounts are given to local buyers, and scrap metal leaving the country must be checked and certified before export to ensure the exporter has complied with the PPS. The International Trade Administration Commission is the government body responsible for issuing permits for the export of scrap copper, and these are issued after ensuring compliance with the PPS. In addition, an export duty on scrap metal was approved in 2020, and this came into effect on 1 August 2021.

However, a lack of capacity to police the ports adequately means that containers often leave the country without being properly inspected, making it relatively easy for dealers to export mislabelled goods undetected.

## Exporting scrap copper as raw copper

The permits issued by the International Trade Administration Commission indicate a significant decrease in the export of scrap copper after the introduction of the PPS in 2013. In 2019, export permits were issued for 9 956 tonnes of scrap copper, compared to the 122 817 tonnes exported in 2012.<sup>70</sup>

While some of this decline may be related to exporters' compliance with the PPS, a 2022 report by Trade and Industrial Policies Strategies, prepared for the Department of Trade, Industry and Competition, raised the possibility that a significant amount of the raw copper being exported is in fact mislabelled smelted scrap copper. The report points out that the decline in exports of scrap copper was offset by a

sharp increase in exports of raw copper. In fact, data from the South African Revenue Service (SARS), derived from declarations by exporters, shows that exports labelled as raw copper exceeded 100 000 tonnes per year between 2017 and 2021. This is in stark contrast to data from the Department of Mineral Resources and Energy, derived from information from the mines themselves, which shows that 25 000 tonnes of raw copper were exported in 2019, out of the total domestic production of 50 000 tonnes. The Trade and Industrial Policies Strategies report also points to a situation where, according to SARS figures, South Africa 'now exports more raw copper than it produces and imports, and four times more than the Department of Mineral Resources and Energy reports'.<sup>71</sup> ■



The under-invoicing of exports is another common practice. For some exporters, this is simply a way of avoiding restrictions and duties. For others, it provides an opportunity to launder stolen copper alongside legitimately acquired scrap copper, with only the latter being declared. Whatever the reasons for these practices, their widespread use in relation to illegally sourced and legally acquired scrap copper blurs the lines between legal exporters and smugglers. It also makes it extremely difficult to track both legal exports and smuggled copper.

In 2019, SARS and the Department of Trade, Industry and Competition established an inter-agency working group to combat illicit trade activity – specifically smuggling, undervaluation and fraud – in the clothing, textile and footwear industry, the scrap metal industry and the gold metal industry.<sup>72</sup> According to SARS, several joint operations were carried out, and it was found that misdeclaration and under-declaration of weights were widespread in the scrap metal industry.<sup>73</sup> Among those targeted by SARS for improper practices related to copper export were the management of Durban-based metal recycling company Group Wreck (see box).<sup>74</sup>

## The Group Wreck case

**G**roup Wreck is involved in the sourcing, trading and purchasing of scrap non-ferrous metal nationally. It is considered to be one of the largest metal recyclers in the Durban area. The company reported a profit after tax of R12.6 million for the year ending February 2018.

In October 2019, the owner of Group Wreck, Angelo Solimene, pleaded guilty to several charges relating to the export of mixed copper and brass. The product was falsely declared as unrefined copper. Solimene was fined R500 000, half of which was suspended for five years on condition that he did not export any goods without the relevant permits. He also paid R600 000 to secure the release of his goods from customs.<sup>75</sup>

This was not the first time the company had been linked to controversy. In December 2013, a Group Wreck manager, Steven Prinsloo, was arrested during a police raid and charged with theft after it was alleged that that copper seized had been stolen from Telkom and eThekweni municipality. Group Wreck challenged the charges in the Durban High Court, stating that the company did not deal in stolen metal.<sup>76</sup> ■

Additionally, in October 2021, in separate incidents, two scrap metal dealers, Deepak Kumar Metha and Nagendra Kudupudi, were found guilty in the Durban Magistrate's Court of exporting scrap metal without a permit. Both had prepared five containers of scrap metal for transport to India. Metha was sentenced to a fine of R250 000 or five years in prison,<sup>77</sup> while Kudupudi was ordered to pay a fine of R200 000.<sup>78</sup>

Subsequently, in March 2022, a Cape Town-based export company and its director were found guilty in the Durban Regional Court of falsely declaring a consignment of scrap metal in order to avoid paying export duties. The shipment was declared as polymers and ethylene, but on inspection was found to contain scrap metal. The company, Scrapmania, and its director, Joseph Daniel Hurling, were both fined R500 000, with Hurling being fined an additional R100 000.<sup>79</sup>

It is clear that unethical legal scrap dealers or recyclers and smugglers alike manipulate South Africa's export systems and controls, often committing customs fraud in the process. These practices have



Johannesburg metro police officers discover railway infrastructure in a scrapyard during a raid in September 2023.

© Emmanuel Croset/AFP via Getty Images

a direct impact on the level of copper cable theft and the profits available to the networks involved. They also enable stolen copper to be exported to unscrupulous international buyers through legitimate transport routes and export points.

This situation not only encourages copper theft, but also has a negative effect on the domestic copper trade. Evert Swanepoel, chairperson of the CDAA, which represents the manufacturers that use copper scrap, believes the illicit market is driving law-abiding firms out of business, and says thousands of jobs have been lost because manufacturers cannot access scrap as a basic material for manufacturing.<sup>80</sup>

## International trade in scrap copper

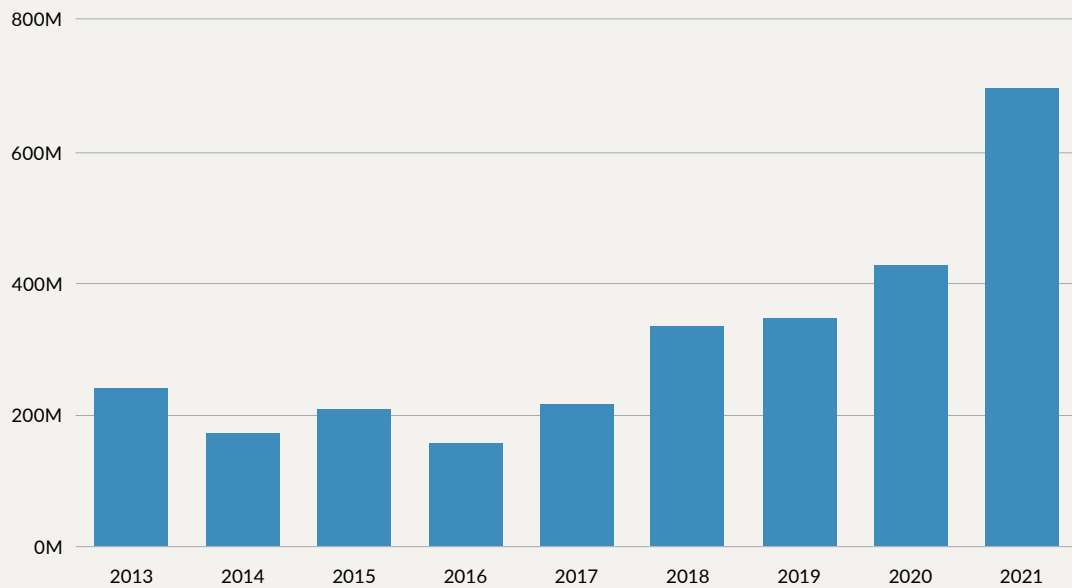
In 2021, China accounted for about 85% of all scrap metal exported from South Africa.<sup>81</sup> This was followed by Germany (3.24%) and India (3.21%). Other countries or regions importing South African scrap copper include Hong Kong SAR (China), the Netherlands, Korea, Belgium, Malaysia, Botswana and Lesotho.<sup>82</sup>

Trade data indicates that South Africa's scrap copper exports to China increased gradually from 2017 to 2020, before rising more significantly in 2021. In the case of India, the opposite has occurred, and since 2019 there has been a significant decline.

As China is the largest importer of scrap copper in the world, these figures are not surprising, and the high demand makes it an attractive destination market. Given the extent of under-invoicing and mislabelling committed by both legitimate companies and smugglers when scrap copper exits South Africa, it is unlikely that all recipients of the product are unaware of the fraudulent activity. Some are likely to be part of the smuggling networks themselves. This would certainly be the case with Chinese mafia-style groups or triads, some of which have a strong presence in South Africa. These groups

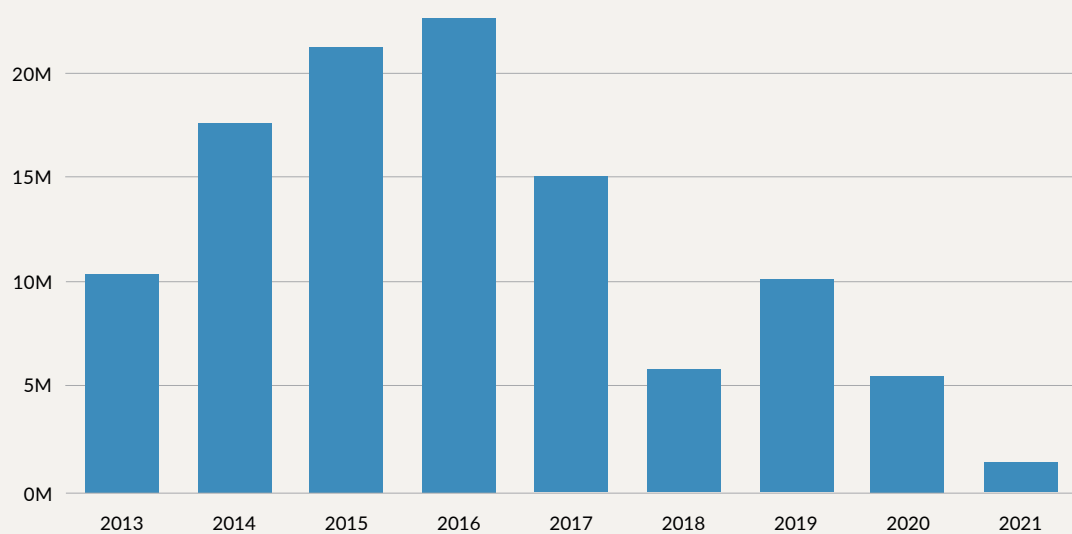
are associated with the illegal wildlife and drug trades, and some scrap metal dealers and researchers have linked them to the stolen copper trade.<sup>83</sup>

Of course, it is not only Chinese-based groups and companies that may be linked to the smuggling of scrap metal. The same arguments involving under-invoicing and mislabelled cargo could be made in relation to other countries that receive scrap copper from South Africa, although the scale would not be as great.



**FIGURE 5** South African scrap copper exports to China, 2013–2021.

SOURCE: Adapted from Comtrade data



**FIGURE 6** South African scrap copper exports to India, 2013–2021.

SOURCE: Adapted from Comtrade data

# CRIMINAL NETWORKS IN THE ILLICIT COPPER TRADE

Over time, the criminal networks and syndicates involved in the stolen copper market have honed their skills. According to Transnet and Prasa, the methods used to plunder its 30 000 kilometres of infrastructure have become increasingly sophisticated, planned and coordinated, and are now almost military operations.<sup>84</sup> A variety of criminal actors are involved at different levels, including the people who steal the copper, the scrap metal dealers who buy it, and the more sophisticated bulk buyers and recyclers. Within these different levels the profits available from dealing in illicit copper vary, with the lower levels taking the biggest risks for the least rewards and the higher levels receiving greater rewards for less risk.

## Level one: Criminals who steal copper

The first link in the illicit copper value chain is the people involved in the actual theft. This group takes the greatest risk for the least reward, and there are two categories. The first involves petty criminals who steal copper to eke out a living or sustain substance addiction. They use rudimentary tools, such as bolt cutters, saws, poles and rubber bands, for isolation and binding, and largely target municipal grids and depots, usually stealing small quantities at a time.<sup>85</sup>



The second category includes more sophisticated groups of between 10 to 30 people, working as independent contractors or as part of organized networks or syndicates. Their equipment is also more specialized, and they are known to make use of trucks, winches and mechanized cutting equipment. Previous research indicates that these groups are involved in large-scale theft, and have the technical skill to steal the large overhead cables used by Transnet and Eskom, as well as the capacity to transport heavy-duty cables to dealers.<sup>86</sup>

Three suspects were arrested in South Africa's North West province with 175 kilograms of copper cable wrapped around their bodies. *Photo: SAPS*



Copper theft is usually carried out at night, and the groups often conduct reconnaissance operations beforehand. They make use of spotters or so-called night watchmen to alert them to security risks. Cables are either dragged or transported to remote areas where they are stripped and often burned to remove the insulation.

The more organized groups are frequently armed, and there have been reports of shoot-outs occurring between criminals and security guards. According to a construction company representative interviewed, four incidents occurred at the Pretoria Road Traffic Management Corporation control centre development site in 2022, where security guards were shot at by armed robbers who appeared to be attempting to access copper cables. On one occasion, site security came under serious attack when 13 armed men tried to gain access to the site.<sup>87</sup>

In April 2022, Johannesburg's mayor, Mpho Phalatse, called for national intervention after three separate attacks on City Power security guards by armed criminals seeking access to copper cables. The incidents occurred within a week of each other and left two guards dead and another injured.<sup>88</sup> Eskom recorded 85 attacks on security between April 2021 and March 2022 by armed gangs mainly targeting copper and other metal products.<sup>89</sup> In February 2022, one security guard was killed when seven guards were confronted by a group of about 30 armed copper thieves.<sup>90</sup>

Emergency technicians responding to power outages caused by broken lines or theft have also increasingly become targets for armed thieves, who wait for them to arrive on site before robbing them of the copper they are carrying. The situation has become so bad that Eskom now provides security escorts for technicians working in high-risk areas.<sup>91</sup>

Once these level one actors have acquired the copper, they cut it into smaller pieces, often stripping the insulation, before passing it on to the next link in the illicit supply chain: the intermediaries who can get the product onto the market.

## Level two: Informal and small-scale scrap metal dealers

Informal and small-scale scrap metal dealers have been described as the matchmakers of the illicit copper market.<sup>92</sup> They receive the copper, reprocess it, known as 'washing', and then deliver it further up the chain. The key players at this level are the so-called bucket shops: small, unregistered scrap metal dealers operating out of commercial premises or backyards. They have been likened to mobile pop-up shops, springing up and relocating as circumstances dictate.<sup>93</sup>



Alexandra is a hotspot in the illicit copper trade, with more than 15 known scrapyards in the township and surrounding areas.

© THEGIFT777 via Getty Images

Not only have these bucket shops been linked to an increase in copper theft in several areas, but they also pose a health risk to the communities in which they operate. They are often located in informal, high-density areas, where existing levels of crime make them difficult to police. In Johannesburg, for example, scrapyards, many of which could be described as bucket shops, have emerged all along the borders of Alexandra township. Some receive unstripped copper cables, which are then burned to remove the protective outer layer, either in the scrapyard itself or on the street outside. The toxic fumes released during this process pose a serious hazard to people living nearby.<sup>94</sup>

## Copper theft and Alexandra township

One of the hotspots for stolen copper is Alexandra, a high-density area north of Johannesburg. There are more than 15 known scrapyards in the township and surrounding areas, most of which are unregistered and operate as bucket shops. These scrapyards are owned by both local and foreign operators, and often receive and strip copper cables stolen from City Power and other state entities in and around the township. In one incident, a 15-metre section of copper cable was stolen three times in three consecutive days, plunging half of the township into darkness.

Organized gangs within Alexandra, usually linked to one or more scrapyards, identify vulnerable areas where copper can be stolen. These gangs are capable of stealing metres of heavy copper cable, transporting it in pick-up trucks to affiliated scrapyards. Some also have contacts in state-owned firms, and rely on officials, security guards and contractors to alert them to locations where copper is unguarded or vulnerable. Some government officials, security guards and contractors sell copper stock directly to scrapyards with which they have criminal relationships. Scrap dealers also make use of young men and boys with substance abuse problems, commonly known as 'nyaope boys' (after a prominent local street drug), to steal cables. These youths are also given the dirty and risky task of stripping the cables.

One of the biggest scrapyard dealers in Alexandra is Miningi Scrap Metal. Miningi has two sites, one that receives copper and another that smelts and reprocesses the copper. Maningi Scrap Metal has been raided several times by the police, with the most recent incidents taking place in December 2022 and September 2023. During the raid on 6 September 2023, two people, one of whom was the manager, were arrested after stolen copper was found in their possession. The copper consisted of several kilograms of

copper cabling allegedly stolen from City Power. However, despite the different raids and arrests made, Maningi Scrap Metal continues to trade as usual.

Miningi is also not the only scrapyard in Alexandra to have been raided. Another such yard, Vortex Recycling, was raided in August 2022, during which the 65-year-old manager of Vortex was arrested after he was found in possession of R245 000 worth of copper cabling allegedly belonging to Prasa and City Power. Like Miningi, Vortex continues to operate as normal despite the arrest of its manager.

While raids and the arrest of people found in possession of stolen copper in Alexandra and the surrounds have been welcomed by those affected by these thefts, these actions have done little to stem the vibrant illicit copper trade occurring in the area.

In many communities across the country, there is growing frustration over the impact that copper cable theft is having on critical infrastructure. In Alexandra, this has manifested in the establishment of at least one vigilante group, calling themselves the Taliban. The group emerged allegedly to address unresolved cases of domestic violence and the perceived failure of the police to protect state infrastructure from vandalism and theft. Members of the group include several influential figures in the township such as a gym owner and a well-known artist. The Taliban say they have declared war on vandals and have requested community members to help them find criminals targeting state infrastructure including the electricity infrastructure. The Taliban believe the police have failed to prosecute cable thieves and say they will now hunt these thieves down themselves and mete out their own form of justice. ■

While most illegal scrap dealers have sprung up in townships, informal settlements and the inner city, their growth may not be confined to these areas. In February 2022, Vernon Michael van der Mescht, an employee at P&P Commodities in Randfontein on the West Rand, was arrested while loading blister copper worth approximately R4.6 million onto a truck for distribution in KwaZulu-Natal. The company was operating without the necessary permits and licences, and the owners, Pierre Coetzer, a former South African heavyweight boxing champion, and Pieter Venter, subsequently handed themselves over to the Hawks. Coetzer and Venter were charged with contravening the Second-Hand Goods Act (SHGA) and the National Environmental Act.<sup>95</sup> The matter was ongoing at the time of writing, and Van der Mescht and Coetzer maintain their innocence.<sup>96</sup>



Unregistered scrap dealers set up near major transport hubs, such as the Port of Durban, from where stolen copper is smuggled to neighbouring countries. © Waldo Swiegers/Bloomberg via Getty Images

Some small, unregistered scrap dealers set up in locations with access to larger dealers and major transport hubs. An example of this is Durban South, a bustling industrial and logistics centre close to Africa's busiest port. The area is home to factories, large warehouses and a wide range of shipping and landside logistics companies, all accessible via a busy arterial road. Traditionally home to scrap metal recycling firms, the area is now inundated with bucket shops where traders pay cash for scrap. Describing the situation, one dealer said:

There are thousands of dealers in Durban now. But it's difficult to quantify who is a dealer. It is a low-barrier-to-entry business. If you are down on your luck and prepared to work hard you can start with a bakkie [pick-up truck]. The guys carrying scrap in sacks all around south Durban are dealers. Everyone has been busted for illegal copper and most people are still in business. There is lots of money to be made because we are seen by guys who export stolen copper as the land of plunder.<sup>97</sup>

Police say that many buildings in the area had been entirely stripped of all metal, although copper is prized. Because street light poles were being cut down by thieves to access the cables, reinforced steel poles were introduced. However, according to a city official, these are also being cut down.<sup>98</sup> As a result, where possible, the poles are being moved to the central islands of the roads, which are more difficult to access.

## Copper and drugs at MaZulu's Place

In September 2023, police raided a bucket shop on South Coast Road, Durban South. The manager dealt with customers and those wanting to sell their wares through the bars of a caged office. When the police asked if she had any copper, the manager pointed to a small amount in a stack of old cardboard boxes. After a search, however, the police discovered 60 kilograms of copper hidden at the bottom of an empty water tank at the back of the shop. The bucket shop manager was unable to account for the copper and was arrested.<sup>99</sup>

Nearby is a shack settlement known as MaZulu's Place. Access is via a filthy alley, where scores of informal houses are hemmed in by buildings and a freeway. According to residents, the bucket shop was a known drug den, where heroin was being sold for R15 a hit.<sup>100</sup> Drug users in the area say they scavenge at night, stealing power and communication cables to sell to bucket shops in order to buy drugs. One claimed that five people had died this year while jumping onto moving cargo trucks to rip out the electrical cables.<sup>101</sup>

Although many small unregistered dealers are key players in receiving and washing stolen copper, there are also small registered dealers that receive copper directly from copper thieves. These dealers play a similar role to that of the bucket shops, passing the product on to the next level in the illicit copper trade. ■

## Level three: Recyclers, mills and exporters of stolen copper

There are several unscrupulous larger registered and unregistered recyclers who knowingly accept stolen copper as part of their business model. These recyclers have access to the legitimate and black markets, and reprocess copper to supply both.

These fall into two categories. The first are legitimate registered recyclers who, from time to time and in an attempt to make additional profit from the lucrative copper market, turn a blind eye when a seller offers them stolen copper, without verifying the provenance of the product. Recyclers are required to keep detailed records of supplies and report any copper suspected of being stolen to the police. However, some know how to circumvent these controls and often buy the metal off the books. Once it has been reprocessed, it is then laundered into legitimately acquired copper.



Copper cables allegedly stolen from Transnet, Prasa, Eskom and City Power recovered by police during a raid of the Devland scrapyard near Soweto. Photo: Supplied



The second category, which includes both registered and unregistered recyclers, consists of those that function as part of a wider criminal network, receiving larger quantities of copper from bucket shops and small scrap metal dealers. These operations may even have off-site facilities where they store and recycle the copper and, in the case of registered recyclers, will pay cash, in order to avoid a paper trail.<sup>102</sup>

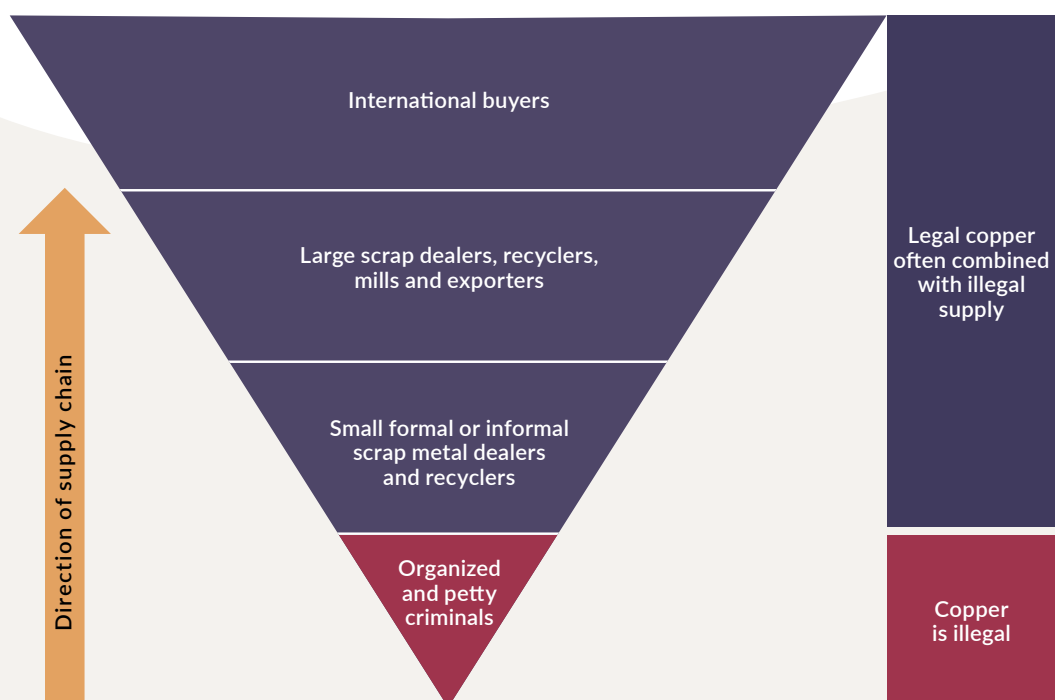
While some of this copper is fed back into the local market, the biggest profits are made by smuggling it out of the country. At this level, actors have access to compliant freight forwarding and customs clearing agents who are able to ensure the stolen copper leaves South Africa undetected.

During the course of this research, it was established that there are at least five large registered metal recyclers that consistently receive stolen copper from small dealers and bucket shops. The copper is reprocessed and integrated into legitimately acquired product before either being sold on the domestic market or processed for export. One of these five operators is also allegedly linked to the illegal gold trade.

## Level four: International buyers

The final link in the chain is the international groups that receive or purchase the stolen copper. As with level three operators, these actors can be divided into two similar categories: legitimate traders who turn a blind eye to shipments that may contain stolen copper, and actors who are part of smuggling networks and consistently receive large quantities of stolen copper.

While there may be some cases where these groups are unaware that they are buying an illicit product, the extensive use of mislabelling and customs fraud to export stolen copper makes it unlikely that they would be unaware that something was amiss.



**FIGURE 7** Players in the illicit copper market.

## National networks involved in theft

Many copper syndicates operate nationally, and level one actors are not restricted to specific geographical areas or provinces. Some of the more established national networks will use level one actors in various places, who are then required to transport the copper to a central location, which in some cases may be in a different province.

Some national networks even run so-called training schools, instructing level one actors on how best to access and steal copper cables. Rens Bindeman, a technical advisor for the Southern Africa Revenue Protection Association, claims that members of syndicates have also been seen taking notes in court during prosecutions. According to Bindeman, this information is taken back to the training schools (and likely to different levels within the syndicate) so that tactics and methods of operation can be adjusted to avoid detection.<sup>103</sup>

### The Malome Matsetela syndicate

**T**he Malome Matsetela case provides a useful example of just how extensive and organized some of the copper syndicates are, and offers insight into how these groups operate.

In September 2018, Malome Matsetela, the registered owner of the Johannesburg-based company Malvern Scrap Metal, was sentenced to 18 years in prison in the Bloemfontein High Court for racketeering and the theft and vandalism of infrastructure, activities related to a copper theft syndicate. He was sentenced alongside level one actors Amos Ngubeni, Stephen Langa and Andries Mkhumbuzi, who were all found guilty of infrastructure theft. During the trial, the judge said that it was clear that Matsetela was 'in control' of the syndicate.<sup>104</sup>

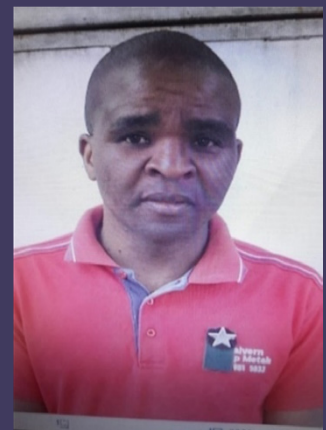
Arguing in aggravation of sentencing, Advocate O Wessels, then chairperson of the Southern Africa Revenue Protection Association, stated that according to her investigations, 11 of the 18 copper theft syndicates that she was aware of sold their copper to Matsetela. Wessels also said Matsetela was linked to another case in the Eastern Cape.<sup>105</sup>

In his sentencing, the judge referred to the fact that Matsetela had already been sentenced to 12 years in 2017 on similar charges for offences committed between 2014 and 2015, describing this as 'indicative of dishonesty', and also noted that he had not shown 'any sign of remorse'.<sup>106</sup>

In April 2023, Matsetela was again convicted in the George Regional Court and sentenced to 77 years for racketeering,

Malome Matsetela ran a copper theft syndicate that operated across the country.

*Photo: DPCI*



money laundering and involvement in copper theft, with some of the sentences to run concurrently, resulting in an effective sentence of 18 years. In this case, the thefts had taken place between 2012 and 2017, when Matsetela was arrested by members of the DPCI. The court heard that Matsetela had received more than R15 million during the period in question.<sup>107</sup> The crimes in this case were committed in the Western Cape, Northern Cape and Gauteng. With the exception of Ngubeni, Matsetela had used a different group of level one actors, and these men were also charged.

The Matsetela network used hired vehicles and trucks to carry out the thefts and to transport the stolen copper to Malvern Scrap Metal. They fitted the vehicles with yellow warning lights and wore reflective jackets to create the impression that they were road maintenance crews,<sup>108</sup> and targeted Telkom, Eskom and Transnet overhead cables.<sup>109</sup> After the copper was processed, it was sold to SA Metal Group in Johannesburg.<sup>110</sup> ■

## Blurring the lines: Legal vs illegal

There is often a perception that copper theft largely involves informal scrap metal dealers and some small registered dealers, with the assumption that larger formal dealers and recyclers are not complicit. While it is true that informal and small scrapyards dealers play a critical role in the illicit copper value chain, these low-level traders often need larger, more sophisticated actors to move the stolen copper further up the supply chain. For some of the unscrupulous larger dealers, the small and informal dealers are the perfect partners. They receive the stolen metal, reprocess it, and deliver it to the larger dealers, giving the latter an air of deniability and enabling them to launder the stolen copper into their legitimately acquired product.

One scrap metal dealer interviewed said, 'Bucket shops and informal scrap dealers work for the bigger dealers. These small dealers don't have the contacts to export the stolen copper, but the bigger guys do. The big guys buy some of the copper supplied by informal dealers off book or even off premises.'<sup>111</sup>

In a cut-throat industry, the highly lucrative trade in stolen metal can give more unsavoury operators an edge over their competitors. While not all major scrap metal dealers and recyclers are involved in such practices, for the more unprincipled dealers, some of whom already engage in misdeclarations and under-invoicing, laundering stolen copper is not a big step. Many of these companies not only have the expertise and capacity to export the copper, but are also aware of the legal loopholes and often have an army of lawyers at their disposal should problems arise.



Scrap metal yards provide an income for nearby communities and an avenue for laundering stolen copper into the illicit economy. © Alon Skuy/The Times/Gallo Images/Getty Images

The Metal Recyclers Association (MRA) is attempting to take a leading role in implementing standards and introducing a degree of self-regulation into the industry. However, there are reportedly 3 000 registered metal dealers and recyclers and, according to MRA chairperson Quintin Starkey, the association only represents about 78 members who own 150 scrapyards.<sup>112</sup> This poses a challenge not only because most registered dealers are outside the MRA's jurisdiction, but also because while the association can endeavour to regulate its members, the burden of regulating the industry falls solely on the police.

Starkey believes more police oversight is needed to monitor the conduct of all registered metal dealers: 'The MRA can regulate its members, we cannot police our members.'<sup>113</sup> Apparently agreeing with Starkey,

the CEO of a large construction company said when interviewed, 'You can't deal with the theft at the source. The problem needs to be dealt with by addressing the formal sector of the scrap metal trade.'<sup>114</sup> In explaining this view, the CEO referred to an incident at one of his company's sites where copper busbars valued at R75 000 were stolen from a storeroom. Investigations conducted by the company revealed that the bars had not only been stolen with the help of employees, but had also been sold to a reputable scrap metal dealer for R5 000. The dealer who bought the bars often supplied copper to the construction sector and was one of the suppliers of the very company from which the bars were stolen.<sup>115</sup>

In April 2022, after a large consignment of stolen copper cables were recovered by police in Soweto, City Power spokesperson Isaac Mangena summed up the situation with regard to scrap dealers, saying: 'When you want to kill the snake, you need to target the head. The scrapyards are the head of the cable theft problem.'<sup>116</sup>

## SA Metal, copper and controversy

**S**A Metal Group describes itself as one of the oldest and largest metal recyclers in South Africa. The company claims that it does not buy material that is known or suspected to be stolen, and that it has strict measures in place to ensure this. However, despite these assurances, it appears to be embroiled in controversy when it comes to stolen metals.

In 2004, charges were brought against SA Metal after alleged stolen scrap metal was found loaded into containers at its Germiston depot. At the time, the company's managing director, Graham Barnett, confirmed that charges had been laid but denied knowledge of any illegal activity. A media report also linked SA Metal to an earlier raid at Durban harbour in which a company consignment was seized when detectives discovered it contained raw copper allegedly looted from trains.<sup>117</sup>

In January 2009, Christo de Klerk, one of SA Metal's former directors, was charged with being in possession of suspected stolen property. The charges were subsequently withdrawn in August 2010, because of the unavailability of certain witnesses and the failure of police to follow proper procedures.<sup>118</sup>

In July 2018, around 50 people picketed outside SA Metal in Epping, demanding an end to the buying and selling of stolen copper. Protest organizer Zukiswa Vuka said, 'People steal copper in our communities, then bring it here to SA Metal to sell. They do not even produce any identification when coming here.' June Esau of the civil society organization #UniteBehind addressed the crowd, saying: 'When

there are no signals on the trains, blame SA Metal. When you are in the train and it suddenly gets stuck, remember SA Metal.' Barnett accepted a memorandum from the protesters. He also handed them a pamphlet stating that SA Metal buys copper wire and cable legally sold by Eskom, Telkom, Transnet, Prasa, municipalities and other entities through tenders and at auction.<sup>119</sup>

Research into copper theft carried out at the University of South Africa in 2020 also identified SA Metal as a potential source of concern. One respondent said, 'The security officers sometimes bring the copper to me, especially when there is a strike. [...] We take the stolen copper to SA Metal and get the money.'<sup>120</sup> Another interviewee, a member of the Non-Ferrous Metals Crime Combating Committee (NFMCCC), said: 'SA Metal is constantly raised in NFMCCC meetings, but no one has done anything about this.'<sup>121</sup>

In a statement on metal theft on its website, SA Metal states, 'Probably because of the measures it takes, SA Metal Group very rarely finds any stolen metal being offered to it.'<sup>122</sup> However, the Malome Matsetela syndicate case outlined above, in which five men were found guilty and sentenced to lengthy prison terms, would appear to contradict this. National Prosecuting Authority official Eric Ntabazalila alleged that overhead cables stolen from Telkom, Eskom and Transnet were reprocessed and then sold to SA Metals in Bedfordview.<sup>123</sup> Evidence led by Senior State Advocate John Ryneveld further claimed that the R15 million Matsetela received between 1 November 2012 and 2 September 2014 came from 241 transactions with SA Metals.<sup>124</sup> ■



## Cash is not always king

A significant number of scrap metal dealers use cash to purchase copper. Many even advertise this practice in their registered names: Pacific Cash for Scrap Metal, BMD Cash for Scrap Metal, Spot Cash Metal or Trasa Cash for Scrap Metal, to name a few. Others declare it on their doors or on boards outside their premises.

Cash makes it easy for people without bank accounts to participate at the lower levels of the market. However, it also makes it extremely difficult to trace who the sellers are. And the practice is also used by dealers to buy stolen copper off the books, even for large amounts.

Although the purchase of stolen copper is predominantly done in cash, there have been cases where level one operators have been paid by electronic funds transfer or even cheque. A case in point is the Matsetela syndicate, where, according to one witness, Matsetela would sometimes pay by cheque or bank deposit.<sup>125</sup>

## Corruption and stolen copper

As in many other criminal economies, corruption has been a major factor in the growth of illicit copper networks and markets. This can range from employees using their access and position to facilitate the theft of copper, to employees or security officers being paid by syndicates to provide information or, in the case of security officers, to assist criminal actors in safeguarding their operations. Many of the syndicates involved in copper theft also use corrupt actors within the criminal justice system to protect themselves from detection and prosecution.

There are numerous reports of employees of utilities, state-owned enterprises, companies and subcontractors being involved in the theft of copper from their employers, with the amounts stolen ranging from a few hundred rands to millions. In March 2021, for example, eThekweni police arrested four people and recovered R4 million worth of copper cable stolen from municipal depots in Illovo and Isipingo. The seizure followed the arrest of members of the same syndicate in 2020, when R6 million worth of copper cable stolen from eThekweni municipality was found. Police believed the syndicate had high-level connections within the municipality, as the criminals had been able to steal up to 20 rolls of copper cable a day.<sup>126</sup>

In February 2021, a DPCI operation in Gauteng led to the arrest of four Transnet employees at an infrastructure depot in Koedoespoort, Pretoria, for the alleged theft of copper worth about R1.9 million.<sup>127</sup> Two additional suspects, scrap metal dealers Frans Albert and Andries Lombard, handed themselves over to the authorities a few days later.<sup>128</sup>

Low-level corruption associated with copper theft may involve syndicates paying bribes to security or low-ranking officials for information or simply to turn a blind eye. Low-ranking officials may also use their position to steal small quantities of copper for sale on the black market. Alternatively, high-level corruption occurs when senior employees or officials in the criminal justice system are embedded in criminal networks and become active participants in the illicit trade.

In some instances, security guards are involved in stealing copper from the very sites they are tasked with protecting. In December 2022, a security manager at a large state hospital was arrested after it was found he was using his personal vehicle to transport stolen items off the hospital premises. Doctors, members of medical associations such as the South African Medical Association, and union

members of the Democratic Nursing Organization of South Africa have raised concerns about hospital security and the possible involvement of guards in various thefts. In a case at Chris Hani Baragwanath Hospital in December 2022, copper pipes were removed from a locked control room to which not even staff had access. Speaking about the incident, a nurse said, 'If someone can have access and can cut vital pipes and cables, it raises the question of how secure we are, as the staff and patients in the institution, because people have access to a restricted area and so far no one knows what happened.'<sup>129</sup> Professor Adam Mahomed, a gastroenterologist at Charlotte Maxeke Hospital, expressed similar concerns in reference to a theft of copper pipes and cables, some of which were situated beneath floors. 'The bulk of these things need a big vehicle to take them out,' he said. 'This means security will have to be involved since this bulk will have to exit through the gate where there is security.'<sup>130</sup>



An incident at Chris Hani Baragwanath Hospital in 2022, in which copper pipes were removed from a locked control room, suggest the extent of corruption in the illicit copper trade. © Mujahid Safodien/AFP via Getty Images

## Links to other criminal networks

One of the characteristics of South Africa's organized criminal landscape is the interconnectivity between different illicit markets and the actors within these markets.<sup>131</sup> This interconnectivity occurs in cases where criminal actors operate in multiple markets as well as where one illicit market feeds into another. This is also characteristic of the illicit copper trade, which has several interconnections with other illicit markets.

The most obvious is the overlap with the illicit firearms market, with copper theft increasingly carried out by armed groups using illegal weapons. There are also links between illicit copper and illicit drugs. Many of the level one actors involved in copper theft are petty criminals supporting drug addictions, and while some are paid in cash, in other instances they are known to be paid in illicit drugs. In 2020, Joao Jardim, the spokesperson for the Cape Town-based community organization United Commuters Voice, highlighted the relationship between drugs and stolen copper, calling on the then minister of transport, Fikile Mbalula, to investigate why the city had not implemented a bylaw prohibiting scrap dealers from purchasing scrap without keeping a record of the sale. 'They acknowledge that that these "bucket shops" exist and are a front for the drug lords to launder money and other dubious activities,' Jardim said.<sup>132</sup>

A more explicit example of the link between illicit drugs and stolen copper occurred in May 2022, when police raided a scrapyard in Soweto and discovered a huge haul of cables that had allegedly been stolen from Transnet Freight Rail, Prasa, Eskom and City Power. According to Minister of Police Bheki Cele, over 1 000 Mandrax (methaqualone) tablets and other illegal items were also found at the scene.<sup>133</sup>

There are also strong links between gangs in the Western Cape and Gauteng and copper theft networks. According to a gang expert interviewed:

Various township gangs in the Western Cape are running copper theft operations. These include gangs in Langa, Nyanga, Khayelitsha, Gugulethu, Philippi, and small gangs in various informal settlements scattered throughout Cape Town. These gangs often sell their wares to small scrapyards that have opened sporadically to deal with the heavy load of copper theft that happens on railway lines.<sup>134</sup>

The same expert also highlighted the existence of new so-called pop-up scrap dealers in many of the historically Coloured, gang-controlled areas such as Bonteheuwel, Delft, Oceanview and Mitchell's Plain. In their view, gangs in these areas have recognized the financial benefits of copper theft and are muscling in on the market. Some of these gang bosses also own taxis or collude with other taxi bosses in extortion practices. Copper theft thus benefits them in two ways, the first being profit made from the copper itself, and the second being the disruption it causes on train lines, which diverts commuters to taxis.<sup>135</sup>

In describing how these networks operate, the expert referred to two types of activity. The first involves gang-controlled pop-up scrap dealers or bucket shops selling copper up the value chain to selected metal recyclers. The second uses these gangs' existing relationships with Chinese criminal networks or triads operating in the Western Cape. Some of these triads have an interest in scrap metal, and Cape gang bosses, ever alert to new and lucrative markets, have expanded their operations to supply stolen copper in much the same way as they do other illicit products such as abalone. There are even reports of 18-wheeled trucks brazenly collecting stolen copper from gang-run bucket or pop-up shops.<sup>136</sup>

## Passenger rail services in the Western Cape

Railway copper cable theft has been an ongoing problem in the Western Cape for more than 20 years. It gained considerable momentum in the first decade of the 2000s, and by the 2010s gangs were actively working to destabilize the train lines, working with taxi bosses who were seeking to benefit from Prasa's inability to transport the public, leaving them with the monopoly and economic gains.<sup>137</sup> The constant vandalism and theft has severely affected Prasa's ability to function, with services being cancelled and trains delayed. In June 2019, Prasa was operating 444 journeys every weekday in Cape Town. By 2020, before the COVID-19 pandemic and related lockdowns, this had fallen to 270, and by February 2022 there were just 153.<sup>138</sup> The mayor of Cape Town, Geordin Hill-Lewis, was quoted as saying, 'There has been a 97% reduction in train usage in Cape Town. And this is a major part of the reason. The infrastructure is not being properly protected.'<sup>139</sup>

A Community Policing Forum member from Gugulethu in Cape Town, discussing the involvement of certain sectors of the taxi industry in copper theft, alleges:

Young *laaities* [young people] working for the taxi bosses are constantly vandalizing and stealing from railway sites. Lot of these crimes are orchestrated by the taxi industry, because you will find that in the townships, when the trains are not working, then all the people are forced into the taxi ranks. You will find that those railway cables are extremely heavy, too heavy for these *tsotsis* [young urban criminals] to handle themselves, and plus, they are going to be easily caught if they are moving from the railway lines to wherever the copper will be stored or sold. You need money to be able to set about an effective organized criminal endeavour. Here is where the taxi bosses come in. The *ndotas* [senior men] finance the operations and provide proper tools

and transport to facilitate the theft. The stolen cables are then sold to scrapyards dealers who are getting the copper at a low rate, thieves are getting cash for their stolen goods and the taxi bosses are getting to monopolize the transport industry. It's a win-win for all those protagonists involved.<sup>140</sup>

Initially, copper stolen from the railways was sold directly to scrap metal dealers, but as these operations came under greater scrutiny, new methods were developed. Copper stolen by thieves was instead delivered to non-scrap metal businesses or to the homes of individuals, who were paid to store it. This led to the establishment of so-called pop-up

bucket shops in townships and high density areas. The copper is transported in trucks bearing the logos of businesses such as furniture removals or dairy products to locations agreed upon by the dealers for collection. According to a former police officer from Cape Town's Langa township, certain taxi bosses are involved in facilitating the safe delivery of the copper.<sup>141</sup> As one gang expert described it: 'The methods and modus operandi are constantly shifting and adapting to protect the players involved in these transactions from detection, and to ensure that even if the young guys stealing the copper or the pop-up shop guys are arrested, the scrap metal dealers are insulated and the illicit operations can continue.'<sup>142</sup>

Another area where criminal markets intersect with copper theft is in the illicit gold trade, as informal miners known as *zama zamas* are now also stealing copper cabling. These groups often use ropes or handmade ladders to lower themselves underground from holes dug at the surface. They then strip the copper and hide it in unused tunnels before arranging for it to be transported at night.<sup>143</sup> According to Richard Stewart, Sibanye-Stillwater's chief regional officer for southern Africa, criminals gain access to the active workings of the mines through disused tunnels, usually in the period after blasting when the mines are empty. Stewart said that measures to combat copper theft and related security issues would cost the mine R200 million in 2023, adding: 'The window in which these guys operate, we have closed that window.'<sup>144</sup>

But as mining companies introduce measures to prevent criminal access to underground copper cables, the gangs begin to target above-ground operations. In the case of Sibanye-Stillwater, heavily armed criminal gangs have attacked infrastructure including plants, laboratories and substations.<sup>145</sup>



Informal miners known locally as *zama zamas* have joined the illicit copper trade, gaining access to underground cables through disused mine tunnels. © Shiraaz Mohamed/AFP via Getty Images



*Zama zama* criminal gangs, which are essentially level one actors, are not the only operators linking the illicit gold and copper markets. While a good share of stolen gold is laundered through second-hand jewellery dealers, some is also laundered through scrap metal dealers.<sup>146</sup> The dealers believed to be involved in illicit gold and copper are likely to use the same practices to smuggle both out of the country. Indeed, the market players in the illicit copper supply chain (see Figure 7) are not dissimilar to those in the illicit gold market.

## Players outside the scrap metal sector

While most of the illicit trade in copper is carried out within the scrap metal industry, there are some networks that operate entirely separately from this sector. Many are part of larger transnational networks, with their own supply chains, and are mainly involved in smuggling illicit copper out of the country. The networks mentioned earlier in this report by the ISS and the DPCI would fall into this category. (See the section titled ‘Exporting illicit copper’ for more detail.)

There are also other actors in the illicit copper trade who have not set themselves up as scrap metal dealers and whose links to the industry are less clear. There have been two raids and arrests involving the Chetty family in KwaZulu-Natal and millions of rands worth of allegedly stolen copper that would fall into this category.

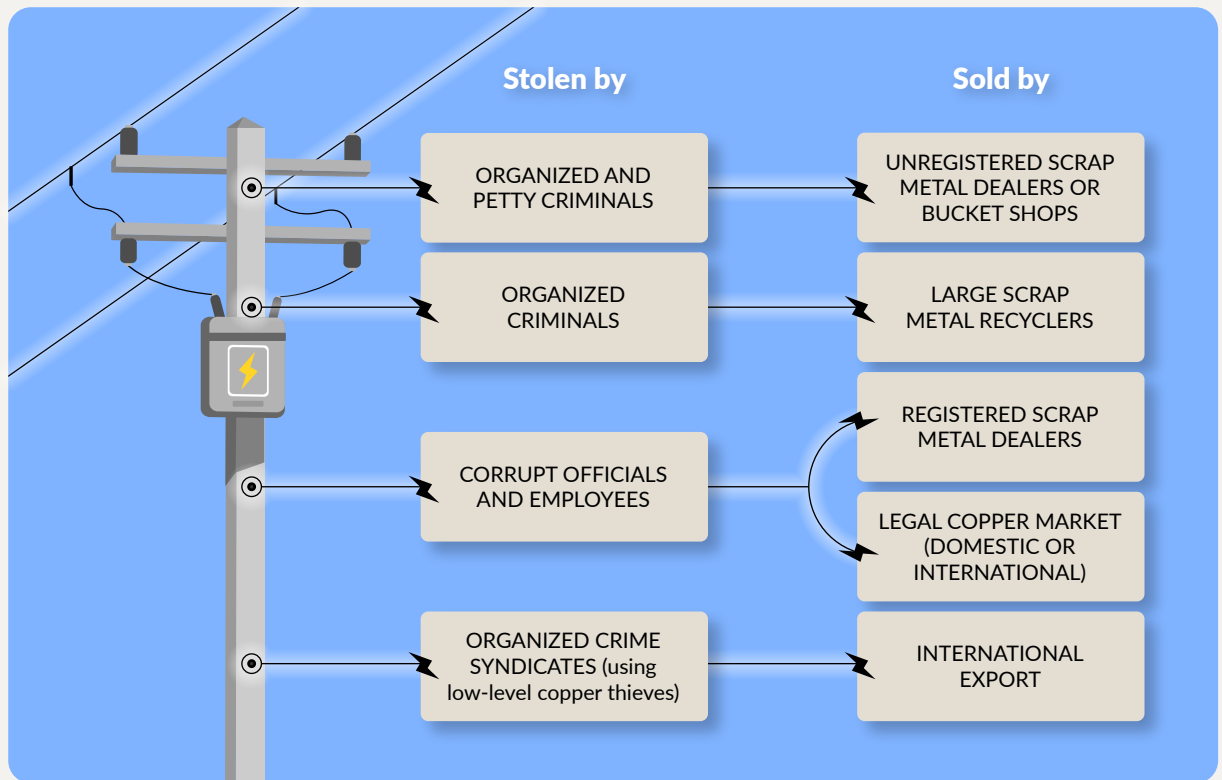
### The Chetty family

In September 2022, police raided a business premises in Durban at 3 a.m. and discovered an estimated R3 million worth of copper, as well as a granulator machine, used to grind scrap parts, and other tools commonly used in copper theft. The copper was allegedly stolen from Telkom, eThekweni municipality and Transnet. Eight people were arrested, including four South Africans, Craig Chetty, Dinesh Harilall, Thembinkosi Mnyandu and Sibusiso Ngeneko, and four Malawian nationals, Amadu Juma, Liya Nyirongo, Abdula Juma and Lesungu Mtola. In their bail application, Craig Chetty and Harilall claimed to be self-employed plumbers and mechanics, living with their elderly parents, and that they had been at the property to repair a vehicle.<sup>147</sup> According to Craig Chetty’s lawyer, Manoj Haripersad, all eight of the accused have pleaded not guilty and will appear in court again in March 2024.<sup>148</sup>

On 2 February 2023, acting on a tip-off, police raided the business premises of Craig Chetty’s family member, Sudashon Chetty, in Pinetown. Police found 24 tonnes of stolen copper cable, allegedly stolen from eThekweni municipality and Telkom, with an estimated value of R5 million. Sudashon Chetty and four others were arrested and charged with possession of suspected stolen property. In his bail application, Chetty claimed to be a self-employed used car dealer, and said that on the day of the raid, he and his wife had been at the property to collect a deposit from a new subtenant.<sup>149</sup> According to Haripersad, who is also representing Sudashon Chetty, the case has been adjourned to February 2024.<sup>150</sup> ■

## Supply chains involved in copper theft

There are multiple supply chains involved in the trade in stolen copper. Broadly speaking, these can be broken down into four types of networks (see Figure 8).



**FIGURE 8** Typology of networks involved in copper theft.

# INTERNATIONAL RESPONSES TO COPPER THEFT

Copper theft is a global problem, with governments and law enforcement agencies around the world working to reduce its impact. According to the Global Railway Review, 'The problem has plagued transport networks for years, affecting some of the world's strongest economies and emerging markets alike.'<sup>151</sup> In Brazil, for example, electricity utility Cemig has reported that copper cable theft is on the rise, causing power outages, traffic disruptions and problems for telecommunications networks.<sup>152</sup> Similarly, in Australia, attempted and actual copper thefts have nearly tripled across Queensland's energy network since 2020.<sup>153</sup>

Some of the measures taken by various countries to combat copper theft include the introduction of legislation to regulate scrap metal dealers, the prohibition of cash payments for scrap copper, bans on the export of scrap metal, the introduction of forensic markings on copper cabling, and the use of various technological solutions and innovations to detect and prevent theft.



International efforts to tackle the theft of copper cabling include the introduction of forensic markings. © X-Axis via Getty Images

## Banning the scrap trade in Africa

Several countries in Africa, including Kenya, Zambia, Uganda, Sierra Leone and Tanzania, have responded to copper and other non-ferrous metal theft by banning exports. While this demonstrates the severity of the problem in these countries, it is unclear whether these bans have had the desired effect, partly because of a lack of research or evaluation. In the case of Kenya, the ban, which was introduced in January 2022 and lifted in May of the same year, was implemented to give the government time to develop guidelines to regulate the scrap metal trade. Although regulations have been introduced, it is questionable whether they are being followed, and the extent to which scrap dealers in Kenya have been able to circumvent them is uncertain.

### Kenya's 2022 scrap metal ban

In January 2022, the Kenyan president, Uhuru Kenyatta, announced a ban on all exports and trade in scrap metal until proper guidelines were in place to regulate the sector. Kenya's Scrap Metal Act had in fact been enacted in 2015, but it had not come into force because the regulations needed to implement the law had not been finalized. The ban was introduced the day after nine senior Kenya Power officials were detained in connection with a nationwide blackout allegedly caused by vandalism, negligence and sabotage.<sup>154</sup> Over the previous year, the electricity utility had lost 1 950 transformers as well as other equipment worth millions of Kenyan shillings through vandalism. The resulting power disruptions were estimated to have cost the economy KSh3 billion (R366 600 000).<sup>155</sup> The company said the cost of replacing one transformer was KSh600 000 (R74 000).<sup>156</sup>

The ban was met with mixed reactions within Kenya. Some welcomed the move, believing it would curb rampant theft and vandalism, while others opposed it, arguing that it would drive up the costs of construction. In March, scrap metal dealers appealed to the then president, claiming that the sector was on the verge of collapse, with losses running into billions. Industry representatives argued that the ban had affected livelihoods across the country, as the metal recycling industry employed around three million Kenyans.<sup>157</sup> On 12 April 2022, there were nationwide protests calling on the president to lift the ban. In Nairobi, demonstrators burned tyres and barricaded roads.<sup>158</sup>

Three months after the ban was imposed, on 26 April 2022, the government announced it would gradually be lifted from 1 May. New regulations were issued requiring all scrap metal dealers, millers and smelters to register and pay licence fees. Dealers would be required to display the name and licence number of their business outside their premises, to belong to a business

member organization, to trade only with licensed dealers when sourcing or selling stock, to maintain records of supplies and suppliers after verifying their identity, and to carry a copy of their licence and a letter of authorization.<sup>159</sup>

While there has been no detailed assessment or evaluation of whether the ban had a material effect on vandalism and theft of government infrastructure, there are indications that it did not discourage the trade in scrap metal. Unscrupulous dealers continued to trade illegally, and smuggled scrap metal out of the country using land borders. In addition, there were indications that scrap metal was stockpiled during the ban. In March 2022, for example, Kenya Power seized vandalized copper cables worth KSh80 million (R9 776 000) (in a small town not far from the capital of Nairobi).<sup>160</sup> This stockpiling led to a drop in black market prices.<sup>161</sup> The challenge for the Kenyan government now will be how to effectively police the illicit trade that may well have been fuelled by the ban.

During the ban, several Kenyan trucks were apprehended transporting scrap metal to Tanzania. Partly as a result of suppressed demand and a glut in the market, black market prices for scrap metal fell to just 20% of what they had been before the ban.<sup>162</sup>

In mid-March 2022, Kenya's Cabinet Secretary for Industrialization, Trade and Enterprise Development told parliament that of the 700 scrap metal dealers known to be operating in the country, just 20 were licensed at the time of the ban, with 91 applying for registration since its implementation. It is unclear whether the remaining 589 have subsequently applied for registration, but media reports suggest some continue to oppose the requirement.<sup>163</sup> Moreover, although the government may have placed the number of scrap metal dealers at 700, others have estimated that there may be as many as 4 000.<sup>164</sup> ■

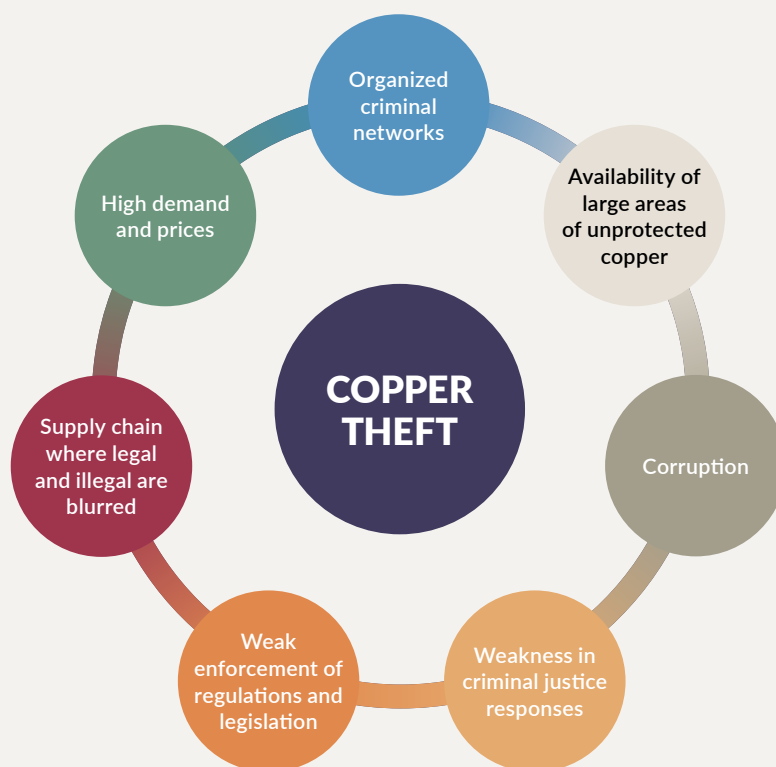


# ADDRESSING COPPER THEFT

A number of factors influence the trade in stolen copper, and in some cases these play an important role in shaping responses and formulating policy.

## Legislation and regulation of the illicit copper trade

There are three key pieces of legislation on the statute books that can be used to target the illicit trade in copper. The first is the Second-Hand Goods Act (Act 6 of 2009) (SHGA), which regulates all second-hand goods dealers, including scrap metal dealers, with the aim of combating the trade in stolen goods and promoting ethical standards.



**FIGURE 9** Factors contributing to the trade in stolen copper.

The second is the Criminal Matters Amendment Act (Act 18 of 2015) (CMAA), which provides for stricter measures on bail and sentencing for essential infrastructure-related offences. This act also created a new offence that criminalizes damage to essential infrastructure caused by tampering with or disrupting the functioning of basic services through criminal activity.

The third piece of legislation is the Prevention of Organized Crime Act (Act 121 of 1998) (POCA), which introduced measures to combat organized crime, money laundering, racketeering and criminal gang activity. The act also provides for the recovery of the proceeds of unlawful activity and the civil forfeiture of criminal assets used to commit an offence or assets that are the proceeds of unlawful activity.

## **The Second-Hand Goods Act**

The SHGA was passed in 2009, but did not become fully operational until 2012. Implementation was delayed to allow the SAPS, the custodian of the act, time to put in place the necessary systems and procedures.

Under the SHGA, all second-hand dealers, including scrap metal dealers and recyclers, have to be registered and accredited with the SAPS. The act also regulates potentially suspicious transactions, including the possession, acquisition and disposal of controlled non-ferrous metals. Dealers are required to record sellers' details and take reasonable steps to ensure they do not buy stolen goods. Although the responsibility for proving that any goods held by second hand dealers are stolen still rests with the police, dealers are obliged to report any suspicious transnational activity to the police. While dealing in or the possession of cables with burned coverings is prohibited, unless a reasonable explanation can be given, the act does not address other possible indicators of theft, such as unusually large quantities of uniform cable being conveyed in a single shipment.<sup>165</sup>

There are special provisions in the act for companies involved in the recycling of controlled metals, including copper. In addition to applying to become second-hand dealers, recyclers must also apply for registration specific to their sector. The act also stipulates that no person may be in possession of equipment that can be used for recycling controlled metals or any article or substance containing controlled metals unless they are a registered recycler.

The SHGA introduced a dual system of oversight, government regulation supported by self-regulation, and made provision for the accreditation of industry bodies. These bodies are responsible for setting industry standards and monitoring compliance through inspections of their members. In the case of scrap metal recyclers and dealers, three bodies are accredited by the SAPS: the MRA, the Recyclers Association of South Africa and the Non-ferrous Metal Industries Association of South Africa. The challenge is that many dealers are not members of any of these associations.

As of March 2021, there were 24 562 second-hand goods dealers registered with the SAPS.<sup>166</sup> During the 2021/22 financial year, the police conducted 107 466 compliance inspections, resulting in 596 arrests, 161 case dockets, 1 966 fines and the closure of 178 unregistered premises.<sup>167</sup> While these figures may seem impressive at first glance, they refer to all second-hand dealers, not just those dealing in scrap metal. According to the minister of police, between 2018 and 2022, the SAPS closed 10 unlicensed scrap dealers a year, on average.<sup>168</sup> Given the large number of unregistered informal scrap dealers, this number is extremely low.



Tunnels coursing under the city of Johannesburg contain copper cables that are being stripped out and smuggled as far away as Asia.

© Tadeu Andre/AFP via Getty Images

And while the number of compliance inspections may seem high, it is unclear what these entailed and how many were simply a review of company paperwork. In the SAPS annual report for 2020/21, more than 92 948 inspections of second-hand dealers were listed. However, the same report stated:

A Compliance Inspection Toolkit is implemented and monitored to guide Designated Second-Hand Goods Officers (DSOs) in the proper execution of their functions within the second-hand goods environment. The main purpose of the Compliance Inspection Toolkit is to establish a standardised approach and provide guidance when conducting compliance assessments at provincial and police station DSO offices and inspections at registered second-hand goods dealers.<sup>169</sup>

The report goes further, noting:

Six compliance assessments were conducted at provincial second-hand goods offices, 24 assessments at identified police station second-hand goods offices and 382 compliance inspections at identified registered second-hand goods dealers and recyclers, in order to determine the level of compliance in terms of the Second-Hand Goods Act, 2009.<sup>170</sup>

It would appear, therefore, that while a significant number of day-to-day inspections occur, far fewer detailed, standardized compliance inspections are taking place. Given that many scrap metal buyers use cash to buy stolen copper, buy copper off the books, and launder stolen copper into legitimate supplies, detailed compliance inspections are more likely to detect irregularities than paperwork inspections.

The SHGA system by which dealers are required to register and record details of their suppliers and purchases has been described as ‘fragmented, paper based and largely unenforced’.<sup>171</sup> The SAPS 2020/21 annual report seems to echo this sentiment, stating:

In an effort to enhance the administration of the Second-Hand Goods Act, 2009 (Act No 6 of 2009), it is anticipated that the Second-Hand Goods Control System will be operational, before the end of the 2020/2021 financial year, after which full implementation of the system will commence.<sup>172</sup>

Bearing in mind that the act was passed in 2009 and only fully enacted in 2012, to allow the police time to put systems and procedures in place to implement it, this is concerning. Despite the lead-in period, 10 years after the act was passed, system controls are still not in place. This is not dissimilar to the situation that arose with the implementation of the Firearms Control Act, where delays and the

ineffective implementation of appropriate systems had a negative effect on effective enforcement.<sup>173</sup> It is also interesting to note that the same division within the police, Firearms, Liquor and Second-Hand Goods Control (FLASH) component, is responsible for the administration of both acts.

## **The Criminal Matters Amendment Act**

In June 2016, the CMAA came into effect. In 2021/22, the SAPS recorded a rise in the number of essential infrastructure crimes and 10 181 cases of non-ferrous metal theft. The uptick in essential infrastructure crime was partly attributed to improved reporting by complainants as a result of greater awareness of the act.<sup>174</sup> The influence of the CMAA is also increasingly being seen not only in prosecutions but also by judges in sentencing, with longer terms being given to offenders found guilty. However, these cases have mostly been limited to level one and two actors.

## **The Prevention of Organized Crime Act**

The POCA came into effect in 1999, and allows police and prosecutors to charge people for their involvement in organized criminal activity. However, it has been underutilized, with organized criminal actors often being charged with other offences, and the use of the POCA being seen as requiring too many resources and too much effort.<sup>175</sup>

Where the act has been used to prosecute syndicates involved in copper theft, however, the state has been able to charge the criminal actors involved not only with theft or receiving stolen goods, but also with offences such as money laundering, running a criminal enterprise and racketeering, all of which carry hefty sentences.

In February 2021, the Western Cape High Court sentenced five members of a copper syndicate, Thomas Osei, Sipho Bila, Francisco Mandinde, David September and Anthony Chauke, to lengthy prison terms after they were found guilty of 50 charges, including racketeering, managing a criminal enterprise and conducting the affairs of a criminal enterprise, as well as 18 counts of fraud, 15 counts of theft and 18 counts of money laundering.<sup>176</sup> Just over a year later, in March 2022, Ronald George was convicted in the Durban Regional Court of the theft of Transnet copper cables worth R333 000, money laundering, racketeering and malicious damage to property. George was sentenced to 26 years in prison, 10 of which were suspended.<sup>177</sup> Similarly, in April 2023, Malome Matsetela, whose activities in the illicit copper trade were detailed earlier in this report, and four of his co-accused were found guilty not only of theft and receiving stolen property, but also of racketeering and money laundering, with the latter offences significantly increasing the sentences imposed.<sup>178</sup>

## **Policing stolen copper**

Under the SHGA, each police station is required to have dedicated designated police officers (DPOs)<sup>179</sup> responsible for compliance inspections. Training for DPOs is provided by the FLASH office, but it is not always sufficient due to regular changes and transfers of personnel. This weakness has resulted in some DPOs not being aware of all the details of the legislation and in some cases not knowing which codes to use to register offences.

Another challenge, according to the minister of police, is that while DPOs are appointed to conduct compliance inspections in terms of the SHGA, at most police stations they are also expected to conduct compliance inspections of firearm and liquor dealers.<sup>180</sup>



When it comes to arrests and prosecutions related to copper theft, the figures are low compared to the number of reported incidents. Transnet, Prasa and Eskom identified almost 11 000 incidents per year from 2018 to 2022, and if municipalities were included the total would be even higher.<sup>181</sup> However, from March 2019 to March 2022, only 1 200 copper cable thieves were arrested, resulting in 580 court cases. Convictions for the same period totalled 40, although this low conviction rate could also be linked to trial delays and court backlogs.<sup>182</sup>

A private security official working for a construction company believes that part of the reason for the low arrest and prosecution figures lies in the way copper theft is policed:

Some cases are dealt with at a station level and other are dealt with provincially or nationally. Sometimes it is difficult to get cases registered because local police are unsure how to register the case and what code to use. At the local station level, police lack the understanding of the issue, different prescripts and legislation.<sup>183</sup>

In addition, while the police have been involved in a significant number of seizures of stolen copper, figures released by the SAPS show a decrease in seizures in the 2021/22 financial year compared to the previous year. In 2020/21, police seized more than 72 tonnes of illicit copper, of which just over 52 tonnes was copper cabling. This fell to 38.4 tonnes, with just over 26.4 tonnes being copper cabling, in 2021/22.<sup>184</sup> Notably, this decline occurred in the context of an increase in copper theft.

In June 2022, the minister of police announced that the SAPS would be introducing multidisciplinary Economic Infrastructure Units. The minister also said that, pending the establishment of these units, multidisciplinary Economic Infrastructure Task Teams would also be formed. By December 2022, the police had established 20 of these task teams, leading, in part, to 1 946 arrests for infrastructure theft during the year.<sup>185</sup>



Armed private security escorts patrol alongside a freight train in Gauteng. Transnet's freight rail network has been heavily affected by vandalism, include the theft of copper cables. © Guillem Sartorio/Bloomberg via Getty Images

There have also been some encouraging signs over the last three years in terms of convictions and sentences for copper theft. This is particularly the case where those involved have been charged under the CMAA, and where the POCA has been used during prosecution. However, it remains the case that it is mainly level one and two actors affected. Although not insignificant, these are largely service providers for the high-level actors. According to a senior DPCI investigator, not much is being done to infiltrate the copper syndicates' inner circles. As a result, there is no comprehensive understanding of the methods used by the larger unethical scrap metal recyclers and foreign buyers.<sup>186</sup>

Prioritizing action against those at the top of the market is critical to tackling the trade in stolen copper. It is these individuals who control the value chain, and their removal would reduce the opportunities available to low-level actors. High-level actors often disguise their criminality, hiding behind a complex web of activities that blur the line between legal and illegal. These upper levels are also fuelled by influential foreign buyers. While targeting these actors requires complex, skilled and resource-intensive investigations and prosecutions, success would have a knock-on effect on the trade as a whole.

Another problem is the long trial and prosecution delays, which not only allow unscrupulous operators to continue trading, but also jeopardize the outcome of cases, particularly with regard to witness evidence and availability. An example of this is the ongoing trial of Bashier Rashid, the owner of the scrap metal dealership Afro Metals, and 26 others who are alleged to have part of a syndicate that stole copper cables from Transnet, Telkom and Eskom.<sup>187</sup> The suspects were arrested in 2013 as part of the Hawks' 'Operation Nuclear', and in 2014 were charged with 189 counts including copper cable theft, racketeering, malicious damage to property and money laundering. Despite the seriousness of the case, more than nine years after the charges were laid, the matter is yet to be resolved.

There are numerous examples of scrap dealers caught with stolen copper and arrested being allowed to continue their business as usual during the trial. In some cases, scrap dealers have copper seized and arrests are made without these actions having any effect on their operations. Section 10.3 (a) of the SHGA allows the national commissioner of police to revoke the registration of dealers who fail to comply with the conditions of registration or the act, and this clause is clearly not being used as effectively as it should be.

Finally, when it comes to policing, copper theft is recorded under the general, catch-all crime category of 'thefts not mentioned elsewhere' (although it is possible some are recorded under other categories such as 'property crimes' or 'armed robberies').<sup>188</sup> This makes it difficult for the SAPS to produce accurate statistics on copper theft and does little to dispel the notion that the crime is not treated as a priority within the police force. Moreover, it is at odds with recent initiatives to streamline copper theft policing, and makes measuring and monitoring the effect of these initiatives more difficult.

## **Policing the ports**

A significant amount of stolen copper is smuggled out of South Africa through the ports, particularly in Durban. These points are poorly policed, and stolen or misdeclared copper is largely detected in random container searches, and only occasionally through intelligence-led operations. According to one security expert: 'Your chances of being detected at the port was about 1%. The risks of smuggling illicit copper are low and the rewards extremely high.'<sup>189</sup>

Even when containers are suspected of containing mislabelled or stolen copper, checks are difficult and time consuming. Another expert explained:

You can get 24 tonnes of copper into a shipping container, so it is a great find, but there is a big cost implication to searching, even if your information is good. It is almost impossible to search containers at the port because once you've identified the suspect box you need a specialist crane to extricate it from the stack. Once you have done that, you have to unpack the container manually. It takes a day to unpack one container. It is a mission.<sup>190</sup>

The expert described an instance in which his company had been involved in searching eight containers belonging to one metal dealer. Additional staff had to be employed to complete the task, and even then it took a whole day just to unpack one container.

## Coordination

One of the main initiatives that coordinates the various actors and stakeholders involved in the fight against copper theft is the Non-Ferrous Metals Crime Combating Committee (NFMCCC), sometimes referred to as the Non-Ferrous Theft Combating Committee, which was established in 1993. The committee was initially chaired by Business Against Crime South Africa, but this role was later transferred to the SAPS. The police, Eskom, Telkom, Transnet and representatives from the scrap metal recycling sector form the core of the committee. Other members, such as the National Prosecuting Authority, the mining industry and companies such as City Power, participate on a less structured basis.

The NFMCCC was intended to be a mechanism to identify trends, provide strategic guidance and organize operations.<sup>191</sup> However, while it has improved coordination and information sharing, it has not really played the strategic role initially envisioned. Non-attendance at meetings by various stakeholders and the level of the SAPS participation, with junior officers often attending on behalf of their superiors, have hampered decision making and stalled the implementation of decisions. There is also a lack of strategic information sharing, and the functioning of the committee is entirely driven by visible policing, with detectives and crime intelligence playing a relatively minor role.

In January 2022, South Africa's leading telecommunications operators, including MTN SA, Vodacom, Telkom SA, Cell C and Liquid Intelligent Technologies, came together to form the Communication Risk Information Centre. This is a non-profit organization focused on identifying, mitigating and preventing common risks in the sector, such as the theft of mobile phones, cell tower back-up batteries and copper cables.<sup>192</sup> The establishment of this organization indicates the sector's recognition of the importance of collaboration in intelligence gathering and risk mitigation.

## A new scrap metal trade policy

In December 2022, the Department of Trade, Industry and Competition introduced new measures to address the damage caused to public infrastructure by metal theft. The introduction of these measures, which were approved by cabinet in November 2022, followed the department's publication of its new draft scrap metal policy for public comment in August 2022. It received over 2 800 comments on the policy, including extensive comments from stakeholders in the metals sector.<sup>193</sup>

## What the new policy means

The new policy is being implemented in phases. The first phases, some of which have already been implemented, include a six-month ban on the export of scrap metal; the introduction of a permit system for the export of semi-finished ferrous and non-ferrous metal products; the introduction of a permit system for the import of furnaces and other machinery capable of transforming metal and disguising the origin of scrap metal; and the establishment of an interdepartmental Metal Trade Task Force. This task force will work with the SAPS Economic Infrastructure Task Teams to monitor and coordinate efforts to combat theft and damage to infrastructure incentivized by the scrap metal trade.<sup>194</sup>

Phase two, which is still to be implemented, involves the introduction of a permit system for scrap exports, which will come into effect after the export ban comes to an end. This permit system will include the application of the PPS, which will be suspended under phase one.

Phase two also includes amendments to the SHGA regulations, the introduction of additional reporting requirements to track the trade in scrap metal, restrictions on the ports and land borders to be used by exporters, and strengthened regional and continental policy coordination. There is also provision for the export ban to be extended during phase two if sufficient progress has not been made in implementing the new measures.

The third phase involves possible legislative changes and the potential introduction of a new dedicated metal trading statute. The prospective prohibition of the use of cash in scrap metal transactions, and the blacklisting of people not complying with the new measures will also be addressed during this phase.<sup>195</sup> ■

Much of the public debate on these new measures has centred on the six-month ban on scrap metal exports. Scrap metal recyclers have been the most vocal opponents of the ban, claiming that it will adversely affect the price of all South African scrap metal and have negative consequences for the recycling sector and all sources of scrap generation, including manufacturing, construction and mining, as well as the informal sector.<sup>196</sup> The South African Iron and Steel Institute, which includes scrap consumers such as ArcelorMittal South Africa and the Scaw Metals Group, has come out in support of the ban, as have some of the most affected companies, such as Prasa and Transnet. The South African Iron and Steel Institute believes that the ban and the new permit system for semi-finished metal products should lead to a material reduction in metal theft from infrastructure, as significant volumes of scrap metal will be diverted to the local market. The resulting lower prices are likely to disincentivize theft and vandalism.<sup>197</sup>

At the time the policy was introduced, the Department of Trade, Industry and Competition argued that the export ban would make border enforcement simpler, as customs officials would only need to identify scrap as copper to prove that the shipment is illegal. The introduction of permits for semi-finished metal exports would also close the loophole of misdeclaring copper scrap products.<sup>198</sup>

The South African government instituted the export ban from December 2022 to the end of May 2023, before extending it for another six months. Officials from the Department of Trade, Industry and Competition are now calling for a further six-month extension of ban, which will mean that the ban will run into mid-2024.<sup>199</sup> This further extension is being mooted despite the department acknowledging that the ban has had limited success in curbing copper theft. The department is not alone in acknowledging the limited impact of the ban. In the view of CDAA chairperson Evert Swanepoel, the ban has only hurt the legal copper industry:



We noted over time a tenfold increase in scrap metal dealers but lately almost non-existent applications for formal and legal copper exports. The looting of infrastructure continues with no signs of abating and that is now a clear indicator of an expanding illicit copper market.

The CDAA has called on SARS to conduct a full audit of scrap metal merchants in South Africa.<sup>200</sup>

Agreeing with Swanepoel, a copper security expert told the GI-TOC that in the late 1990s there were just 36 copper foundries capable of dealing with semi-finished and finished metal products. Since then, however, dealers have opened foundries, and started using granulators and melting their own copper. They have done so in order to be able to label scrap copper as 'finished', although in reality the products are semi-finished, something the new policy neglects to address or define.<sup>201</sup>

Another expert said that those involved in smuggling illegal copper out of the country have been mislabelling it as scrap for years, both to avoid tariffs and restrictions and to disguise stolen product: 'The ban has just forced them to become more adept at this.'<sup>202</sup>

What the measures have not addressed is stolen copper leaving the country falsely declared as raw copper or as non-metal products such as textiles using false codes. Apparently legitimate recyclers and smugglers alike have shown that they are not averse to this practice. An issue that will need to be addressed is the potential increase in this form of customs fraud, both in terms of stolen and legitimately acquired scrap copper.

As established, most of the stolen copper leaving South Africa is smuggled out through the ports. The Kenyan ban provides an important lesson in this regard, however, as in that case scrap metal dealers turned to the land borders to smuggle copper out of the country. It will be important to monitor this possibility.



Crime Prevention Wardens recover stolen copper cabling in Gauteng. *Photo: Supplied*

The introduction of further requirements and a permit system for the export of semi-finished ferrous and non-ferrous metal products was initially introduced in November 2022 before further requirements were mooted in July 2023. In August 2023, the minister of trade, industry and competition gave interested parties 21 days to comment on proposed measures to further restrict the export of semi-finished copper products.<sup>203</sup> Under the new policy, anyone selling scrap metal has to register as a dealer, and registration is subject to stricter controls. In the case of copper, only businesses that produce it as a by-product of their normal activities (for example, offcuts or used infrastructure) are allowed to register and sell it. These measures are clearly aimed at smaller dealers and bucket shops, which act as an important conduit for stolen copper. However, these groups have always operated outside the law and are extremely difficult to police. Moreover, those criminal networks involved in copper theft that can and do operate outside the formal scrap metal trade, such as some of the Western Cape gangs and their Chinese counterparts, also make use of bucket shops to access stolen copper, and are unlikely to be affected by the new restrictions.

The introduction of an input-output reporting system will be part of the new measures in phase two, and all registered buyer and sellers will be required to submit monthly reports to a centralized data portal. The reports will consist of a purchases table and sales table. This input-output framework will allow enforcement authorities to quickly identify anomalies that warrant further investigation.<sup>204</sup>

The system will be designed to allow registered dealers to submit a single report that will be received simultaneously by the police and the International Trade Administration Commission. Input-output reporting is perhaps one of the most valuable measures in the new policy, as it will ensure that copper on hand corresponds with the amount purchased and is linked to a registered seller. It will also allow for anomalies in the amount of copper sold and purchased to be identified. The future ban on cash sales and their replacement with electronic funds transfer payments, once implemented, will then allow investigators to use bank records to verify that the records of buyers and sellers correspond and are accurate.

Many of the new registration and reporting measures to be introduced as part of phase two will be crucial in the fight against copper theft. If implemented effectively, they could address some of the ways in which the line between stolen and legitimately acquired copper has been blurred. However, there are a number of challenges that need to be addressed. The first is copper sales and transactions that take place off the books, and often off premises, which even before the roll-out of the new measures were unlawful. The second is the capacity of the police to implement the new measures effectively. As noted earlier in this report, there are problems with the SHGA provisions that have not been addressed 10 years after its enactment, as well as with DPO training and the use of fragmented paper-based systems, to name but two. The question that needs to be asked is whether the SAPS second-hand goods division has the capacity or ability to implement these new measures.

Once the ban is lifted, scrap metal exports will be allowed to take place, through specific ports only. According to the policy document, these will be the ports of Durban, Cape Town, Johannesburg and Ngqura.<sup>205</sup> This will ensure that declared scrap and semi-finished copper exports are more effectively monitored, and that under-invoicing and the mislabelling of scrap copper as semi-finished products are more effectively identified. However, the new measure will not necessarily affect copper scrap that is smuggled out of the country mislabelled as raw copper or other non-metal products.

The measures outlined in the 2022 Trade and Industry Policy Strategies report to prevent the mislabelling of scrap copper as raw copper would be relatively easy to implement. These include ensuring

that raw copper exports are only allowed if they have been certified by one of South Africa's copper mines.<sup>206</sup> However, the problem of products being mislabelled as non-metal products is more difficult to address, as this occurs not only in the smuggling of copper, but also of several other illicit commodities.

## International cooperation

The transnational nature of the illicit scrap copper trade requires cooperation between law enforcement, customs and other relevant bodies. It also requires greater international cooperation between South Africa and international destination markets. The new policy measures mention that the South African government will pursue policy coordination with various regional bodies, including the Southern African Development Community, the Southern African Customs Union and the African Union.<sup>207</sup>

Although not mentioned in the policy, the SAPS has various mutual cooperation agreements with international partner agencies. Examples from the policing of other illicit markets show that these agreements can play an important role in dealing with the transnational actors involved in illicit markets. One example, which would be particularly relevant to the stolen copper trade, is the cooperation agreement between South Africa and China, signed in 2000. This agreement has been applied to the illegal wildlife trade, where the two countries have worked together to target transnational criminal networks involving actors from both countries. South African and Chinese police have shared information and intelligence and conducted joint operations, including allowing so-called controlled deliveries to take place and then arresting the recipient of the smuggled wildlife products.

## CONCLUSION AND RECOMMENDATIONS

**T**he theft of copper from the South Africa's infrastructure is having a devastating effect on service delivery and the country's economy. As the international demand for copper has increased, so have the thefts. Given this link, and the fact that the global demand for copper is likely to increase, unless serious action is taken to address the networks involved, the outlook is not good, and the problem is likely to grow.

The networks and criminal actors involved in copper theft have become more sophisticated and have shown that they are able to adapt their operations at a speed that is often significantly faster than the state. Within the stolen copper market, copper passes through many hands and criminal control is hidden behind a network within the supply chain. While there are many actors involved at the lower levels of the trade, they rely on a limited number of high-level actors. These high-level actors not only have the capacity and resources to move copper up the supply chain but are often able to disguise their involvement within seemingly legitimate trade.

The foreign buyers and actors at the top of the supply chain fuel the stolen metal trade. The trans-national nature of this supply chain and the networks involved will require both intergovernmental cooperation between various criminal justice agencies, SARS and other relevant bodies, and the commitment and cooperation of government and law enforcement agencies in the countries receiving the stolen copper.

City Power contractors climb into a tunnel that runs underneath Johannesburg to replace electric copper cabling stolen by criminals.

© Tadeu Andre/AFP via Getty Images





Policing has largely focused on the lower levels of the supply chain and, as a result, has not been able to meaningfully affect the transnational organized networks that run the trade. Some of the newly introduced policy measures could have a significant impact if they are effectively implemented by the relevant government agencies. However, these measures need to be backed up by strategic and targeted investigations of key players.

### **Strategic and targeted investigations and prosecutions**

More emphasis needs to be placed on strategic investigations and prosecutions. These should target the high-level actors who are integral to the copper theft market, rather than focusing solely on the low-level actors. For this process to be successful, crime intelligence must play a role in identifying these actors and how they operate. Priority should also be given to targeted investigations of copper theft actors who are also major players in other illicit markets and criminal enterprises.

### **Using existing legislation**

Both the CMAA and the POCA need to be used more extensively and effectively in the investigation and prosecution of people involved in copper theft. The use of the POCA, particularly in the case of strategic and targeted investigations and prosecutions, will play an important role not only in the conviction of those involved but also in the dismantling of networks.

### **Supporting the new policy measures**

The new policy will rely heavily on the SAPS and its second-hand goods units for the implementation of several proposed measures. Like its counterpart the Central Firearms Register, the SHGA has not functioned optimally since its inception. The lack of an effective electronic control system is a case in point. A serious, honest, transparent assessment of this environment needs to be undertaken, and some hard but necessary decisions made on how these problems can be addressed. The Metal Trade Task Force must be involved and briefed on this process.

### **Targeting bucket shops and informal scrap dealers**

There needs to be a concerted effort by the SAPS and municipalities to close down informal scrap metal traders and bucket shops. The SAPS needs to establish a central electronic database of registered dealers, and make this available to its members and municipal law enforcement agencies, who need to work together to shut down these operations.

### **Preventing mislabelling**

A relatively quick and easy win would be to address the mislabelling of scrap copper as raw copper. The Trade and Industry Policy Strategies recommendation that raw copper exports should only be permitted if they are certified by a South African copper mine should be implemented. Mines should provide a copy of the certification to both SARS and the police to ensure coordination at the ports.<sup>208</sup>

### **Copper theft records**

The current system of reporting copper theft under the catch-all category of 'theft not reported elsewhere' needs to be addressed. The SAPS needs to review how it records copper and scrap metal theft and develop a separate reporting line for these cases. This could be done by the creating a broad category that covers infrastructure crime, with subsections for crimes such as copper theft. This would

be a similar process to how trio crimes – carjackings, house robberies and business robberies – are reported, with a breakdown to indicate specific categories.

### **Closure of dealers involved in copper theft**

Any raid in which copper is seized and arrests made should trigger an automatic investigation, under section 10.3 (a) of the SHGA, to determine whether the registration of the dealer should be revoked. Dedicated investigators with the necessary skills and expertise should be assigned to carry out such checks and to record and report the findings to parliament. These details should also be included in the SAPS annual report tabled in parliament.

### **Improving coordination**

The functioning of the NFMCCC needs to be improved and supported by more active participation from both detectives and the National Prosecuting Authority. The SAPS officials chairing and managing this process need to be high-level personnel, and meetings must be able to take appropriate decisions. The agenda needs to be more strategically focused, which would not only add value but could also encourage better stakeholder participation.

### **Engaging communities**

At times, the government's approach to community engagement focuses on reporting criminal activity, where communities are expected to act but don't receive reciprocal support. This destroys community trust and confidence in government processes. Copper theft affects communities in a very real way, causing disruption to essential services. The intense media coverage of copper theft and the responses to the new policy measures reflect existing public interest. It would be useful and help to build confidence if the government reciprocated and reported regularly to communities and the public on progress made and challenges faced.



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# **GLOBAL INITIATIVE**

AGAINST TRANSNATIONAL  
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## ABOUT THE GLOBAL INITIATIVE

The Global Initiative Against Transnational Organized Crime is a global network with over 600 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

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