



House of Commons
Committee on
Standards and Privileges

**Conduct of
Mr Tony Baldry**

Third Report of Session 2005–06

*Report and Appendix, together with
formal minutes and oral evidence*

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Committee on Standards and Privileges

The Committee on Standards and Privileges is appointed by the House of Commons to oversee the work of the Parliamentary Commissioner for Standards; to examine the arrangements proposed by the Commissioner for the compilation, maintenance and accessibility of the Register of Members' Interests and any other registers of interest established by the House; to review from time to time the form and content of those registers; to consider any specific complaints made in relation to the registering or declaring of interests referred to it by the Commissioner; to consider any matter relating to the conduct of Members, including specific complaints in relation to alleged breaches in the Code of Conduct which have been drawn to the Committee's attention by the Commissioner; and to recommend any modifications to the Code of Conduct as may from time to time appear to be necessary.

Current membership

Rt Hon Sir George Young Bt MP (*Conservative, North West Hampshire*) (Chairman)
Rt Hon Kevin Barron MP (*Labour, Rother Valley*)
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The constitution and powers of the Committee are set out in Standing Order No. 149. In particular, the Committee has power to order the attendance of any Member of Parliament before the committee and to require that specific documents or records in the possession of a Member relating to its inquiries, or to the inquiries of the Commissioner, be laid before the Committee. The Committee has power to refuse to allow its public proceedings to be broadcast. The Law Officers, if they are Members of Parliament, may attend and take part in the Committee's proceedings, but may not vote.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/sandp. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Dr Christopher Ward (Clerk), Miss Jenny McCullough (Second Clerk) and Mrs Lisa Stead (Secretary).

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Conduct of Mr Tony Baldry

Introduction

1. The Parliamentary Commissioner for Standards has submitted a memorandum to us relating to a complaint made in March 2005, in the last Parliament, by the Rt Hon George Foulkes, then Member for Carrick, Cumnock and Doon Valley, against Mr Tony Baldry, Member for Banbury. This memorandum is reproduced as the Appendix to this report.

2. At the heart of the complaint lies correspondence between Mr Baldry and the Secretary of State for International Development in respect of activities of Milestone Trading Limited (Milestone) in Sierra Leone. Mr Baldry's letters, it was alleged, had been written on House of Commons notepaper, and Mr Baldry had not declared an existing financial interest in Milestone. Mr Foulkes also subsequently drew attention to correspondence between Mr Baldry and the Vice-President of Sierra Leone, also written on House of Commons notepaper, and asked the Commissioner also to look at similar issues relating to this. Both approaches to the Commissioner from Mr Foulkes followed the publication of articles in the Sunday Times which made a number of allegations about Mr Baldry's conduct in this respect.

3. Mr Foulkes also raised the question of Mr Baldry's position as the remunerated Chairman of the International Development Committee, and whether this did, or should, place particular obligations on him in relation to outside interests.

4. Having been shown a copy of the Commissioner's report, Mr Baldry asked to appear before us. He did so on 19 July and his evidence is published with this report.

5. When we took evidence from Mr Baldry, one of our members, Mr Kevin Barron, was attending a meeting of another select committee of which he is also a member. He accordingly decided to play no part in our proceedings on this report.

The issues

6. As the Commissioner states in his memorandum,¹ the issues raised by Mr Foulkes' complaint fall into a number of distinct groups, four of which fall to us to consider. These are whether Mr Baldry had fully declared the relevant interests in the Register of Members' Interests; whether he properly and fully declared relevant interests in his correspondence with the President and Vice-President of Sierra Leone and the Secretary of State for International Development; whether his approach to the Secretary of State had been in breach of the advocacy rule; and whether he had breached any obligations or restrictions placed on him by virtue of his chairmanship of the International Development Committee. We examine each in turn.

¹ Appendix, para 70–71.

Registration issues

7. The Commissioner concluded that Mr Baldry has properly registered his relevant interests, with the exception, up to 5 April 2005, of his shareholding in Red Eagle Resources plc. The House was, however, aware that he had some financial interest in the company, because he had properly registered his non-executive chairmanship, but was not aware of its full extent and nature. **We agree with the Commissioner that Mr Baldry was in breach of the Code by failing to register his shareholding in this company.**

Declaration issues

8. In relation to the correspondence which Mr Baldry conducted regarding Milestone's operations in Sierra Leone with the President and Vice-President, the Commissioner concluded that Mr Baldry did not breach the rules of the House in respect of declaration of interests. At the time of the correspondence, Mr Baldry had no financial interest in Milestone. The Commissioner also concluded that Mr Baldry's financial interests in other companies relevant to the correspondence were known to the President and Vice-President. **We agree with the Commissioner on both points.**

9. As the Commissioner points out, the situation had changed by the time Mr Baldry wrote to the Secretary of State in January 2005. By then, Red Eagle Resources plc, in which Mr Baldry had both a shareholding and was non-executive chairman, had entered into a partnership agreement with Milestone and had already received a payment from that company for services rendered. There had also been discussions between Mr Baldry and Milestone about the possibility of him becoming its chairman, as and when the company went public, as it planned to do in due course. In the correspondence, Mr Baldry mentioned the possibility of the chairmanship, but omitted any references to the existence of the partnership agreement.

10. **We agree with the Commissioner that Mr Baldry should have declared his existing financial interest in Milestone through the partnership agreement and that, as a result, the Secretary of State was not aware of the full scope of his financial links with Milestone. While we share the Commissioner's view that this omission is unlikely to have influenced the nature of the Secretary of State's response, given its terms, we agree with the Commissioner that Mr Baldry did not fully comply with the House's requirements in respect of the declaration of interests in his correspondence with the Secretary of State.**

The advocacy rule

11. The Commissioner concludes that, in writing to the Secretary of State in terms that he did, Mr Baldry breached the advocacy rule. At the root of this conclusion lies the question of how the word 'exclusively' is intended to be interpreted in this context.

12. It is clear from the correspondence that Mr Baldry was specifically seeking some sort of reassurance from the Secretary of State as to the probity of Milestone's operations in Sierra Leone. It is also clear that he was not doing so at the behest of the company. Mr Baldry maintains that his motive in raising this matter was twofold: concern to protect the commercial position and reputation of Milestone (in which he had an indirect existing

interest and a prospective direct interest) and a wider concern to protect the reputation of British business more generally in the context of inward investment in Sierra Leone. The latter motive was, he maintained one of general public interest. He also maintained that his approach to the Secretary of State would not necessarily be favourable to Milestone; it was possible that it might incur remedial costs if it was found not to be fully compliant.

13. Mr Baldry's argument that his approach to the Secretary of State did not constitute advocacy turns on an acceptance of the proposition that, although the correspondence related exclusively to the affairs of Milestone, the benefits would accrue to a wider constituency. The Commissioner did not accept this proposition, and argues instead that the test to be applied is the scope of the intended immediate beneficiaries of the approach. He put the case for this approach in the following terms:²

“In my view, the question of exclusiveness or otherwise needs to be looked at in terms of *the scope of the intended immediate beneficiaries of the approach* rather than the distribution of the overall benefit. To take a specific example, a Member might write to a Minister to seek Government financial assistance for a specific company in which he or she had a personal financial interest. There would undoubtedly be benefit to the company from the request being granted, but arguably also wider benefits to the workforce and the economy generally. However, to interpret such an approach as falling outside the scope of the advocacy rule on the grounds that the benefit of the financial assistance sought would extend beyond the direct benefit to the company itself would, in my view, render the rule entirely ineffective. I do not believe that either the Committee on Standards in Public Life or the House intended it to be applied in this way. I am fortified in this belief by the terms of the guidance on the application of the advocacy rule already approved by the House.”

14. We agree with the Commissioner that this is the correct approach. We also therefore agree with him that Mr Baldry's approach to the Secretary of State constituted a breach of the advocacy rule.

Mr Baldry's chairmanship of the International Development Committee

15. Mr Foulkes raised the question as to whether this case revealed any grounds for imposing new rules on chairmen of select committees in relation to both declaration of interests and over making representations now they are paid.

16. The Commissioner states that he found no indication whatsoever, in the course of his inquiry, that Mr Baldry had sought to exploit his position as Chairman of the International Development Committee to further his private interests. **We agree with the Commissioner on this point, and can see no grounds, based on this case, for recommending any change to the House from the guidance put forward by our predecessors in their Sixth Report of Session 2002–03,³ and subsequently approved by the House.**

² Appendix, para 98.

³ HC 1150. See also Seventh Report, Session 2002–03 (HC 1292).

17. Notwithstanding this general guidance, we believe it would be prudent for select committee chairmen to think very carefully before taking up individual cases or taking on outside financial interests where there is a risk that their chairmanship may be perceived, or presented, as representing an undue advantage.

Overall conclusion

18. We accept that Mr Baldry has a genuine and long-standing public interest in the development of Sierra Leone. He also has, and continues to have, significant commercial interests in that country. It is important in such circumstances for Members not only to ensure that they properly distinguish these two interests, but also that they distinguish their public role and their private business interests properly, and are seen to do so. **We agree with the Commissioner that, in this case, Mr Baldry has not exercised sufficient care in separating these two categories of interest.**

19. In essence, in relation to both the registration and declaration of interests, Mr Baldry's omissions meant that the House and the Secretary of State respectively, while aware of the existence of the interests, were not aware of their full scope and potential extent.

20. In relation to the breach of the advocacy rule, Mr Baldry should have realised that he was making an approach to the Secretary of State that related exclusively to a company in which he had an existing indirect financial interest and that any clean bill of health might have been perceived by others as providing him with reassurance over the probity of the company should its chairmanship come his way. **Such considerations ought to have alerted him to the possibility that such an approach might be in breach of the advocacy rule.**

21. **We also note that Mr Baldry has accepted that he should not have used House stationery for his correspondence and has apologised unreservedly for this.**

22. **We agree with the Commissioner that this case illustrates the importance, not least in terms of public perception, of Members scrupulously separating, and being seen to separate, their public role from any private business interests.**

23. **Mr Baldry has fully accepted the conclusions of the Commissioner, all of which we have endorsed. He has breached the requirements of the Code of Conduct in a number of respects, most seriously in relation to the advocacy rule. We consider that he should apologise to the House for these by way of a personal statement.**

Appendix: Memorandum from the Parliamentary Commissioner for Standards

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Complaint against Mr Tony Baldry

The complaint

1. In the Sunday Times of 27 March 2005 there appeared a story under the headline “Tory MP in £1.5 million diamond mine row”. A copy of the article in question is at WE 1. Briefly the story alleged that:

- Mr Tony Baldry—the Member for Banbury and Chairman in the last Parliament of the International Development Committee—had been accused of attempting to use his position to make up to £1.5 million for a company—Red Eagle Resources plc (‘Red Eagle’)—of which he was non-executive chairman and a one-third shareholder;
- Mr Baldry had been paid by a diamond mining company—Milestone Trading Limited (‘Milestone’)—to lobby the government of Sierra Leone to secure a valuable diamond mining concession and had visited Sierra Leone twice in the past year on behalf of the company;
- He had written on House of Commons notepaper to the Secretary of State for International Development asking that officials of his Department give Milestone a “seal of approval” in relation to its observance of international and Departmental best practice on diamond mining; and
- Although in his letter to the Secretary of State, Mr Baldry had disclosed that he planned to become chairman of Milestone, he had not disclosed that Milestone had paid Red Eagle \$75,000 (about £40,000) for Mr Baldry’s work on behalf of Milestone, nor that Red Eagle planned to take a 3% share in Milestone when the latter company was floated later in 2005. This shareholding, the article maintained, could be worth £1.5 million.

2. The article also indicated that the then Member for Carrick, Cumnock and Doon Valley, the Rt Hon George Foulkes, intended to lodge a complaint with me about Mr Baldry’s conduct. On 31 March I received a letter (dated 28 March) from him (WE 2) enclosing a copy of a letter sent by Mr Baldry to the Secretary of State on 14 January 2005 (WE 3), together with the Secretary of State’s reply dated 14 February (WE 4) and a further letter sent by Mr Baldry to him on 17 February (WE 5). Mr Foulkes asked me to look into Mr Baldry’s correspondence with the Secretary of State and added:

“I understand that Mr Baldry’s letters were sent on Commons headed paper from the House of Commons and that he has not declared an interest in Milestone.”

“It also raises the question of whether there are, or should be, particular requirements for both declaration and caution in making representations by Chairs of Select Committees now they are paid.”

3. On 3 April, the Sunday Times published a second article about Mr Baldry, which is reproduced at WE 6. In addition to rehearsing the key points in the earlier article, this focused on letters on House of Commons notepaper which Mr Baldry had sent the President of Sierra Leone, HE Mr Ahmad Tejan Kabbah (‘the President’) and the Vice President, HE Mr Solomon Berewa (‘the Vice-President’). The letters were said to discuss

the privatisation of Sierra Leone's national airline and to seek to promote the interests of a further company—Angel Gate Aviation Limited ('Angel Gate Aviation')—of which Mr Baldry was the non-executive chairman and in which he was a substantial shareholder. The Anti-Corruption Commissioner in Sierra Leone, Mr Val Collier, was reported to have criticised Mr Baldry's intervention on the grounds that:

“[The approach on behalf of Angel Gate Aviation] has nothing to do with House of Commons matters ... you cannot use high office to influence business negotiations. It's morally wrong and a bad example to countries like ours.”

4. On 5 April Mr Foulkes wrote to me again, enclosing a copy of Mr Baldry's letter to the Vice-President dated 4 October 2004 and saying that he hoped I would take account of that letter when considering his earlier complaint. A copy of Mr Foulkes's letter of 5 April is at WE 7 and of Mr Baldry's letter to the Vice-President at WE 14.

Relevant provisions of the Code of Conduct and Rules of the House

5. The complaint by Mr Foulkes and the two related articles in the Sunday Times touch on a number of aspects of the Code of Conduct and the Guide to the Rules relating to the Conduct of Members.¹ The rules approved by Mr Speaker, on the advice of the Administration Committee, relating to the use of House of Commons stationery (which are administered by the Serjeant at Arms) are also relevant. I set out the relevant provisions below.

The Code of Conduct

6. Two provisions of the Code of Conduct, concerning the obligations on Members to register their private financial interests and to declare them in dealings with Government Ministers and officials, are relevant to this complaint. They are:

“Members shall fulfill conscientiously the requirements of the House in respect of the registration of interests in the Register of Members' Interests and shall always draw attention to any relevant interest in any proceeding of the House or its Committees, or in any communications with Ministers, Government Departments or Executive Agencies.”

“In any activities with, or on behalf of, an organisation with which a Member has a financial relationship, including activities which may or may not be a matter of public record such as informal meetings and functions, he or she must always bear in mind the need to be open and frank with Ministers, Members and officials.”

Registration of interests

7. The provisions in the Guide to the Rules on the registration of interests provide that a Member must register (and therefore also declare whenever relevant):

¹ The versions of these current at the time of the complaint were approved by the House on 14 May 2002 (HC 841, Session 2001–02).

- a) remunerated directorships in public and private companies;
- b) with certain specified exceptions, overseas visits made by the Member (or the Member's spouse or partner) relating to or in any way arising out of membership of the House where the cost of the visit is not wholly borne by the Member or by United Kingdom public funds;
- c) interests in shareholdings held by the Member, either personally, or with or on behalf of the Member's spouse or partner or dependent children, in any public or private company or other body which are (a) greater than 15% of the issued share capital of the company or body; or (b) 15 % or less of the issued share capital, but greater in value than the current parliamentary salary. The nature of the company's business in each case should be registered.

Declaration of interests

8. The rule relating to *declaration* of interests is significantly broader in scope than that relating to *registration*, as paragraph 56 of the Guide makes clear. As well as current interests, Members are required to declare both relevant past interests and relevant interests which they may be expecting to have. It continues:

“Where, for example, a Member is debating legislation or making representations to a Minister on a matter from which he has a reasonable expectation of personal financial advantage, candour is essential. In deciding when a possible future benefit is sufficiently tangible to necessitate declaration, the key word in the rule which the Member must bear in mind is “expecting”. Where a Member's plans or degree of involvement in a project have passed beyond vague hopes and aspirations and reached the stage where there is a reasonable expectation that a financial benefit will accrue, then a declaration explaining the situation should be made.”.

9. Paragraph 57 states that it is the responsibility of the Member concerned, having regard to the House's rules, to decide when a particular interest is sufficiently relevant to warrant declaration.

“The basic test of relevance should be the same for declaration as it is for registration of an interest; namely, that a pecuniary interest should be declared if it might reasonably be thought by others to influence the speech, representation or communication in question.”.

Lobbying for reward or consideration

10. The Guide to the Rules also contains guidelines on the application of the ban imposed by the House on Members lobbying for reward or consideration, often referred to as the ‘advocacy rule’:

“When a Member is taking part in any parliamentary proceeding or making any approach to a Minister or servant of the Crown, advocacy is prohibited which seeks to confer benefit exclusively upon a body (or individual) outside Parliament, from which the Member has received, is receiving, or expects to receive a pecuniary

benefit, or upon any registrable client of such a body (or individual). Otherwise a Member may speak freely on matters which relate to the affairs and interests of a body (or individual) from which he or she receives a pecuniary benefit, provided the benefit is properly registered and declared.”.

Use of House of Commons stationery

11. The rules, approved by Mr Speaker, on the recommendation of the Administration Committee, specify that House of Commons stationery: “which is provided at public expense should not be used for ... communications of a business or commercial nature”.

The guidance given by the Department of the Serjeant at Arms on the use of such stationery states:

“House of Commons stationery provided at public expense and the designs and symbols which authenticate communications from Members should not be used for purposes to which authentication is inappropriate.”.

The position of select committee chairmen

12. It is important to note that the provisions of the Code and Rules of the House I have identified above apply to all Members of the House. In his letter of 28 March, Mr Foulkes invited me to consider whether there should be “particular requirements for both declaration and caution in making representations by Chairs of Select Committees now they are paid”.

13. On 30 October 2003, when deciding that the chairmen of certain select committees should be paid, the House also approved the Sixth Report of the Committee on Standards and Privileges.² In that report, the Committee stated that it saw no reason in principle why the decision to pay some chairmen should be accompanied by restrictions, over and above those which apply to all Members, on the outside interests they might hold. The Committee subsequently approved guidance for chairmen and members of select Committees on the declaration of interests and the principles to be observed by chairmen when considering accepting payment for activities outside the House arising primarily from their now publicly remunerated chairmanship.

14. No special rules therefore apply at present to select committee chairmen over and above those which apply to all Members in relation to permitted outside interests. I consider later in this report whether, in the light of this case, there is a need for any change in this respect.³

2 HC 1150, Session 2002–03.

3 See paragraphs 115–117.

Mr Baldry's relevant interests

Angel Gate Aviation Limited

15. Since 17 December 2003 Mr Baldry has registered a remunerated directorship as non-executive chairman of Angel Gate Aviation. On 6 January 2004, he registered a shareholding of more than 15% in the company. His latest Register entry describes the purpose of the company as being “investment in the aviation industry, particularly in France with the ownership of Air Horizons SAS and Euralair International SAS”.

Red Eagle Resources plc

16. Mr Baldry has since January 2003 included in category 1 of the Register of Members' Interests an entry relating to his directorship of Red Eagle. His current entry describes him as its non-executive chairman and the purpose of the company as “*investing in agriculture and natural resources in Sierra Leone*”.

17. In the course of my inquiries, Mr Baldry said that although he had listed his directorship of Red Eagle in the category of the Register which applies to remunerated directorships, he had done so on a precautionary basis. He had never in fact received any remuneration from Red Eagle (whether as a director or a shareholder). The only money he had so far received from Red Eagle was in reimbursement of the cost of his air ticket to Freetown in November 2004. Any other costs have been met out of his own pocket.

18. Mr Baldry also made clear in the course of my inquiries (see paragraph 25 below) that, through holding one of the three founders' shares issued to the directors of the company, the only shares the company has issued, he owns one third of the issued shares in Red Eagle. However, this was not included in his Register entry until the most recent edition was published on 11 April 2005.⁴ Mr Baldry says that this was due to an oversight when the company was set up. He and his partners who founded it expected further shareholders to come on board, which would have reduced the relative size of Mr Baldry's holding to below the Category 9(a) registration threshold of 15%, but in the event this has not happened.

Milestone Trading Limited

19. Milestone Trading Limited is a UK registered company. According to the most recent Directors' report and financial statement lodged at Companies House, its principal activity since 1 August 2004 has been diamond mining; prior to that, it had been that of agents and general traders.⁵ Mr Baldry has no registered interest in Milestone. He is not a director, and has never owned any shares in that company. He informed me that he has never received any money from the company nor has he visited Sierra Leone on their behalf. All trips made by him to Sierra Leone on private business were paid for by him or by Red Eagle.

4 This edition of the Register has been placed on the Parliamentary website, but was not published in hard copy.

5 Milestone Trading Limited: Directors' report for the period ended 31 July 2004.

20. As noted in paragraph 51, since 23 November 2004 Red Eagle has had a contract to participate with Milestone in suitable business opportunities in Sierra Leone. These include a medical diagnostic centre in Freetown; the possible privatisation of the national lottery in Sierra Leone; and a fisheries project. To date Red Eagle has received \$37,500 (about £19,000) from Milestone in connection with work undertaken on its behalf (see paragraph 53).

21. Milestone has been considering flotation on the AIM exchange. Under one of the terms of their business participation agreement, Red Eagle would be entitled to obtain 3% of Milestone's shares in the event of flotation for no further consideration. At present it has no such shareholding and flotation has yet to take place. According to Dr Levy, one of its directors, the company is in the process of talking to a number of brokers about and making other preparations for its flotation.

“Until [these preparations are] completed it is difficult to know when we are going to be able to float but we are wanting to do so as soon as possible as we wish to raise venture capital to make further investment in Sierra Leone.”⁶

There has been no formal valuation of Milestone to date and any value attributed to Red Eagle's eventual shareholding in the company is therefore, Mr Baldry maintains, speculative. Mr Baldry has been approached to see whether he might become chairman of Milestone when the company is floated:

“... and if and when a time were to come when I became a director of Milestone, that clearly would be a matter that I would enter into the Register of Members' Interests at the appropriate time. At present I have no interests in Milestone and therefore nothing to register.”⁷

My inquiries

22. Mr Baldry has had extensive links with Sierra Leone over a number of years. These include not only his business interests in the country (primarily through Red Eagle) but also relationships, which he considers to be ones of personal friendship, with both its President and Vice-President.

23. On the same day that I saw Mr Foulkes's initial letter of complaint about Mr Baldry, I received a letter from Mr Baldry referring to the Sunday Times article of 27 March and to Mr Foulkes's expected complaint. Mr Baldry expressed concern about the timing of the article in the Sunday Times in relation to the then imminent General Election. He asked me to begin my investigation of the complaint as soon as possible and to expedite that investigation. Mr Baldry added that he was anxious to cooperate with me fully and immediately and to give a complete account of all his actions. In reply I said that whilst I would do my best to bring matters to a just and speedy resolution, it would not be possible for me to resolve the complaint once the House had been prorogued prior to the election.

6 See WE 18.

7 See WE 16.

24. I wrote to Mr Baldry on 4 April seeking his response to Mr Foulkes's initial complaint. A copy of my letter is at WE 8. Mr Baldry replied on 5 April, noting that there was the possibility of a further complaint by Mr Foulkes following the Sunday Times article of 3 April and saying that he intended to reply once it was clear whether a further letter of complaint would be forthcoming.

25. I received a second letter dated 5 April from Mr Baldry. This one picked up a reference in my letter of 4 April to the fact that, although Mr Baldry had registered his non-executive chairmanship of Red Eagle, he had not registered his one third shareholding in the company. It continued:

“As I shall explain in detail in relation to the overall matters, when Red Eagle Resources plc was first established it was envisaged that it would involve a number of people and a number of shareholders, and I certainly never anticipated my shareholding to be in excess of 15%. What actually happened was that 3 founders shares were issued for the three directors, and there was never a formal allocation of shares. At the time the company was registered, and it again will become clear in due course, Red Eagle was exploring business opportunities and there was no value in the shares, and I think a combination of both those facts caused me to overlook as a “belt and braces”, as I could quite easily have done, registering a shareholding in the company. It certainly was not deliberate and was entirely an oversight. I recognise that by definition if there are three directors and three founder shares, I am deemed to own a third of the company and it is therefore in excess of 15% and should be registered and I would be grateful if that could be done.”.

A copy of this letter is at WE 9.

26. On 6 April I replied that I would take this explanation into consideration alongside Mr Baldry's response to all the other aspects of the complaint. Meanwhile, if he so wished, I would ask the Registrar to include a reference to Mr Baldry's shareholding in the final edition of the Register of Members' Interests relating to the 2001–2005 Parliament.⁸

27. On 7 April I sent Mr Baldry a copy of Mr Foulkes's second letter, relating to Mr Baldry's correspondence with the Vice President of Sierra Leone, and invited Mr Baldry's observations. Mr Baldry came to see me and the Registrar of Members' Interests on the afternoon of 7 April, bringing with him a folder containing his comments on the issues raised in the two Sunday Times articles and copies of the correspondence at the heart of the complaint. An agreed note of my meeting with Mr Baldry is at WE 10.

28. Parliament was dissolved on 11 April. I wrote on that same day to Mr Foulkes seeking assurances that there was no other material relating to Mr Baldry which he wished me to consider and that he had informed Mr Baldry direct of the complaint he had made against him. I added that, consequent on the Dissolution, I would not be able to resolve his complaint until after the State Opening of the new Parliament. I similarly informed Mr Baldry.

8 See paragraph 18.

29. In the paragraphs which follow, I summarise the explanation given me by Mr Baldry of his actions in relation to:

- a) His correspondence with the Vice President of Sierra Leone;
- b) His correspondence with the Secretary of State for International Development.

I take them in that order because the correspondence with the Vice President pre-dated that with the Secretary of State and came out of Mr Baldry's initial contacts with Milestone. I go on to identify the other relevant evidence I have obtained from inquiries I have made of Dr Nissim Levy (a director of Milestone), the Sunday Times, the Anti Corruption Commissioner in Sierra Leone and the Serjeant at Arms.

Mr Baldry's correspondence with the Vice President of Sierra Leone

30. Mr Baldry's explanation of his actions in relation to this correspondence is given in the note at WE 11. At WE 12–14 are the texts of the key letters supplied by Mr Baldry in support of his explanation (though not of their enclosures):

- a) Mr Baldry's letter of 29 September 2004 to HE President Kabbah of Sierra Leone (WE 12);
- b) The Vice President's reply of 30 September (WE 13); and
- c) Mr Baldry's letter to the Vice President of 4 October (WE 14). This is the letter which was the focus of the Sunday Times article of 3 April 2005.

For completeness I have added at WE 15 the text of the Vice President's reply of 11 October 2004.

31. Mr Baldry says this correspondence was stimulated by events following a telephone call he received from a friend, Mr Stuart Polak, the director of the Conservative Friends of Israel, during the week of 20 September 2004. Mr Polak told him that he had business associates in London who appeared to have been the victims of a serious miscarriage of justice in Sierra Leone, which had put in jeopardy a substantial UK investment in the country. Mr Baldry agreed to meet Mr Polak and the businessmen concerned, and did so on 27 September. At the meeting Mr Polak introduced him to Dr Nissim Levy, a director of Milestone, and Mr Moshe Levy. This was Mr Baldry's first encounter with them and with Milestone.

32. Milestone, he was told, had invested heavily in a diamond recovery scheme in the Nimikoro region of Sierra Leone. However they had run into a serious problem in that:

- a) Mr Moshe Levy had been arrested while in the country helping to set up the Milestone operation and deported from Sierra Leone, apparently purely on the basis of a case of mistaken identity;
- b) The principal of a sub-contracting company, Gemfarm (which is in fact a subsidiary of Milestone), Mr Gershon Ben-Tovim had been refused entry clearance to Sierra Leone. Without his help, the operation in Nimikoro was stalled;

- c) As a result of (a), the Milestone subsidiary Nimikoro Mining Company Ltd ('Nimikoro') had been refused a mining licence.

Dr Levy and Mr Moshe Levy, supported by Mr Polak, asked for Mr Baldry's help to overcome the difficulties they had encountered.

33. Mr Baldry says that he was convinced by the explanation he was given and shared the concerns put to him, for a number of reasons:

- a) Mr Moshe Levy appeared to have suffered a serious miscarriage of justice;
- b) Milestone's experience might discourage other companies from investing in Sierra Leone and he had been working with others to try to encourage such investment;
- c) He was about to meet the chairman of the Privatisation Commission in Sierra Leone to discuss proposals for Angel Gate Aviation to enter into a contractual relationship with the Government of Sierra Leone, in connection with the privatisation of the country's national airline. If it were true that the Government of Sierra Leone had behaved capriciously in relation to Milestone, might they not do so also in relation to Angel Gate Aviation?

34. Mr Baldry therefore wrote to President Kabbah on House of Commons notepaper on 29 September 2004 (letter at WE 12). He began by referring to his imminent meeting with the Chairman of the Privatisation Commission and the negotiations between Angel Gate Aviation and the Government of Sierra Leone, before moving on to express his concern about what he had heard in relation to Milestone and the possible impact of this on the willingness of other UK companies to invest in Sierra Leone. He set out his understanding of the bona fides of Dr Levy and Mr Moshe Levy and urged that, given that the deportation of Mr Moshe Levy had been the result of a case of mistaken identity, a mining lease be issued to Nimikoro in the very near future. Finally he hinted at the possible adverse impact on the willingness of Angel Gate Aviation to invest if it emerged that Milestone had been treated capriciously.

35. In President Kabbah's absence abroad, the Vice President of Sierra Leone replied on 30 September, having been personally instructed to do so by the President (WE 13). The Vice President referred to the importance of proper regulation of the diamond trade in Sierra Leone. Against the background of his Government's concern to ensure such regulation, information available to his Government had led to its action against Mr Moshe Levy. The President had asked, however, for Mr Baldry's own views and appraisal of the matter so that he could have them in mind when reaching a final decision.

36. Having received the Vice-President's letter, Mr Baldry had a meeting with Dr Levy and Mr Moshe Levy, in the course of which a brief telephone call was made to Mr Gershon Ben-Tovim in South Africa. Mr Baldry then replied to the Vice President saying that he had looked into the concerns he had raised; that he was certain Mr Moshe Levy was a man of good character who had been the victim of a case of mistaken identity; and that Mr Ben-Tovim was equally a person of good character. He recommended that visas be issued to both men, subject to such further checks and consultations as the Government of Sierra Leone considered necessary, and that a mining licence and lease be issued to enable Nimikoro to begin work.

37. In the penultimate three paragraphs of his letter, Mr Baldry returned to the airline project which Angel Gate Aviation was negotiating and reported positively on his recent meeting with the Chairman of the Privatisation Commission. Mr Baldry also referred briefly to a fisheries project and other projects in which he was involved through Red Eagle, in connection with which he planned to visit Freetown later in the year.

38. Mr Baldry says of his part in this correspondence that:

- a) He was throughout seeking to help a major UK investor in Sierra Leone whose project had run into difficulty;
- b) He was also anxious to help Sierra Leone by removing impediments to investment, and therefore to job and wealth creation;
- c) At the time of the correspondence there was no suggestion that he might later be invited to become chairman of Milestone;
- d) He wrote on House of Commons notepaper because the main purpose of his letters was to raise an objective concern about a UK company in difficulty (Milestone), not to promote the interests of Angel Gate Aviation;
- e) Both the President and Vice President were already aware of the negotiations between Angel Gate Aviation and the Privatisation Commission, and of his planned meeting with the Chairman of the Commission.⁹ It was therefore natural that he should mention the meeting when writing to them and they were unlikely to be influenced by the fact that he had written on House of Commons notepaper. Had he been writing to anyone else, he would have mentioned Angel Gate Aviation in a separate letter (see note of meeting on 7 April (WE 10)).

39. HE the Vice President replied to Mr Baldry's letter of 4 October on 11 October. In his reply he said that, following careful consideration of the letter as well as reports from the police and the Anti-Corruption Commission, HE the President had decided that Mr Moshe Levy be allowed to return to Sierra Leone, that a licence be issued to Nimikoro Mining Company and that the decision not to allow Mr Ben Tovim to enter Sierra Leone stand pending further investigations by the Anti-Corruption Commission.

Correspondence with the Secretary of State for International Development

40. Mr Baldry's observations on Mr Foulkes's complaint in relation to this letter are at WE 16. The text of the original letter and subsequent correspondence is at WE 3–5. Mr Baldry does not believe he has acted improperly in relation to the correspondence.

41. Mr Baldry says that his letter to the Secretary of State followed a visit he made to Freetown from 3–6 January 2005 on behalf of Red Eagle. The visit was paid for by Red

⁹ In this connection Mr Baldry has shown me a copy of a letter he had written on 9 February 2004 to HE the Vice President about Angel Gate Aviation's interest in acquiring the privatised national airline. The letter clearly states that Mr Baldry was writing in his capacity as chairman of Angel Gate Aviation Limited and was written on Angel Gate Aviation notepaper.

Eagle and was primarily intended to take forward the fisheries project mentioned earlier. During the visit, Mr Baldry met Mr Daniel Chen, who had overall responsibility for Milestone's operations in Sierra Leone. In conversation, Mr Baldry asked Mr Chen about the Nimikoro operation's compliance with the Kimberley process, an international system for regulating the diamond industry intended to deter illicit trade in diamonds, in the mistaken belief that it was for the exporter (rather than the exporting country) to show compliance.¹⁰ As a result of the conversation, he returned to London concerned to ensure that, as a company apparently new to the industry, Milestone was fully meeting its obligations.

42. It was against this background that he wrote to the Secretary of State. He was not trying to achieve a written 'seal of approval' for Milestone's operations and therefore some commercial benefit for the company, rather he was making a straightforward request that DFID officials in Freetown meet up with Milestone's representatives in the country to check that Milestone's procedures were in accord with the Department's expectations and their Kimberley obligations.¹¹ In making the approach he had in mind not only the risk to Milestone's reputation if they were not complying, but also the wider risk to British business and future British investment in Sierra Leone. His motivation was the overall public interest rather than the commercial benefit of the company. The fact that DFID officials have subsequently visited Milestone's operations in another part of Sierra Leone indicates that he was writing about something in the mainstream of DFID's activities.

43. Mr Baldry acknowledges that he was under a responsibility to be open with the Secretary of State about his having a clear commercial link with Milestone. In opening his letter to the Secretary of State, he referred to the approach he had received to become chairman of Milestone and the fact that the company intended in the near future "to go to the AIM exchange here in London". He did not refer to his interest in Milestone through its development agreement with Red Eagle (see paragraph 51 below). This was because he:

"wasn't seeking to write a company report and in all honesty I thought I had discharged my responsibility for making the Secretary of State aware of my commercial interest."

44. Mr Baldry says that he wrote to the Secretary of State on House of Commons notepaper because he saw himself as writing primarily in the public rather than any commercial interest. His fundamental purpose:

"was to seek to ensure that DFID were confident that a new and substantial UK investor in Sierra Leone was following proper procedures."

10 The Kimberley Process is a joint government, international diamond industry and civil society initiative to stem the flow of conflict diamonds—rough diamonds that are used by rebel movements to finance wars against legitimate governments. The Kimberley Process Certification Scheme is a voluntary system for regulating the trade in rough diamonds. Amongst other organisations, Participants (States and regional economic integration organisations (including the EU) who have met its minimum requirements) are required to certify that shipments of rough diamonds are free from conflict diamonds, and not to trade diamonds with non-Participants. The 43 current Participants include producing, importing and exporting countries and the Scheme is claimed to cover approximately 99.8% of global production of rough diamonds.

11 DFID—Department for International Development

It would, he maintained, have been inappropriate for him to have written on either Milestone or Red Eagle notepaper and while he could have written from his residential address, he would have had to make clear his identity to the Department and the text of his letter would have been no different. Given his motivation in writing, it was not inappropriate, he argues, for him to use House of Commons notepaper.

The relationship between Red Eagle Resources plc and Milestone Trading Limited

45. In subsequent correspondence with Mr Baldry and Dr Levy I have explored the development and nature of the relationship between Red Eagle and Milestone, in order to establish how it might have impacted on the correspondence between Mr Baldry and the Vice President and Mr Baldry and the Secretary of State. It is not necessary for me to go into the detail of the material Mr Baldry and Dr Levy have shared with me about this but the key points to emerge are as follows.

(a) Milestone's initial approach to Mr Baldry

46. In a letter of 27 April in response to one I sent him on 21 April (see WE 17 and 18), Dr Levy says that when Milestone initially ran into difficulties in Sierra Leone he approached a friend who put him in touch with Mr Stuart Polak. Mr Polak arranged a meeting with Mr Baldry. This confirms the account Mr Baldry gives of the approach he received from Mr Polak. Mr Polak too has confirmed this account. Dr Levy says that at that point he knew Mr Baldry to be an MP but not much more about him. In a statement forwarded to me by Mr Baldry, Mr Polak has said that at the meeting he arranged between Mr Baldry and Dr Levy and Mr Moshe Levy;

“It was clear ... that they did not know Tony Baldry, or of his involvement with Sierra Leone.”.

47. Both this and what Dr Levy says on this point in his letter to me of 27 April conflict with the impression Dr Levy appears to have given to Sunday Times journalists in an interview on 25 March, in which he is said to have indicated that Mr Baldry had been recommended to him by the Sierra Leonean Ministers of Agriculture and Mines, as well as by other senior Sierra Leonean figures:

“We came across many times this Tony Baldry as a good friend of [the President] whom he knew from older days in the chambers, he knew the President and Vice-President and is very well respected. It was very natural for us to contact him and ask for his services. We wanted him to do some politics, PR, like that.”.

I have put this apparent discrepancy to Dr Levy, who confirms that it was through Mr Polak that he was introduced to Mr Baldry. He had heard about him earlier in a general way and after meeting Mr Baldry some of these earlier mentions of him fell into place. But he cannot now recall precisely when and where he heard these favourable references to Mr Baldry. And it was Mr Polak who effected their introduction.

48. Whatever the precise circumstances in which Milestone first came to hear of Mr Baldry's extensive interest and contacts in Sierra Leone, both Mr Baldry and Dr Levy are

adamant that at the time of Mr Baldry's correspondence with the Vice President in late September/early October 2004, there was no commercial relationship or understanding between Milestone and Red Eagle. Dr Levy says:

“During the correspondence with the President ... Tony Baldry didn't have any actual or prospective financial interest in Milestone. None was mentioned. None was asked for and none was offered.”.

49. Mr Baldry insists that his initial involvement with Milestone was “as a UK Member of Parliament seeking to help a UK company clearly in difficulties ...”. Nothing was said at that meeting, or subsequently, which gave him the impression that Milestone wanted him for his contacts, “to do some politics, PR [things] like that”. If anything of this nature had been said, he would not have undertaken it. He was simply trying to help resolve a problem, as he had tried to help many others who had come to him with development-related issues in the last Parliament. Mr Polak says of Mr Baldry's approach to the meeting:

“As I would have expected from an MP, the meeting was akin to a ‘constituency surgery meeting’, ie a problem was brought to his attention that no-one had been able to solve, which he as an MP was willing to attempt to resolve, because he could see the difficulties that this UK company was facing.”

“Throughout the meeting, and in subsequent discussions I had with Tony Baldry, he acted as one would expect an MP dealing with a constituency case.”¹²

(b) The development of a partnership between Red Eagle Resources and Milestone

50. Within some two months of Mr Baldry's initial involvement, a formal joint participation agreement had been concluded between Red Eagle and Milestone. According to Mr Baldry, this did not arise out of the assistance he had initially given Milestone (letter of 26 April, WE 20 in reply to mine of 21 April, WE 19). Rather it became clear to both Mr Baldry and his colleagues in Red Eagle and to Dr Levy and his partners in Milestone that the commercial interests of the two companies could be advanced if they worked together in relation to a number of business opportunities in Sierra Leone. Red Eagle had for some time been seeking to develop a fisheries project in Sierra Leone and was also aware of other opportunities in which it knew Milestone was interested, including the possible privatisation of the state lottery and the development of a diagnostic centre in Freetown. Milestone had expressed interest in investing in such projects. Mr Baldry paid a visit to Sierra Leone on behalf of Red Eagle during the November Parliamentary recess, a visit that coincided with one by Dr Levy and Mr Moshe Levy. Mr Baldry had received repeated requests from the Sierra Leonean High Commissioner in London and from HE the Vice President to see whether he could find someone to help establish the proposed diagnostic centre. Milestone said that they were willing to investigate the project. He therefore took advantage of his visit to introduce the Milestone personnel to the President and to the Head of the Privatisation Commission.

12 The text of Mr Polak's statement is not appended to the Commissioner's memorandum.

51. Following this visit, Mr Baldry signed on 23 November on behalf of Red Eagle a joint participation agreement with Milestone. The agreement (a copy of which I have seen) on the one hand gives Milestone exclusive rights to participate in projects generated by Red Eagle and to join with Red Eagle in mutually exploiting other opportunities in Sierra Leone, and on the other gives Red Eagle similar rights in relation to any initiative in Sierra Leone by Milestone.

(c) The financial relationship between Red Eagle Resources and Milestone

52. The joint participation agreement also provides that, in addition to such fees as may be mutually agreed, if Milestone undertakes a public flotation Red Eagle will receive a 3% shareholding in the company. It appears that the proposition originally under consideration was that Red Eagle would receive 3% of Milestone's turnover but this was altered to a 3% shareholding when the company began to consider its flotation on the AIM. In his interview with Sunday Times journalists on 25 March, Dr Levy is reported to have indicated that Milestone's planning assumption was that the company might be valued on flotation at £50 million, which would mean that Red Eagle's shareholding would be worth £1.5 million. This figure was subsequently published in the Sunday Times article of 27 March. Mr Baldry points out that such an estimate can only have been speculative, as no formal valuation of Milestone's assets has yet been undertaken. Dr Levy comments of the estimated sum:

“That is a hope, not a firm figure.”.

53. The article of 27 March also referred to a payment of \$75,000 made by Milestone to Red Eagle. According to both Mr Baldry and Dr Levy the payment was not made in recognition of Mr Baldry's help in overcoming the difficulties encountered by Milestone in Sierra Leone but in furtherance of the joint participation agreement and in recognition of the work Red Eagle had by then done to assist Milestone in developing new opportunities in Sierra Leone. As to the sum involved, it appears not to have been \$75,000 but \$37,500 (about £19,000), an invoice for which Red Eagle sent Milestone on 15 December 2004.¹³ The invoice states:

“Sierra Leone: To our Professional Charges in acting on your behalf in this matter.”.

The invoice was paid on 18 January 2005. Mr Baldry has explained this payment in the following terms:

“This invoice and payment were largely Red Eagle seeking and Milestone demonstrating good faith. By then Red Eagle had introduced Milestone to a number of business opportunities ...” (statement of 26 April).¹⁴

54. Mr Baldry and Dr Levy have confirmed that, at the time of my inquiries of them, no other payment had been made by Milestone to Red Eagle. Neither Mr Baldry's visit to

13 Mr Baldry has explained that the confusion over the total sum involved may have arisen because a second invoice was issued by Red Eagle to Milestone in January 2005 but was subsequently cancelled.

14 This statement is not appended to the Commissioner's memorandum.

Sierra Leone in November 2004 nor the further visit he made to Freetown in January 2005 were funded by Milestone. In his note of 7 April commenting on his letter to the Secretary of State, Mr Baldry says;

“I have never received any money from Milestone Trading ...”.

Clearly Red Eagle, of which Mr Baldry is a director and shareholder, has received money from Milestone but my understanding from Mr Baldry is that this has gone to help meet the costs of running the company. He himself has never received either a dividend or any director’s fees from Red Eagle.

(d) Mr Baldry’s prospective interest in Milestone

55. Dr Levy says that the suggestion that Mr Baldry might serve as chairman of Milestone following its flotation first arose around the turn of the year:

“I am not sure when I first talked with Tony Baldry about the possibility of his becoming Chairman of Milestone if it were to float: it was either just before or just after Christmas break. We thought then and still think that he would make an excellent chairman of a public company.”.

As yet, however, Mr Baldry “has no direct involvement whatsoever in Milestone”. Mr Baldry’s recollection is that the matter of the chairmanship;

“was first mooted ... shortly before Christmas 2004, when as I understand it, Milestone had decided that they wanted to raise venture capital from a broader base and had thus decided to go to the Stock Exchange.”.

(e) The impetus behind Mr Baldry’s letter to the Secretary of State

56. One other significant point to emerge from Dr Levy’s letter of 27 April is that Milestone maintains that it did not ask Mr Baldry to write to the Secretary of State as he did on 14 January 2005. According to Dr Levy:

“We never asked him to write such a letter. Indeed, I don’t think he even mentioned to me that he had written such a letter but I can understand his being concerned that we were doing the right things in Sierra Leone and DFID officials have been to visit our operations and as far as we understand, they are satisfied with that we are doing. We have never looked for any endorsement from DFID nor would we have expected one.”.¹⁵

(f) Allegations of impropriety against Milestone

57. Allegations of impropriety by Milestone in the conduct of its mining operations in Sierra Leone have been made to the Sunday Times. These, I am informed, are strenuously

¹⁵ See WE 18.

denied by Milestone. There is no evidence that Mr Baldry was aware of them before they were put to him recently by the Sunday Times and they do not form part of this inquiry.

Mr Baldry's use of House stationery

58. In view of his responsibility for administering the House's rules on the use of its stationery, I sought the Serjeant at Arms's views on the fact that both Mr Baldry's correspondence with the Vice President and that with the Secretary of State were conducted using House stationery, after sharing with the Serjeant Mr Baldry's explanation of his actions. The Serjeant commented:

"I am of the view that it was inappropriate for Mr Baldry to use such writing paper."

59. With respect to the correspondence with the Vice President, the Serjeant says:

"I am ... of the view that this correspondence should not have been carried out on Commons notepaper. He [Mr Baldry] did have some business interests with certain companies operating in the region and since he claimed that he knew both the President and the Vice President of Sierra Leone I can see no justifiable reason for his using House of Commons notepaper were it not for the fact that by so using such paper he might influence others in the country. Whatever his reason, I still believe that he broke the current rules of the House and the guidance on the use of stationery given by the Administration Committee."

60. At paragraph 3 above I have already referred to the criticism of Mr Baldry in respect of this correspondence which the Sunday Times reported to have been made by the Anti-Corruption Commissioner in Sierra Leone, Mr Val Collier. Mr Collier repeated this criticism to me in a telephone conversation on 7 June. In Mr Collier's view, Mr Baldry's approach to the Sierra Leonean Government on behalf of Milestone amounted to an attempt to peddle influence and was not a good example to set, to a developing country in particular.

61. Regarding Mr Baldry's correspondence with the Secretary of State, the Serjeant comments that this also broke the relevant rules about the use of stationery because Mr Baldry was "seeking DFID checks for business reasons". More generally he remarks:

"I find his defence less than persuasive. There appears to have been a business imperative behind everything he did, and therefore in my view he should have carried out this correspondence on his own paper. That he did not, and carried out his correspondence of a business and commercial nature, breaks the current rules of the House and the guidance on them given by the Administration Committee."

62. I have already set out Mr Baldry's account of his motivation and actions in undertaking both these sets of correspondence in paragraphs 38 and 42–44 above. In response to the Serjeant at Arms' observations, Mr Baldry has commented:

"So far as the letter to the Vice President was concerned, I was not trying to influence anyone, I was simply seeking to set out the facts as I understood them, although I fully appreciate that a 'stream of consciousness' ramble about an airline project, even

if the Vice President was well aware of the background and context of those comments, laid me open to criticism.”

“As to my letter to Hilary Benn, I can only observe that this letter must have been very poorly written by me if objective and dispassionate readers conclude that I was ‘seeking DFID checks for business reasons’. As I have explained, that was not my purpose: I simply wanted to ensure that a new and substantial UK investor in Sierra Leone, in a sensitive commodity, was complying with the rules, and that DFID was aware of this company’s existence and operations ... I am disappointed, having read those explanations, that the Serjeant at Arms concludes that there was a ‘business imperative’ in everything that I did. That was most certainly not the case, nor my intention.”.

63. Mr Baldry concludes (letter of 13 June 2005, WE 21);

“However, I fully accept that the perception of an MP’s conduct is important and if I have managed to give the Serjeant at Arms that perception from these letters, then I fully understand and accept why the Serjeant at Arms has come to the conclusion that I have broken the current rules of the House and the guidance on the use of stationery given by the Administration Committee. I fully accept his adjudication and I apologise unreservedly.”.

Findings of fact

64. Mr Baldry is the non-executive chairman and, through his foundation share, a one third shareholder in a firm—Red Eagle—with business interests in Sierra Leone. He says that he has not yet received either director’s fees or a dividend from the company. Mr Baldry has registered his non-executive chairmanship but, until April 2005, had not registered his shareholding in the company. Mr Baldry explains the failure to register his shareholding as an unintended oversight. Mr Baldry is also chairman of and a shareholder in Angel Gate Aviation, both of which interests are registered.

65. During the week of 20 September 2004, Mr Baldry was alerted by a friend, Mr Stuart Polak, to difficulties Milestone had encountered in relation to its mining operations in the Nimikoro area of Sierra Leone. Following a meeting at which Mr Polak introduced him to Dr Nissim Levy, a director of Milestone and Mr Moshe Levy, Mr Baldry intervened with the President and Vice President of Sierra Leone on the company’s behalf. Following this intervention, the company’s immediate difficulties were overcome.

66. At the time of this intervention, Mr Baldry had no financial relationship, directly or indirectly, with Milestone. On 23 November 2004, however, Mr Baldry signed on behalf of Red Eagle a joint participation agreement with Milestone, in which the two companies effectively pledged to work together in promoting their business interests in Sierra Leone. Following the signing of the agreement, Red Eagle submitted to Milestone on 15 December an invoice for \$37,500 in payment of “professional charges in acting on your behalf in this matter” (ie Sierra Leone). There is no evidence that prior to the events covered by that part of the complaint relating to Mr Baldry’s letter of 14 January 2005 to the Secretary of State, Mr Baldry and Red Eagle had received any other financial recognition from Milestone. Nor

is there any evidence that, to date, Mr Baldry has personally received any financial reward from Milestone.

67. When Mr Baldry approached the Secretary of State, he also had two potential *prospective* interests in Milestone. Under the terms of the joint participation agreement Red Eagle stood to obtain a 3% shareholding in Milestone if and when Milestone successfully floated on the AIM exchange. Dr Levy had expressed the hope that this shareholding might be worth £1.5 million, though there had been no formal valuation of Milestone. Around Christmas 2004, Dr Levy had also suggested to Mr Baldry that he might become chairman of Milestone if it floated. Mr Baldry revealed this potential interest when writing to the Secretary of State. He did not, however, mention either his by then existing interest through the joint participation agreement between Red Eagle and Milestone, or the potential benefit that could accrue to Red Eagle by virtue of the shareholding it was entitled to take, in the event of a successful flotation by Milestone.

68. Both Mr Baldry's earlier correspondence with the President and Vice President of Sierra Leone and his later correspondence with the Secretary of State were conducted on House of Commons notepaper. Both sets of correspondence concerned the affairs of Milestone, although whereas the former had been stimulated by Dr Levy, the latter appears not to have been. The letter to the Vice President of 4 October 2004 also referred to discussions Mr Baldry had had with the Sierra Leonean Privatisation Commissioner about matters involving the business interests of Angel Gate Aviation and Red Eagle. (His earlier letter of 29 September 2004 to the President had referred only to his discussions with the Commissioner about Angel Gate Aviation.)

69. Mr Baldry maintains that his approaches on behalf of Milestone to both the Vice President and the Secretary of State were a proper expression of his duties as a Member of Parliament, not least in relation to the support of British industry and in assisting the economic development of a country still recovering from recent civil strife. Noting the criticism by the Serjeant at Arms of his use of House of Commons stationery in this connection, he has however apologised unreservedly for this aspect of his conduct.

Conclusions

Introduction

70. In my letter of 4 April to Mr Baldry (WE 8) I described the issues raised by Mr Foulkes's complaint as falling into the following areas:

- a) Had Mr Baldry properly registered the relevant interests (registration issues)?
- b) Did Mr Baldry properly and fully declare his relevant interests when writing to the Secretary of State (declaration issues)?
- c) Did the terms of Mr Baldry's approach to the Secretary of State breach the ban on lobbying for reward or consideration (the advocacy rule)?
- d) Was it appropriate for Mr Baldry to use House of Commons headed paper to write to the Secretary of State (use of Commons stationery)?

Similar issues to points (b) and (d) are raised by Mr Baldry's correspondence with the President and Vice President of Sierra Leone.

71. In the light of the evidence I have already summarised, I set out below the considerations I believe relevant to assessing the answer to each of these questions. I go on to consider, as requested by Mr Foulkes, whether the experience of this case suggests that the present rules relating to the interests of the chairmen of select committees are in any way deficient.

(a) Registration issues

72. Analysis of the registration aspects of the case is relatively straightforward. Mr Baldry has properly registered:

- His non-executive chairmanship of Angel Gate Aviation Limited.
- His registrable shareholding in Angel Gate Aviation Limited.

73. He has also registered his non-executive chairmanship of Red Eagle Resources plc. Although Mr Baldry says that he has not yet received any remuneration in this capacity, his air travel costs have been met by the company in respect of one visit he made on its behalf to Sierra Leone and he is wise to have registered this directorship also.

74. Until prompted by my letter of 4 April (see paragraphs 18 and 25 above), Mr Baldry had failed to register his one third shareholding in Red Eagle. Mr Baldry says that this was due to an oversight. The shareholding was included in the edition of the Register of Members' Interests published on 11 April 2005.

75. Mr Baldry was not obliged to register the visits he made to Sierra Leone in November 2004 and January 2005 on behalf of Red Eagle as the visits did not primarily relate to or arise out of his membership of the House. These visits were made in consequence of his business interests, mainly in respect of Red Eagle. In the first instance, his flight costs only were met by Red Eagle: in the second, Mr Baldry met all his own costs.

76. Nor did Mr Baldry have any registrable interest in Milestone, as to date he has never been either a director or shareholder and his visits to Sierra Leone were not funded by them. I consider below the separate question whether and to what extent Mr Baldry had a declarable interest in the company.

77. I therefore conclude that Mr Baldry has properly registered his relevant interests, with the exception (until he wrote to me on 5 April 2005) of his shareholding in Red Eagle. In respect of his failure to register his shareholding in Red Eagle Resources plc until April of this year, Mr Baldry was in breach of the Code.

(b) Declaration issues

78. I turn now to the question of whether Mr Baldry properly declared his interests when corresponding with both the President and the Vice President of Sierra Leone, and with the Secretary of State. As noted earlier (paragraph 8), the obligation to declare an interest is

broader in scope than that relating to registration, in that as well as current interests, it also embraces both relevant past and future interests.

(i) Correspondence with the President and Vice President

79. The rules of the House requiring Members to be candid about their relevant interests when dealing with Ministers and civil servants do not in terms apply to similar dealings with overseas governments. However, the 1975 report of the Select Committee on Members' Interests (Declaration), which is quoted in paragraph 68 of the Guide to the Rules, said that the obligation to declare pecuniary interest "becomes of paramount importance when a foreign government is involved either directly or indirectly".¹⁶

80. Had Mr Baldry's correspondence with the President and Vice President of Sierra Leone about Milestone been conducted after Mr Baldry had signed the joint participation agreement between Red Eagle and Milestone on 23 November then, in my view, it would have been appropriate for him to have made clear his financial interest. However on the basis of the evidence I have described, at the time of this correspondence in October 2004, Mr Baldry had no actual or potential interest, and therefore no declarable interest, in Milestone.

81. From the evidence available, it appears that at the time of the correspondence the President and Vice President were already well aware of Mr Baldry's financial interests in Angel Gate Aviation and Red Eagle. Mr Baldry had previously corresponded with the Vice President on behalf of Angel Gate Aviation, and both the President and Vice President were aware of his ongoing discussions with the Privatisation Commissioner.

82. I therefore conclude that Mr Baldry did not breach the rules of the House in respect of the declaration of interests when he corresponded with the President and Vice President on behalf of Milestone in October 2004.

(ii) Correspondence with the Secretary of State

83. By the time Mr Baldry wrote to the Secretary of State for International Development on 14 January 2005, however, the position had changed in a number of important respects. Red Eagle had by then entered into its partnership agreement with Milestone, and had received a payment from that company for leading it to a number of commercial opportunities in Sierra Leone. There had also been discussions between Milestone and Mr Baldry about the possibility of him becoming its chairman, as and when it went public.

84. In his letter to the Secretary of State, Mr Baldry referred to his potential role as chairman and to the fact that Milestone was contemplating flotation on the AIM, as well as outlining a number of his more personal links with Sierra Leone and its leaders. However, he did not reveal his existing interest, or the full extent of his potential future interest, arising from the agreement between Red Eagle and Milestone.

¹⁶ Select Committee on Members' Interests (Declaration), First Report Session 1974–75, HC 102, paragraph 40 (quoting the Report of the Select Committee on Members' Interests (Declaration), Session 1969–70, HC 57).

85. Whilst the agreement between Red Eagle and Milestone did not fall into any of the categories of interests which Mr Baldry was required to register, it was in my view clearly a declarable one in the context of his correspondence with the Secretary of State, in that it was an interest which “might reasonably be thought by others to influence the speech, representation or communication in question”. Through the terms of the agreement, Mr Baldry also had a potential interest in the shareholding, which could be of substantial value, that Red Eagle stood to gain from a successful flotation by Milestone.

86. Mr Baldry argues that in referring to his potential role as chairman of Milestone and to Milestone’s prospective flotation he had done enough to alert the Secretary of State to the fact that he had a personal interest in Milestone’s commercial success. I accept Mr Baldry’s argument that the Secretary of State would have been aware that he had a potential financial interest in the company which was the prime subject of the letter. Indeed, that he recognised the existence of such an interest is evident from the first line of Mr Benn’s reply of 14 February (WE 4). However the Secretary of State would not have been aware of the full scope of Mr Baldry’s interest, as no mention had been made of Mr Baldry’s existing financial interest, through Red Eagle, nor would he have known of the further potential interest, through Red Eagle’s entitlement to take a stake in Milestone as and when it floated.

87. The provisions of the Code of Conduct to which I have referred in paragraph 6 above, as amplified by the rules on declaring interests which I have outlined in paragraphs 8–9, make clear that frankness and candour in respect of financial interests are essential when a Member is dealing with Ministers and officials. On the evidence to hand, I do not believe that Mr Baldry set out to deceive the Secretary of State about the fact that he had a financial interest in Milestone: if this had been his objective, he would not have mentioned his prospective chairmanship of the company or the company’s planned flotation. I also very much doubt that the Secretary of State’s reply would have been materially different had Mr Baldry declared the full extent of his financial interest in Milestone. However, the fact remains that his disclosure was less complete than it should have been in that he failed to disclose both his existing financial interest and the full potential extent of his prospective financial interest in Milestone.

88. I therefore conclude that Mr Baldry did not fully comply with the House’s requirements in respect of the declaration of interests when he wrote to the Secretary of State.

(c) The advocacy rule

89. I have set out the terms of this rule in paragraph 10 of this report. In brief it means that a Member may not, in proceedings in the House or when approaching Ministers or officials, advocate a course of action which would exclusively benefit a body or individual from which the Member has received, is receiving or expects to receive a pecuniary benefit. The question arises whether in writing to the Secretary of State on 14 January 2005 in the terms in which he did, Mr Baldry breached that rule. A similar question does not arise in relation to Mr Baldry’s correspondence with the President and Vice President because, as I

have already made clear, at the time of that correspondence, Mr Baldry had not received, nor was he expecting to receive, a financial benefit from Milestone.¹⁷

90. In his letter of 14 January Mr Baldry asked the Secretary of State:

“... whether it would be possible for DFID officials in Freetown to meet up with the Milestone team ‘in country’ to ensure that so far as the retrieval and recording of diamonds, their export and sale by Milestone—indeed everything relating to them—is fully 100% in accord with the requirement of the Kimberley Process and whatever ‘best practice’ DFID would hope that mining companies in Sierra Leone would pursue.”.

91. Mr Baldry says that in making this request, he was not, as the Sunday Times has alleged, seeking some DFID best practice ‘seal of approval’ for Milestone’s mining operations in Sierra Leone. Rather he was genuinely concerned that Milestone’s operations should be compliant, and was concerned to protect not only the reputation of Milestone but also that of British business. His motivation, he maintains, in making his request was the public interest rather than the particular interest of Milestone:

“... the fundamental purpose of my writing was to seek to ensure that DFID were confident that a new and substantial UK investor in Sierra Leone was following proper procedures.”.

92. I note Dr Levy’s statement that he did not prompt Mr Baldry’s approach to the Secretary of State. I also note Mr Baldry’s statements that the concerns which underpinned his approach to the Secretary of State were based on a misapprehension as to where responsibility lay for demonstrating compliance with the Kimberley Process, and that his motivation in writing was that he was genuinely concerned to ensure that Milestone was doing the proper thing rather than that he was seeking to obtain some exclusive DFID seal of approval for the company.¹⁸ In support of this, he pointed out that his action might have been to the detriment of Milestone had it been found by DFID not to be in compliance.

93. Whatever the motives lying behind an approach to a Minister, two practical tests need to be applied to decide whether it falls foul of the advocacy rule:

- a) Does the approach seek to confer benefit exclusively upon a body or individual outside Parliament? and
- b) Does the Member have a past or present pecuniary benefit, or expectations of a future pecuniary benefit from that body or individual?

94. I now apply each of these tests to Mr Baldry’s letter to the Secretary of State. Taking the second first, his letter clearly disclosed expectations of future pecuniary benefits from Milestone’s anticipated flotation. Furthermore, my inquiries have also demonstrated an existing indirect pecuniary benefit through Red Eagle’s commercial relationship with Milestone. So the answer to the second question in this case is clearly ‘yes’.

¹⁷ See paragraph 80.

¹⁸ See WE 10, p 46.

95. Turning now to the first question, two points need to be considered. The first is whether the action Mr Baldry was seeking would be expected to be to the benefit of Milestone. The second is whether it would be to its exclusive benefit. As I point out above, Mr Baldry argues that his action would not necessarily be to Milestone's benefit, as DFID might have found its operations not to have been in compliance. While I accept that the company might have faced additional short-term costs in remedying deficiencies if found not to be compliant, I have no doubt that its longer term commercial interests lie in ensuring that its operations are compliant with the Kimberley Process. So whatever the outcome, an audit of its operations by DFID would undoubtedly have been of benefit to the company, both in terms of its day-to-day business and in the context of its prospective flotation.

96. But would the benefit accruing from a favourable response by the Secretary of State to the letter have accrued exclusively to Milestone? Mr Baldry maintains that, in making the approach, he had in mind both the risk to Milestone's reputation if it was not complying, and also the possible wider risk of such a failure to British business and future British investment in Sierra Leone. These, he argues, are matters of wider public interest.

97. This argument raises the question of how the word 'exclusively' is intended to be interpreted in the context of the advocacy rule. Mr Baldry argues in effect that it should be interpreted in terms of *an assessment of the distribution of the overall benefit*. I accept that there may well be wider public interest benefits from Milestone being given a clean bill of health by DFID, but take the view that this is not the basis on which the test of exclusiveness is intended to be applied.

98. In my view, the question of exclusiveness or otherwise needs to be looked at in terms of *the scope of the intended immediate beneficiaries of the approach* rather than the distribution of the overall benefit. To take a specific example, a Member might write to a Minister to seek Government financial assistance for a specific company in which he or she had a personal financial interest. There would undoubtedly be benefit to the company from the request being granted, but arguably also wider benefits to the workforce and the economy generally. However, to interpret such an approach as falling outside the scope of the advocacy rule on the grounds that the benefit of the financial assistance sought would extend beyond the direct benefit to the company itself would, in my view, render the rule entirely ineffective. I do not believe that either the Committee on Standards in Public Life or the House intended it to be applied in this way.¹⁹ I am fortified in this belief by the terms of the guidance on the application of the advocacy rule already approved by the House.²⁰

99. Turning now specifically to the terms of Mr Baldry's letter to the Secretary of State, (WE 3), it is clear that he was in terms advocating a course of action exclusively in relation to Milestone. It is also clear from the Secretary of State's reply (WE 4) that, in stating that DFID could not endorse an individual company's activities, he also interpreted the approach as relating exclusively to Milestone.

19 See Cm 4557-I, paragraphs 3.95-6 and Recommendations R9 and R10.

20 See, for example, paragraph 80(a) of the Guide to the Rules on the Conduct of Members.

100. I conclude that Mr Baldry's letter constituted the advocacy of a course of action which would exclusively benefit a company from which he had indirectly received and had further expectations of receiving a pecuniary benefit. In writing to the Secretary of State in the terms in which he did, Mr Baldry therefore breached the House's advocacy rule.

(D) Use of House of Commons stationery

101. I have already outlined in paragraphs 58–61 above the Serjeant at Arms's view on Mr Baldry's use of House of Commons stationery to conduct his correspondence with the President and Vice President and with the Secretary of State. I have referred (at paragraphs 3 and 60) to the criticism of the former correspondence made by the Anti-Corruption Commissioner in Sierra Leone. I have also set out Mr Baldry's explanation of his actions in paragraphs 38, 42–44 and 62–63.

102. The rules about the use of House stationery approved by Mr Speaker on the advice of the Administration Committee provide that this stationery should not be used for "communications of a business or commercial nature". I take this to mean that House stationery cannot be used for the primary purpose of corresponding about or with a view to furthering the interests of a business. It would, however, be a proper use of House stationery for a Member to write, for example, to a Minister about the concerns and interests of a business, provided that in writing the Member can reasonably be considered to be fulfilling a representative function; the benefit to the business is incidental to the discharge of this function; and the advocacy rule does not apply.

103. The main subject of Mr Baldry's correspondence with the President and Vice President of Sierra Leone was Milestone Trading Limited, with which at that time Mr Baldry did not have a business association. Mr Baldry argues that his intervention on behalf of Milestone was motivated solely by considerations of the public interest. He was not Dr Levy's own Member of Parliament but he was in a position to help, wider issues appeared to him to be at stake and so he thought it appropriate to intervene.

104. Mr Baldry's intervention was not, however, entirely selfless. He was at the time engaged in negotiations with the Sierra Leonean authorities relating to the interests of Angel Gate Aviation, of which he was a director and shareholder, and on his own admission was concerned about the possible consequences for Angel Gate Aviation and other British companies if it emerged that the Sierra Leone Government had acted capriciously towards Milestone. Moreover in the final paragraphs of his letter of 4 October, Mr Baldry moved on from the affairs of Milestone to report on the state of his negotiations with the Privatisation Commissioner on behalf of Angel Gate Aviation and to mention other projects (such as the fisheries project) in which he was interested through Red Eagle. He had already mentioned Angel Gate Aviation in his letter of 29 September to the President.

105. Mr Baldry says that he was not lobbying the Sierra Leonean authorities in mentioning his discussions with the Privatisation Commissioner but simply updating them on the progress of a project in which they were already well aware of his interest. Moreover, as he is well known to the President and Vice President of Sierra Leone "... whether my concerns are expressed on House of Commons notepaper or any other notepaper, would make no

difference to how they are received”. However, there is also the question of the effect that his use of House of Commons notepaper might have had on others, as the Anti-Corruption Commissioner in Sierra Leone noted . Perceptions in this area are important (a point Mr Baldry himself acknowledges in his letter to me of 13 June—WE 21) and the fact is that Mr Baldry used House of Commons notepaper in this instance when corresponding about, among other things, the interests of companies (Angel Gate Aviation and Red Eagle) in which he had a personal financial stake.

106. As regards Mr Baldry’s later intervention with the Secretary of State on behalf of Milestone, by then he had a clear financial interest in that company’s future. Mr Baldry again argues that his intervention was motivated by the public interest in ensuring that Milestone’s operations in Sierra Leone were in accordance with international best practice.

“I wrote on House of Commons notepaper because the fundamental purpose of my writing was to seek to ensure that DFID were confident that a new and substantial UK investor in Sierra Leone was following proper procedures.”

107. It would not have been appropriate, in his view, for him to write on Red Eagle’s stationery and if he had written on his private notepaper he would have had to make his identity known to the Secretary of State and his officials. Given his reasons for writing, it was not inappropriate for him to use House of Commons stationery.

108. In my judgement the likelihood is that Mr Baldry’s motives in writing to the Secretary of State were in reality a mix of public and private concerns. As an objective fact, his correspondence with the Secretary of State concerned the commercial interests of a company in which he had, through Red Eagle, both current and prospective personal interests. It would have avoided any danger of the perception arising that he was using his public role to advance a private interest if he had used either Red Eagle stationery (by then the two companies were business partners) or his private notepaper. This would have demonstrated that Mr Baldry had clearly separated his private from his public role.

109. I accept that Mr Baldry may well have had considerations of the public interest in mind when initiating the correspondence with both the President of Sierra Leone and the Secretary of State. However, at the heart of both approaches lay pressure for action which would be to the sole commercial benefit of a private business interest, Milestone. Moreover, in both cases the correspondence covered matters in which Mr Baldry himself had a clear private business interest. In my view, this went beyond fulfilling a representative function. There were other, in my view equally effective, ways in which Mr Baldry could have conveyed his concerns about those matters in which private interests were involved without using House stationery for the purpose.

110. On the basis of this analysis of the evidence before me, I therefore respectfully agree with the conclusion reached by the Serjeant at Arms that Mr Baldry’s use of House stationery in these two instances breached the relevant rules of the House. I note that in his letter of 13 June Mr Baldry has indicated that he accepts the Serjeant’s adjudication on this point and has apologized unreservedly for this aspect of his conduct.

Overall conclusion

111. Mr Baldry has, throughout my inquiries into this complaint, been prompt and assiduous in responding to my questions and assisting my inquiries. There is evidence from his conduct of earlier correspondence with the Vice President of Sierra Leone (see footnote 2) that he is aware of the need to draw a clear line between his private business interests and his public role. In this connection, I note that he expressed his intention to stand aside as chairman, because of a related business interest, from an inquiry into Somalia planned (but not in the event conducted) by the International Development Committee.

112. **In respect of the matters which are the subject of this complaint, however, I find that Mr Baldry breached the Code of Conduct and rules of the House in the following respects:**

- a) **Prior to 5 April 2005 he had failed to register his one third shareholding in Red Eagle Resources plc, although he had registered his directorship of the company.**
- b) **When writing to the Secretary of State for International Development on 14 January 2005, Mr Baldry did not fully comply with the House's requirements in respect of the declaration of interests.**
- c) **His approach to the Secretary of State breached the advocacy rule.**

113. **For the reasons I have given arising from the evidence before me, I also concur with the judgment of the Serjeant at Arms that Mr Baldry's use of House stationery to conduct both his correspondence with the President and Vice President of Sierra Leone and that with the Secretary of State breached the prohibition on the use of such stationery for communications of a business or commercial nature.**

114. Overall Mr Baldry's conduct in these matters blurred the line between his respective roles as a Member and those in relation to three of the companies with which he is associated—Angel Gate Aviation, Red Eagle and Milestone. On the evidence available I do not believe that Mr Baldry flagrantly set out to exploit his public position for his personal advantage. A number of his actions were almost certainly motivated, at least in part, by a real concern for the public interest. But in my view he failed to exercise sufficient care in distinguishing his public concerns from some of his private interests. The case illustrates how important it is, not least in terms of public perception, for Members to be scrupulous in separating their public role from any private business interests

The position of select committee chairmen

115. In his letter of 28 March, Mr Foulkes invited me to consider whether there should be "particular requirements for both declaration and caution in making representations by Chairs of Select Committees now they are paid". As noted earlier (paragraphs 13–14), no special rules apply at present to select committee chairmen over and above those which apply to all Members. In its Sixth Report of Session 2002–03 (HC 1150) the Committee on Standards and Privileges said that it saw no reason why the decision to pay some chairmen should be accompanied by restrictions on the outside interests they might hold over and

above those which apply to all Members. The House approved this report at the end of a debate on 30 October 2003.

116. I do not think the present case demonstrates a need for the Committee to invite the House to alter that decision. Any attempt by any Member to exploit their public position for private gain would be objectionable. Whilst a Committee chairman occupies a particular position of influence—and should correspondingly be especially careful in the way he or she approaches these matters—there is in my view no intrinsic difference in this respect between the position of a Committee chairman and of any other Member. The mere fact that a Chairman is now being paid does not alter that position. The fact that it has proved possible to consider the current case under the House's existing rules suggests that they are adequate to deal at least with the circumstances which have so far arisen. Furthermore, there has been no indication whatsoever, in the course of my inquiry, that Mr Baldry has sought to exploit his position as Chairman of the International Development Committee to further his private interests.

117. The question of whether a particular Member is, in all the circumstances of the case, including knowledge of their outside interests, a suitable candidate for election as chairman of a particular select committee is a matter for the judgement of the members of the committee concerned. Whilst the position should continue to be kept under review, as the Committee on Standards and Privileges intends, I see no demonstrable need arising from this case to recommend the introduction of fresh general restrictions in this area.

14 July 2005

Sir Philip Mawer

Written evidence received by the Parliamentary Commissioner for Standards

1. *Sunday Times* article, 27 March 2005

Tory MP in £1.5m diamond mine row

A SENIOR Tory MP who heads a Commons committee to alleviate poverty in the Third World has been accused of attempting to use his position to make up to £1.5m for his own company.

Tony Baldry, a former foreign minister, has been paid by a diamond firm to lobby the government of a west African country to secure valuable diamond concessions.

Baldry, chairman of the Commons international development committee, has close links with Sierra Leone, a war-ravaged country heavily dependant on British aid.

He has visited the country twice in the past year on behalf of Milestone Trading, a UK-registered company owned by two Israeli businessmen.

He has also written to Hilary Benn, the international development minister, asking for officials to give the company a “best practice” seal of approval.

His reward for the work on Milestone’s behalf was a \$75,000 (£40,000) payment into Red Eagle Resources plc, a company of which he is non-executive chairman and a one-third shareholder.

Baldry has in addition struck a deal for his firm to take a 3% share in Milestone when it is floated later this year. Milestone estimates that this could be worth £1.5m.

The letter to Benn was written on Commons notepaper. It disclosed that Baldry planned to become chairman of Milestone, but did not reveal the shareholding his company had negotiated.

Yesterday George Foulkes, the Labour MP who is a former international development minister, said he would be reporting Baldry’s activities to Sir Philip Mawer, the Parliamentary Commissioner for Standards.

“This commercial activity is incompatible with his role as committee chairman, particularly now that select committee chairmen are paid,” he said. “They should be scrupulous that they are not using their position for financial gain.”

Foulkes believes that Baldry may have breached rules governing parliamentary advocacy on behalf of commercial clients by writing to Benn on Commons notepaper and failing to disclose his firm’s financial stake.

Under Commons rules, MPs must declare not only paid directorships and overseas trips, but also any parliamentary advocacy on behalf of commercial clients. New rules for committee chairmen, after last year’s decision to award them additional salaries of £12,750 for their roles, stated they could continue to have “outside interests, subject to full declaration.”

Baldry’s select committee is responsible for scrutinising the millions in government aid spent in countries such as Sierra Leone. A critical report by the committee can have an impact on whether such aid continues.

John Barrett, a Liberal Democrat member of the committee, said: “You are compromised if you are questioning [the secretary of state] as a member of the select committee but at the same time lobbying him for business reasons.”

Baldry, a barrister, has been MP for Banbury, Oxfordshire, since 1983. A foreign minister in John Major's government, he now has extensive commercial interests and has been criticised in the past for his sporadic attendance in the Commons.

In March 2000, he was censured by the parliamentary commissioner for standards for failing to declare the receipt of a £5,000 personal loan from a solicitor shortly before he recommended him for an honour.

Baldry has long-standing personal links with Sierra Leone. He is a former colleague of President Ahmad Kabbah, who once practised in the same London chambers, and remains head of the chambers that acts for the Sierra Leone government in Britain.

According to Nissim Levy, the Israeli joint owner of Milestone, Baldry was hired on the advice of senior figures in the Sierra Leone regime who described him as the west African state's best friend in Britain. He came recommended by Sierra Leone's minister for mines, its vice-president and other cabinet ministers, according to Levy.

His initial role was to help Milestone smooth over allegations of links to the mafia. Levy's partner in Milestone, Gershon Ben-Tovim, had been a shareholder in a Namibian ostrich farm with Vito Pallazollo, who was wanted in Italy on mafia-related charges.

Levy said: "We came across, many times, this Tony Baldry, as a good friend who knew from the old days in chambers the president and vice-president and he is very well-respected. It was natural for us to contact him and ask for his services.

We wanted him to do some politics, PR, like that. It's always good in any country that you have very good contacts. He knows them very well."

Baldry made two week-long trips to Sierra Leone in November last year and this January, arranging meetings between Levy and Kabbah and other ministers.

His letter to Benn was to seek the government's seal of approval for the company. Baldry asked Benn if British officials in Sierra Leone would meet Milestone representatives and ensure the company is "fully 100% in accord ... with whatever 'best practice' [the department] would hope that mining companies in Sierra Leone would pursue".

Diamonds were an "emotive commodity", he said, but Milestone would be "a significant UK investor and to that extent not only Milestone's reputation but that of UK plc will rest on how Milestone performs".

Although he declared his plans to become Milestone's chairman when it is floated this year, he did not reveal his company's lucrative share deal.

Benn replied on February 14 saying the government could not "endorse an individual company's activities".

Baldry's approach set "alarm bells ringing" among Foreign Office officials who were asked to look into the company's affairs in Sierra Leone.

They discovered allegations of human rights abuses at its two alluvial diamond mines in Sandoh and Nimikoro provinces.

Despite Baldry claiming local communities were "very happy with Milestone", leaders of the United Mineworkers Union in Sierra Leone complained workers were paid only £1 per day and denied adequate water and accommodation.

Further allegations surfaced that local policemen were hired as security guards and used to intimidate workers who went on strike over "inhuman" conditions.

Ezekiel Dyke, the mining union's leader, said: "The management are grabbing the diamonds without doing anything concrete to create better conditions or assist in developing the area."

Baldry said he was under no obligation to declare his deal or payments to his company from Milestone in the MPs' register of interests. He said his work would benefit both Britain and Sierra Leone through jobs, investment and pledges to build a road, a school and a diagnostic clinic.

He rejected suggestions that his commercial interest in the company and his lobbying of British or Sierra Leone ministers had compromised his role as chairman of the select committee.

27 March 2005

Sunday Times

2. Letter to the Commissioner from Mr George Foulkes MP

Could you look into the position of Mr Baldry and his correspondence with the Secretary of State for International Development? I have enclosed faxed copies.¹

I understand that Mr Baldry's letters were sent on Commons headed paper from the House of Commons and that he has not declared an interest in Milestone.

It also raises the question of whether there are, or should be, particular requirements for both declaration and caution in making representations by Chairs of Select Committees now they are paid.

I would appreciate your investigations and observation.

28 March 2005

Rt Hon George Foulkes MP

3. Letter to the Secretary of State for International Development from Mr Tony Baldry MP

Sierra Leone

As you and your Department know, I over the last two or three years have been visiting Sierra Leone from time to time. In part this is because a small NGO of which I am patron, "Friends of Africa", is doing work in Bontho; in part it was to complete a university Dissertation for an MA I have just completed at Sussex in International Development; and in part to see and keep up the spirits of my predecessor as Head of Chambers, Desmond de Silva, QC, who is prosecuting the war crimes in Freetown.

President Kabbah used to be a member of our Chambers and the Sierra Leone High Commission in London has instructed my Chambers in the Temple on a number of matters relating to property that the Government of Sierra Leone own in London and want to gain repossession.

As a consequence of this interest in Sierra Leone, with Roger Freeman, I have helped set up a Sierra Leone-UK Business Group.

I think because of a combination of all the above interest in Sierra Leone, I have been approached to become Chairman of Milestone Trading Ltd, which intends in the near future to go to the AIM Exchange here in London. I was interested to learn when I was in Freetown recently, that Milestone is already the largest single UK investor in Sierra Leone. Milestone is primarily a mining company which has entered into agreements with the Paramount Chiefs in the Nimikoro area of Sierra Leone to rework with very modern equipment, earth dumps from previous alluvial diamond workings and with the benefit of new equipment recovering diamonds that previously were not found.

1 WE3, 4 & 5.

One of the reasons that Milestone wants to go to the Stock Exchange is to raise venture capital to purchase and invest further machinery doing similar work in other areas of Sierra Leone.

The local communities are I think very happy with Milestone. The agreement with the Paramount Chiefs is that the communities received 30% of the profits, and of course Milestone is potentially a sizeable generator of employment. So, for example, they now employ some 500 people.

The licenses to mine are of course issued by the Government of Sierra Leone with whom Milestone is working closely—and of course the Government of Sierra Leone will benefit by tax revenue from the value of the diamonds retrieved.

I am very conscious that by definition, particularly in a country such as Sierra Leone, diamonds are a very emotive commodity, and I want to be confident that Milestone is exemplary in all of its undertakings. I am also aware that it even now, having invested, I think, approximately some £7 million in Sierra Leone, they are the largest UK investor, on the grounds that by the time Milestone have finished fund-raising for further investments, they will be a significant UK investor and to that extent not only Milestone's reputation but that of UK plc will rest on how Milestone performs.

I know that DFID officials have been much involved in advising the Government of Sierra Leone on diamond mining and the diamond industry and on the Kimberley Process. I wonder whether it would be possible for DFID officials in Freetown to meet up with the Milestone team "in country" to ensure that so far as the retrieval and recording of diamonds, their export and sale by Milestone—indeed everything relating to them—is fully 100% in accord with the requirement of the Kimberley Process and whatever "best practice" DFID would hope that mining companies in Sierra Leone would pursue. Would that be possible?

14 January 2005

Tony Baldry MP

4. Letter to Mr Tony Baldry MP from the Secretary of State for International Development

Thank you for your letter of 14 January about the activities of Milestone Trading Ltd in Sierra Leone, and their approach to you to become their Chairman.

As you rightly say, diamonds in Sierra Leone are a very emotive commodity. I very much welcome schemes that share the profits from diamond sales with the local communities in the areas from which they are mined. I was very interested that Milestone is apparently pursuing such an approach. However, DFID does not have the means to carry out an investigation that could provide the assurance of best practice that you are understandably seeking. Nor, as you will understand, can we endorse an individual company's activities.

DFID officials have contacted the Government Diamond Office (GDO) in the FCO, which is responsible for the implementation of the Kimberley Process by the UK. They are unable to confirm whether Milestone Trading Ltd is abiding by the Kimberley Principles, as, to the best of their knowledge, there was no import of diamonds by Milestone to the UK in 2004.

As you are no doubt aware, a KP certificate, attesting that the stones came from legitimate sources, accompanies all exports of rough diamonds. In order to determine whether the company is adhering to the principles of the Kimberley Process, it would first be necessary to determine the destination of Milestone's exports and then contact the Government Diamond Office in that country. The GDO have contacted their Belgian and German counterparts. Their offices also have no record of imports from Milestone Ltd. It may be that Milestone only sells to buyers within Sierra Leone.

I hope this is helpful.

14 February 2005

Rt Hon Hilary Benn MP

5. Letter to the Secretary of State for International Development from Mr Tony Baldry MP

Milestone Trading

Very many thanks for your letter of 14 February concerning Milestone Trading. I think the best thing is for me to ensure that Milestone gets in touch with the Government Diamond Office in the FCO as I want to be confident, as a “belt and braces”, that they are so far as possible doing everything that they should be to comply with the Kimberley Process.

17 February 2005

Tony Baldry MP

6. *Sunday Times* article, 3 April 2005

Top Tory in African contract inquiry

A SENIOR MP used his parliamentary position to lobby an African government over the award of a lucrative aviation contract to a company in which he is a big shareholder.

Tony Baldry, the Conservative MP for Banbury, Oxfordshire, could now face censure for exploiting his position in the Commons to further his business interests.

The *Sunday Times* has seen a series of letters sent on Commons notepaper by Baldry to Vice-President Solomon Berewa in Sierra Leone discussing the privatisation of the country's failed national airline.

He attempts to arrange meetings with Angel Gate Aviation, a British-registered company that is keen to schedule flights from London to Freetown, the capital of the west African state.

Companies House records show that Baldry owns 439,000 shares in Angel Gate, although he makes no mention of this in any of the letters. The firm has paid him £30,000 in the past year as its chairman.

Val Collier, Sierra Leone's anti-corruption commissioner, criticised Baldry's intervention. He said last week that Baldry was “immoral” in using his position as an MP to promote his own business.

“(The airline approach) has nothing to do with House of Commons matters,” he said. “You cannot use high office to influence business negotiations. It's morally wrong and a bad example to countries like ours.”

The revelations will increase the pressure on Baldry, a former minister in the Foreign Office. Last week, *Insight* revealed that he has been paid by Milestone Trading, a mining company, to lobby the Sierra Leone government for valuable diamond concessions.

He stands to make a substantial amount of money out of the deal. This is despite the fact that his business with Sierra Leone—a war-torn country heavily dependent on British aid—presents a potential conflict of interest for someone in his position.

As chairman of the Commons international development committee, Baldry is responsible for scrutinising the millions in government aid spent in countries such as Sierra Leone. Fellow committee members point out that their job is to help alleviate Third World poverty rather than try to profit from it.

Baldry also used Commons notepaper to write to Hilary Benn, the international development secretary, on behalf of Milestone.

The matter has been referred to Sir Philip Mawer, the parliamentary commissioner for standards, by George Foulkes, the Labour MP and former international development minister.

After seeing the latest letters lobbying for the aviation firm, Foulkes said: “This appears to show that his [Baldry’s] business activities and his position as chairman of the select committee have become inextricably mixed in a way which appears to be a conflict of interest and breach of parliamentary rules.

“As a result, he should consider whether it is possible for him to continue as chairman of the committee.”

In the letters to Berewa, Baldry says he has been negotiating with Abdul Turay, the country’s privatisation commissioner, for Angel Gate Aviation to take over from the country’s national airline.

“We have agreed the way forward for the airline project and I hope it may be possible for Mr Turay to meet [Angel Gate director Ramy Lakah] to finalise details of the proposed agreement, which can then be passed to the respective lawyers to draw up the necessary contracts,” wrote Baldry.

“We fully understand that ‘speed is of the essence’ on this matter and that the government of Sierra Leone is anxious to see a viable airline operating between London and Freetown as soon as possible.”

Although he declares his directorships and shareholdings in the register of members’ interests, Baldry’s letters give the impression his involvement is neutral. His shareholding in the firm is not even alluded to.

As it turned out, his lobbying for the company failed as the contract was awarded to another operator. He did, however, have more success when acting on behalf of Milestone.

Last year the company was blacklisted in Sierra Leone pending an investigation into links between one of its directors and two mafia figures wanted in Europe and South Africa. A report by Collier confirmed that Gershon Ben-Tovim, a partner in Milestone, had business links to Vito Palazzolo, a known mafia figure wanted in Italy. Milestone and Ben-Tovim reject the significance of those links.

Baldry wrote to Berewa on October 4 last year dismissing the links as “tangential”.

The intervention undermined the objections made by Collier and cleared the way for Milestone to receive new mining licences. In return the MP’s company, Red Eagle Resources, received a \$75,000 payment, and the promise of a potential £1.5m shareholding in Milestone.

Baldry is now being asked to explain himself in front of his Commons committee. John Barrett, a Liberal Democrat member of the select committee, said: “If the allegations of a conflict of interest between business dealings and the work on the select committee are proved, then he should resign. I would certainly advise him to make a statement to the select committee on Tuesday.”

Baldry is also to be interviewed by the commissioner for standards. Last week he declined to comment further until the investigation has been completed.

3 April 2005

Sunday Times

7. Letter to the Commissioner from Mr George Foulkes MP

Further to my letter of 28 March, I enclose a copy of a further letter from Tony Baldry to the Vice-President of Sierra Leone which I hope you will take account of when giving consideration to this case.²

5 April 2005

Rt Hon George Foulkes MP

8. Letter to Mr Tony Baldry MP from the Commissioner

Complaint by the Rt Hon George Foulkes MP

Further to my e-mail of 1 April, I am writing to seek your response to the enclosed letter of complaint which I have received from Mr Foulkes. The complaint focuses on your exchange of correspondence with the Secretary of State for International Development earlier this year about the activities of Milestone Trading Limited in relation to diamond mining in Sierra Leone. These matters were, of course, the subject of an article in the Sunday Times of 27 March, a copy of which I also enclose.

Mr Foulkes comments in relation to your letter of 14 January to the Secretary of State:

“I understand that Mr Baldry’s letters were sent on Commons headed paper from the House of Commons and that he has not declared an interest in Milestone.”

In order to help you in forming your response to the complaint, it may be useful if I identify the four possible issues that appear to be raised by it:

1. Have you properly registered your interests in Milestone and other companies in the Register of Members’ Interests?

As you know, it is a requirement of the Code of Conduct that Members fulfil conscientiously the requirements of the House in respect of the registration of interests. The Rules require that you register:

- a) any remunerated directorships, including directorships which are individually unremunerated but where remuneration is paid through another company in the same group;
- b) shareholdings which are either greater than 15% of the issued share capital of the company or 15% or less but greater in value than the current parliamentary salary.

Your current Register entry does not include any mention of Milestone. This may be because your interest in the company is prospective rather than current. Your entry does include your non-executive Chairmanship of Red Eagle Resources plc (mentioned in the Sunday Times) but does not list your shareholding in this company (said in the Sunday Times to be one third of the share-holding ownership of the company).

On a further point relating to the registration of your interests, according to the Sunday Times article you have visited Sierra Leone twice in the past year on behalf of Milestone UK. However, no reference to any such visit appears in the Register. Could you please say whether these visits took place and, if they did, why you have not registered them?

2. Did you properly and fully declare your relevant interests when writing to the Secretary of State on 14 January?

The provision of the Code relating to the registration of interests also requires that Members:

“... shall always draw attention to any relevant interest in any proceeding of the House or its Committees, or in any communications with Ministers, Government Departments or Executive Agencies.”

A further provision of the Code stipulates:

“In any activities with, or on behalf of, an organisation with which a Member has a financial relationship, including activities which may not be a matter of public record such as informal meetings and functions, he or she must always bear in mind the need to be open and frank with Ministers, Members and officials.”

Section 2 of the Guide to the Rules on the Conduct of Members says (paragraph 56) that the rule relating to declaration of interests is broader in scope than that relating to the registration of interests, in that it embraces expected future (and past) as well as current interests. It includes the following sentence:

“Where, for example, a Member is debating legislation or making representations to a Minister on a matter from which he has a reasonable expectation of personal financial advantage, candour is essential.”

Future interests should be declared:

“Where a Member’s plans or degree of involvement in a project have passed beyond vague hopes and aspirations and reached the stage where there is a reasonable expectation that a financial benefit will accrue ...”

In your letter of 14 January you make clear that you have been approached to become chairman of Milestone and that the company “intends in the near future to go to the AIM exchange here in London.” You do not, however, mention any:

- payment made previously to Red Eagle Resources plc by Milestone. The Sunday Times alleges that \$75,000 (£40,000) has been paid to Red Eagle by Milestone in recognition of your work on Milestone’s behalf;
- arrangement under which Red Eagle would take a 3% share in Milestone when it is floated later this year. The Sunday Times alleges the existence of such an arrangement and that this could be worth £1.5 million when the company is floated.

Would you please comment on these points?

3. Did your approach to the Secretary of State breach the ban on lobbying for reward or consideration?

Paragraph 76 of the Guide to the Rules provides:

“When a Member is taking part in any parliamentary proceeding or making any approach to a Minister or servant of the Crown, advocacy is prohibited which seeks to confer benefit exclusively upon a body (or individual) outside Parliament, from which the Member has received, is receiving, or expects to receive a pecuniary benefit, or upon any registrable client of such a body (or individual).”

It is clear from your letter of 14 January that your approach to the Secretary of State was intended to try to achieve reassurances that Milestone’s operations in Sierra Leone were fully in accord with the requirements of the Kimberley Process and the “best practice” expectations of DFID. Your letter also mentions the potential risk to Milestone’s reputation if it fell short of these standards. The Sunday Times article describes your approach as one “asking for officials to give the company a ‘best practice’ seal of approval,” which, it could be argued, would give it a competitive advantage. Is this how you see the matter?

4. Did you send the letter of 14 January 2005 on House of Commons headed paper and was it appropriate for you to do so?

The guidance given by the Department of the Serjeant at Arms states that ‘House of Commons stationery, provided at public expense and the designs and symbols which authenticate communications from Members should not be used for purposes to which authentication is inappropriate.’ The rules approved by Mr Speaker, on the recommendation of the Administration Committee, which amplify this guidance specify that House of Commons stationery ‘which is provided at public expense should not be used for ... communications of a business or commercial nature.’

Your letter of 14 January clearly related to a company in which you have a commercial interest. How would you justify the use of House stationery in this context?

In accordance with the procedures agreed by the House in relation to the handling of complaints (which are fully set out in the enclosed note which I send to all Members who are the subject of a complaint), I should be grateful if you will let me have your response to the complaint, with particular reference to the four issues set out above. It would be helpful if in the course of this you would make clear the full extent of your past, present and future interests in relation to both Milestone Trading Limited and Red Eagle Resources plc, and any other

relevant interests you may have. If you wish to discuss any of these matters with me, please do not hesitate to contact my office to arrange this.

There is one other matter I should mention. Mr Foulkes raises the question “whether there are, or should be, particular requirements for both declaration and caution in making representations by Chairs of select committees now they are paid”. At present there are no such requirements: the obligations I have mentioned earlier apply to *all* Members. Whether there should be any such requirements is a matter which I intend to consider, in discussion with the Committee on Standards and Privileges, when the complaint against you has been resolved. It is not directly relevant to resolution of the complaint itself.

4 April 2005

Sir Philip Mawer

9. Letter to the Commissioner from Mr Tony Baldry MP

Further to your letter of 4 April, as I have said, I will obviously respond in full to all the matters that you raise.

There is one matter on which I immediately acknowledge that I am in error, but entirely by oversight and not deliberately.

You observe that my entry in the Register of Members’ Interests includes my Non Executive Chairmanship of Red Eagle Resources plc but does not list a shareholding in the company.

As I shall explain in detail in relation to the overall matters, when Red Eagle Resources plc was first established it was envisaged that it would involve a number of people and a number of shareholders, and I certainly never anticipated my shareholding to be in excess of 15%. What actually happened was that 3 founder shares were issued for the three directors, and there was never a formal allocation of shares. At the time the company was registered, and it again will become clear in due course, Red Eagle was exploring business opportunities and there was no value in the shares, and I think a combination of both those facts caused me to overlook as a “belts and braces”, as I could quite easily have done, registering a shareholding in the company. It certainly was not deliberate and was entirely an oversight. I recognise that by definition if there are three directors and three founder shares, I am deemed to own a third of the company and it is therefore in excess of 15% and should be registered and I would be grateful if that could be done.

5 April 2005

Tony Baldry MP

10. Note by the Commissioner of his meeting with Mr Tony Baldry MP on 7 April 2005

Meeting held in the Office of the Parliamentary Commissioner for Standards (PCS) on 7 April 2005.

Present, Sir Philip Mawer, PCS (PM), Mr Tony Baldry, MP (TB) and Ms Alda Barry (AM), Registrar of Members’ Interests.

The meeting was held at the request of TB, who wanted to give PM as much information as possible before Prorogation. He accepted that PM might have further questions, to which he would be happy to respond in due course.

Letter to Vice-President of Sierra Leone

Some time towards mid-September 2004, TB had received a telephone call from Stuart Polak, Director of the Conservative Friends of Israel, regarding contacts of his who were having business difficulties in Sierra Leone (SL). Their company was Nimikoro, a subsidiary of Milestone.

TB had frequently visited SL for various reasons, had spent some time there, and considered both the President (HE President Kabbah) and Vice-President (Mr Berewa), with both of whom he was on first name terms, as friends.

Mr Polak's contacts had invested a great deal of money in SL and had an extraordinary story to tell TB when he met them. They seemed to him to have done the right things, but had met with a number of set-backs. One had been arrested and deported as a result of a confusion of identity caused, apparently, by his being mistaken for someone completely different—different name, different nationality—the only connection being that they were both Jewish. A South African mining engineer the company was seeking to use was unable to get an entry visa, apparently because of material posted on the internet by his ex-wife.

It seemed to TB that it would be churlish, in view of his known interest in Sierra Leone, to suggest that his contacts should approach their own MP. There was also another reason for his interest in that he was involved with Angel Gate Aviation, which had been negotiating with SL to help with setting up an airline. The Friday following his meeting with the Milestone personnel, TB was due to meet the Head of the Privatisation Commission of Sierra Leone (Mr Abdul Turay) at his request. The Commission had decided that it would not be possible to privatise aviation because of the extent of debt but was prepared to accept the provision of an aircraft in exchange for air traffic rights. The possibility that the Sierra Leone government was behaving capriciously in respect of a Western company naturally concerned TB in view of this interest, and he also believed that there was a wider public interest in assisting UK companies where he could.

Believing himself to have some influence with the President and Vice-President, TB had written on 29 September 2004 to the President saying that he had concerns about what was happening to Nimikoro. In the absence of the President the Vice-President had replied to him on 30 September, and his letter of 4 October (supplied by Mr Foulkes to PM) had been written in reply to this. If he had been writing to anyone else, he would have raised the question of Angel Gate in a separate letter, instead of which he had mentioned it at the end. He regarded his intervention in the matter of Nimikoro as the kind of problem solving that MPs do all the time.

At this stage he had not known anything about Milestone and in particular there had been no offer of a directorship in the company.

Red Eagle Resources, Milestone and the letter to Hilary Benn

In the summer of 2004, between July and September, Red Eagle Resources (which invests in agriculture and natural resources in Sierra Leone) had been approached by people wishing to take trawlers to Sierra Leone, a country with no indigenous fishing industry. As it had become clear to TB that the Milestone team was interested not only in diamonds but also in investment more generally (including investments in Eastern Europe) he had asked them if they would be interested in investment in fishing; not only were they receptive to this but they had suggested that they could bring in a Russian processing ship, a welcome development given the war-ravaged state of Freetown's cold storage facilities,

One of President Kabbah's priorities for Freetown was a diagnostic/treatment centre. The question of Angel Gate involvement in this had been raised in discussion with the President and Mr Abdul Turay in 2003, at the same time as discussions on the airline project, as an Angel Gate shareholder (Mr Ramy Lakah) was involved in a family business in that line in Egypt. Although a suitable site had been identified, the project had not been proceeded with. TB was concerned at the absence of such a facility. Mr Turay had been in London in October 2004 seeking investment and, since TB's interest extended only to the aviation question but he was anxious to help SL if he could, he (TB) had asked Milestone if they would be interested in funding the medical facility and was told that they would.

When in Sierra Leone in November 2004 on behalf of Red Eagle, TB had seen Mr Turay in the Privatisation Commission. They had gone through a list of topics, including the management of the state national lottery.

In early November, Red Eagle and Milestone had come to an agreement to help each other in Sierra Leone. The benefits to Red Eagle would include use of Milestone's office in Freetown. Milestone had already demonstrated its willingness to invest in Sierra Leone.

In January 2005, TB had returned to Sierra Leone on behalf of Red Eagle because he had not, on his November visit, been able to find all the people he needed to talk to about the fishery project, and he needed to identify a joint venture partner. On the last day of his visit he had met the in-country manager of Milestone, Mr Daniel Chen (partly because TB had wished to discuss a possible gap year placement for his nephew).

In the course of conversation, TB had asked about Nimikoro and compliance with the Kimberley process. Under the misapprehension that it was for the exporter of diamonds to show compliance (rather than the country of export), he had been concerned not to get as informed a response as he expected. Knowing that Milestone was a new company, and the largest UK investor in Sierra Leone, TB was worried about the potential for matters to go awry and, back in the UK he had written to the Secretary of State for International Development, Hilary Benn (letter of 14 January 2005 supplied by George Foulkes). He asked that the letter be read according to the normal meaning of the words used. In the last two paragraphs he had been asking only that DFID staff in Freetown should contact the Milestone staff to check that they were doing all that was necessary. He was not seeking commercial benefit or approval for the company. He expected nothing back except perhaps a letter saying 'If the Milestone team get in touch with them, DFID will arrange a meeting' (indeed, he believed that was exactly what had happened). He was asking for something which was in the mainstream of DFID activity. He would not be surprised to learn that DFID had been unaware of Milestone and its interest in Sierra Leone before his intervention.

By the time he wrote the January letter there had been discussions about TB becoming chairman of Milestone, and this he had declared in the letter. He could indeed have put also that he was a director of Red Eagle which had an agreement with Milestone to take a 3% share in that company when it was floated etc, but he believed that he had given enough information to show the Secretary of State that he had a commercial interest in Milestone.

His intervention might have been to the detriment of Milestone, since if DFID had found Milestone needed to take action to comply with the Kimberley process, that would have been to the company's cost.

TB was unclear on what paper he should have written to the Secretary of State if not on House paper. He was not a director of Milestone; he was not writing on behalf of Red Eagle. He could have written on his domestic paper, but he did not wish to pretend to be a private citizen and thought that if he had done so the true nature of his interest might in fact have been less apparent.

TB believed that it was legitimate for an MP to encourage and help a UK company to ensure that its activities were in order.

Mr Foulkes had not approached TB to say that he was lodging a complaint.

The Sunday Times had first approached TB on Maundy Thursday, and as he understood it they had been making allegations about Milestone. TB had explained his relationship to Milestone and Red Eagle, and, since most of their questions seemed to relate to Milestone's day to day business activities in Sierra Leone, had referred them to Dr Levy. The journalist had then said that the paper understood that TB had approached Ministers on behalf of Milestone. TB had faxed the ST a copy of the letter. Having spoken to Dr Levy, the paper had come back to TB on Friday with additional points, but other points in the article had never been put to him directly. The following week the Sunday Times had called with questions about Angel Gate and Invicta Africa, and TB had said that they should raise the matter with the Commissioner.

When TB had become aware of conflicts between his business interests and the work of the Committee on International Development, which he chaired, he had stood aside from the inquiry. In early 2004, after a committee visit to Somaliland he had been approached by friends to become a non-executive director of Invicta Africa and had immediately written to the committee clerk saying he would take no further part in the inquiry, and had also declared the interest.

In conclusion, Mr Baldry said that he did not think he had done anything improper. He handed PM a file of correspondence, etc which he invited him to consider, and said that he would be happy to make himself available to answer any additional questions which might occur to PM as a result of reading the material.

12 April 2005

Sir Philip Mawer

11. Note by Mr Tony Baldry MP on his correspondence with HE the Vice President of Sierra Leone

Re: Letter to Vice President

On or about Monday 20 September 2004, I was telephoned by Stuart Polak, the director of the Conservative Friends of Israel, a friend and someone whom I trust implicitly.

I understood from him that he had business associates in London who appeared to be victims of a serious miscarriage of justice in Sierra Leone. Apparently, one of them had been expelled from the country in a pure case of mistaken identity, and this had put in jeopardy one of the largest investments of a UK company in Sierra Leone. Not unsurprisingly, I was astonished and agreed to see them with Stuart Polak at the Carlton Club the next day.

The meeting took place and Stuart Polak introduced me to Dr Nissim Levy and Mr Moshe Levy.

Dr Levy explained that his London office represented a company called Interlink and that he partially owned an English company called Milestone Trading; that Milestone Trading had invested a considerable sum of money—I understood it to be several millions of pounds—in equipment for alluvial mining of diamonds in the Nimikoro region of Sierra Leone.

Milestone had negotiated an agreement with the Paramount Chiefs and the community whereby the local community would receive one third of the profits of the mining operations. Milestone had already moved a considerable amount of equipment into the country, ready to start work. I understood this to be modern, South African mining equipment capable of reworking ground that had already been previously worked, in the hope of finding new deposits.

Dr Levy explained that they had run into the most extraordinary problem.

Moshe Levy, who I understand to be a former Israeli diplomat, had been in Freetown helping to set up the operation, and had seemingly without any particular reason, been arrested at his hotel, taken to the airport and deported.

In addition, they had a sub-contracting company called Gemfarm, the principal of which was Gershon Ben-Tovim and he was being refused entry clearance into Sierra Leone altogether. They explained that without Gershon Ben-Tovim it was extremely difficult to get the equipment going. Time was now of the essence because they had paid for the equipment, paid for its shipping and installation; they had taken on the work force, in good faith they had negotiated an agreement with the local community, and they were stuck.

Dr Levy explained that neither the UK High Commissioner in Freetown, nor the Sierra Leonean High Commissioner in London had been able to be of help to them; they had been unable to find anyone else in Freetown who could help them. Time was now of the essence because they were now losing money daily.

They asked me if I might be able to help them discover why they were being treated in this way. They explained that they had no desire to get involved in Sierra Leonean politics, but they were concerned as to whether unbeknown to them someone was talking badly of them in Freetown. I was told that Mr Levy had been mistaken for someone else, not only of a different nationality, but also a completely different name. The only connection appeared to be that they both had Israeli backgrounds. He was understandably outraged. Upon investigation, this was entirely true.

The overall impression that they gave was of a company and individuals being treated somewhat capriciously without proper explanation by the Government authorities in Freetown. Mr Polak endorsed these concerns.

I too was very concerned by what they told me for a number of reasons one of which was a personal concern.

As it happened, that Friday I was due to meet in London the Chairman of the Sierra Leonean Privatisation Commission to discuss proposals for a company of which I am a Director, Angel Gate Aviation Ltd, possibly to enter into a ten year contract with the Government of Sierra Leone. I was concerned that if the Government of Sierra Leone might be behaving capriciously with one UK-based company which had already made a

substantial investment in Sierra Leone, there was no guarantee that they would not behave capriciously with another UK-based company.

During previous years, I had spent some time in Sierra Leone for a number of reasons:

- visiting friends;
- visiting projects by Friends of Africa, a small UK-based NGO which I support;
- doing research for a university dissertation; and
- business visits on behalf of Red Eagle Resources plc and Angel Gate Aviation Ltd.

Anyone can see that what Sierra Leone needs is investment and jobs. For there to be ongoing peace and stability, people have to see that standards of living are improving and that jobs are being created. Few UK or other companies have yet taken the plunge on investing in Sierra Leone and I knew from experience with Red Eagle Resources plc that raising venture capital for any project in Sierra Leone is extremely difficult because of perceived country risk. I was thus also extremely concerned that if companies like Milestone that were willing to invest, indeed had invested significant sums in the country, were running into such difficulties so soon, that this could only discourage others from risking investment in the country. In any event, I thought that Mr Moshe Levy had been subject to a serious miscarriage of justice. If they could get his identity wrong, what else could have been got wrong?

I therefore agreed to write to President Kabbah to try to get an understanding of why it was that Milestone were being handled in this particular way. (I attach at Document (1) a copy of my letter to President Kabbah dated 29 September 2004.)³ I used House of Commons notepaper because the main purpose of my letter was to raise an objective concern about a UK company that I knew to have made substantial investments in Sierra Leone and whose business activity had effectively been ground to a halt and the circumstances of Mr Levy's exclusion.

I think it would have been churlish to have told them to go and track down whoever might be their own MP to help them. So far as I was concerned, here was a UK company that had made a substantial investment in a country which desperately needs inward investment and had got into difficulties and had had its business stopped. Much of my life as a Member of Parliament is spent problem-solving and this was a problem which I considered that I was in a position to help resolve.

Because President Kabbah was overseas, the Vice President responded on his behalf, setting out the Government's concerns in some detail (I attach at Document (2) a copy of his reply).⁴

I then had a meeting with Dr Levy and Moshe Levy and went through the Vice President's letter and enclosures in detail. I recall that there was a brief telephone call to speak to Gershon Ben-Tovim in South Africa, and I then wrote accordingly to the Vice President as requested, giving my best advice (I enclose at Document (3) a copy of my letter, which I again wrote on House of Commons notepaper because I was seeking to try and be helpful in sorting out a problem for a UK company).⁵

My recommendations were an attempt on my part to do my best by all concerned, to on the one hand try to clear up misunderstandings, to suggest a way forward and in so doing to demonstrate to Milestone that it had to be right for the Government of Sierra Leone to carry out the fullest proper enquiries before they granted entry clearance to anyone over whom concerns had been expressed.

I would refer you to the full text of the letters.

3 WE 12.

4 WE 13.

5 WE 14.

As to Moshe Levy, I observed that "... it has now been established beyond peradventure that Moshe Levy is a man of good character against whom nothing is known to his detriment but that it must be a matter for the Sierra Leonean High Commissioner in London, in consultation with Freetown, to decide whether to issue him with a further visa to enter Sierra Leone. I can see no possible reason why a such visa should be withheld."

As to Gershon Ben-Tovim, I advised that "on the basis of erring on the side of the maximum possible caution, I would suggest before a visa is issued to Mr Ben-Tovim, that the DFID consultant who undertook the report to the Anti Corruption Commission invites the DFID Office in South Africa and the UK High Commission in South Africa, through their contacts with the South African Police and Intelligence Services, to double-check the facts that I have set out above."

My concern was to help a UK company that was committed to investing in Sierra Leone and for reasons that I have explained above relating to Angel Gate Aviation, I was anxious to see how matters would be resolved by the Government of Sierra Leone.

The President and Vice President of Sierra Leone I consider to be friends. They address me by my first name and have known me for some time. I would imagine that whether my concerns are expressed on House of Commons notepaper or any other notepaper, would make no difference to how they are received. The reference to Angel Gate at the end of my letter was to a man who had direct responsibility for this project (please see a copy of Mr Turay's letter, dated 21 September, where it is clear that he is acting on the instructions of the President and Vice President).⁶ I was not lobbying anyone in this letter. I was simply reporting on the outcome of a meeting that had taken place with Mr Turay which had been initiated by the Vice President and President themselves.

7 April 2005

Tony Baldry MP

12. Letter to HE the President of Sierra Leone from Mr Tony Baldry MP

We are making good progress with the airline project. There is I think agreement in principle between Angel Gate Aviation Ltd and the Government of Sierra Leone as to the way forward and today I am having a meeting with Mr Turay and I hope that he will shortly be able to come to Paris to finalise details with my colleagues so that a clear proposal can be put to you and to the Government of Sierra Leone.

Obviously the investment by Angel Gate Aviation Ltd in this project is going to be substantial. It is going to require the commitment of at least one and possibly two aeroplanes for a number of years and my advice to my colleagues is that we should be prepared to invest in Sierra Leone's future.

I am however somewhat concerned by matters involving another UK company that have been drawn to my attention.

As you will know, quite apart from Angel Gate Aviation Ltd, Lord Freeman and myself have been and are working hard to promote Sierra Leone as a country in which UK companies can safely and securely invest.

I have been approached by a UK company, Milestone Trading Ltd, who I understand have already made a very substantial investment in Sierra Leone of some US\$ 10 million and are seeking to employ some 500 people in the Nimikoro Chieftainship. This company assure me that they are willing to make further financial investment in Sierra Leone and to train local people, and to continue to enter into local Joint Ventures. They assure me that they are totally supportive of you and your Government and have absolutely no interest in any way getting involved in politics; they simply wish to develop their business in Sierra Leone in partnership with local businesses and local people. I suspect that this must be one of the largest investments or largest

6 Not appended by the Commissioner.

investment by any UK company into Sierra Leone in recent years and I am sure that you will understand that other potential UK investors are going to be watching or watched closely as to the progress of Milestone Trading.

You will recall that at the dinner that I hosted for you in London some months ago, *** was present. ***, as you know, is on the Board of de Beers, and I continue to persevere, with pressure through ***, to see if we cannot get de Beers to come back into Sierra Leone in a significant way.

Clearly, mining companies like de Beers will be watching closely to see if the progress of other exploration companies in Sierra Leone, particularly companies such as Milestone Trading, are seeking to make significant investment for the first time.

I understand that Milestone Trading have invested substantial sums of money in bringing in plant and equipment into Nimikoro for a minerals recovery project and have also invested substantially in logistics and recruiting local people.

To operate, they clearly need a mining licence.

I enclose a copy of a letter from the Ministry of Mineral Resources to the Nimikoro Mining Company Ltd where it is clear that there are no technical objections to this mining lease.⁷ The reason given for not granting a lease was the suggestion that "... the major investor in the company Mr Moshe Levy was involved in an immigration problem with the Ministry of Internal Affairs."

I am concerned that the Ministry of Mineral Resources may unwittingly have been misinforming themselves on these matters.

I have made a number of enquiries. Firstly, Mr Moshe Levy is not the major investor in the company. The major investor in Milestone Trading is Dr Nissim Levy whose company is situated in London, he lives in London, works in London and is a man of extremely good character. As to Mr Moshe Levy and "an immigration problem with the Ministry of Internal Affairs". I understand, having spoken to Mr Moshe Levy, that he had been issued and was in possession of a perfectly valid visa to enter Sierra Leone, that no issue was taken with him when he entered the country, but that it was only subsequently that any questions were raised with him. From my understanding, such queries sound like complaints made by competitors anxious to thwart fresh investment into Sierra Leone.

As you will know, foreign direct investors, more than anything else in making a decision as to whether to enter a new market, want to be satisfied that the country concerned operates under predictable rule of law, and that executive decisions are not made capriciously and other than by proper administrative process.

Given the investment made so far by Milestone Trading in Sierra Leone, given that they have entered into a substantial local joint venture, given that the Ministry of Natural Resources appear to have no problems with this application other than Mr Moshe Levy's immigration status, and given that that would appear to have been based on a misunderstanding, I would very much hope that it would be possible for the Government of Sierra Leone to issue the Nimikoro Mining Company Ltd with a mining lease in the very near future.

I am sure you will understand it is going to be very difficult otherwise for Lord Freeman and myself and others, to seek to persuade UK companies that they should be investing substantially in Sierra Leone if UK companies that have invested substantially find that they are unable to progress their business.

And on a personal level, there must be a question mark for Angel Gate Aviation Ltd in committing millions of pounds-worth of planes to Sierra Leone if there is any scintilla of a suspicion that Government Ministries are maybe behaving capriciously, because if there is capricious behaviour with one UK company, then there is always the danger that at some time in the future another Ministry could behave capriciously so far as Angel Gate Aviation Ltd is concerned.

⁷ Not appended by the Commissioner.

As you know, I am completely committed to doing whatever I can to advance the best interests of Sierra Leone and I very much hope that it will be possible for the matters concerning Milestone Trading to be resolved in the near future. I am sure that must be in the best interests of Sierra Leone.

29 September 2004

Tony Baldry MP

13. Letter to Mr Tony Baldry MP from HE the Vice President of Sierra Leone

His Excellency the President has had to travel to Abidjan, Ivory Coast this morning just after he had received your letter of the 29 September. He has had to travel to Abidjan in order to make some efforts in moving forward the stalled peace process in that country. The need to share with the Ivorians his experience in our own situation in Sierra Leone has proved invaluable in the similar situation which now obtains in the Ivory Coast.

Because of the importance of the subject matter of your letter, H.E. would not delay a reaction to it until his return. It is for this reason that he has instructed me to reply personally as I too am privy to the matters you have referred to in your letter.

Indeed Mr Moshe Levy attempted to enter Sierra Leone and he was not allowed entry by the Immigration Authorities on the instructions of the Government. The Government acted the way it did on the basis of information and materials then in its possession. It was not simply an immigration matter as we do not normally unnecessarily prohibit the entry into Sierra Leone of foreigners, especially potential investors.

As you are aware the diamond industry in Sierra Leone was one of the factors which fumed the conflict in this country and its proceeds provided arms for the rebels. In spite of the reputation of this country as a diamond rich nation, there has not been commensurate benefit enjoyed by the people of this country from this industry. Diamond as we know is also the easiest means of effecting money laundering. It was for the purpose of getting rid of all these negative aspects of the industry that the British Government through DFID conducted a study into the diamond trade in Sierra Leone. This study produced recommendations on the best way forward. The Prime Minister of Britain, Mr Tony Blair, on his visit to Sierra Leone over two years ago personally handed to His Excellency the President a copy of the Report of that study with a request from him that the contents of the Report were to be treated seriously and that the President was to pay special attention to matters relating to the diamond industry if he wanted Sierra Leone to forge ahead and not slide back into hostility. In addition to this personal intervention by Mr Blair, the United Kingdom Government assigned a Consultant to advise and guide our Government on matters relating to the diamond industry. From all these, the Government had been prompt to react to any information which may lead, however remotely, to the use of this industry again as an instrument for instability, gun-running or money-laundering in this country. The information the President received in relation to Mr Moshe Levy just before he attempted to enter Sierra Leone was, in the President's assessment, enough to put the Government on its guard and to take the type of action that was taken against him.

Towards the end of July, the President received information followed by the copy of a newspaper editorial mentioning a Mr Lev Leviex in terms not so complimentary with regard to his activities in the diamond business. That information and newspaper article was enough to put the Government on notice that if a Mr Lev attempted to enter Sierra Leone for the purpose of engaging in the diamond trade, he was not to be allowed entry. The Immigration Authorities were alerted accordingly. It was in these circumstances that Mr Moshe Levy was prevented from entering this country. This was a precautionary measure the Government took and it was taken in abundance of caution having regard to what I have already stated above.

But the matter did not end with speculation or rumour only. The President directed an investigation by the Inspector-General of Police into the allegation that Mr Levy was involved in the diamond trade in a manner that was not acceptable. The newspaper article and whatever other relevant material available were all handed over to the Inspector-General to form the basis for the investigation to determine whether or not Mr Levy was connected with any undesirable practices to justify the refusal of his entry into this country.

On the 23 August, 2004 the Inspector-General submitted a report of his investigations and a photocopy of that report is attached to this letter.⁸ That report exonerated Mr Levy of involvement in unacceptable practices.

The President further requested the Anti-Corruption Commission to conduct an independent investigation into the same matter. A DFID employed British Consultant attached to that Commission is an expert in such matters and he conducted the investigations. A copy of the report containing his findings is also attached to this letter.⁹ In essence, Mr Levy was also exonerated of any criminal behaviour personally within the past 7 years, but he was found to have very close business relationship with two persons, Mr Vito Pallazollo, an Italian national resident in South Africa, and wanted by the Swiss Government and Italian Government for money laundering and drug related crimes, and with Mr Silvio Polera who is wanted by the South African Government for drug and gun related crimes.

On the basis of these findings, the President thought that there was enough material to put the Government of Sierra Leone on its enquiry. It therefore decided to act cautiously and prudently by taking the only safe course of action, and that was to exclude Mr Levy from entering Sierra Leone. In our peculiar circumstances and because of our desire not to permit any activity in this country which might cause embarrassment to our Government and displeasure to the British Government and to you, our good friends, who have been strenuously espousing and promoting our course, the President decided to err on the side of caution.

Now that the entire facts are known to you, the President has asked that you be kind enough to give your own views and appraisal of this matter as you see it to enable him to take a final position on it. He will consider those views seriously. The President does not wish this issue to be in any way linked with the Angel Gate affair or with the efforts you, Lord Freeman and others have made to restore the image and economy of this country. We have now started seeing the result of these efforts.

The President will be back in Freetown on Sunday 3 October He will appreciate it very much if you can send your reaction to this letter as early as possible.

30 September 2004

H.E. The Hon Solomon Berewa

14. Letter to HE the Vice President of Sierra Leone from Mr Tony Baldry MP

Nimikoro Mining Company Ltd

Very many thanks for your letter of 30 September. I am sure that there is much that can be shared with the Ivorians of Sierra Leone's experience in restoring peace and stability and I very much hope that President Kabbah's visit is successful. It would be very good if stability could return to the whole region.

I have spent some considerable time over the past few days carrying out my own enquiries into the matters to which you refer in your letter.

As you know, the UK Government, DFID and all of us who care about Sierra Leone have always been anxious and keen to ensure that the diamond mining industry in Sierra Leone is carried out to the highest possible degree of integrity and that the Government and people of Sierra Leone are properly rewarded from the benefits of this natural resource of the country. So I entirely understand and support the President's, your and the Government's policy that in any matter relating to the diamond industry the Government should err on the side of caution and that if ever there is an issue of concern, those concerns should be resolved before moving forward.

8 Not appended by the Commissioner.

9 Not appended by the Commissioner.

The issue here is whether a mining licence and lease should be issued to the Nimikoro Mining Company Ltd by the Ministry of Mineral Resources and Government of Sierra Leone.

I understand that the Nimikoro Mining Company Ltd is a joint venture owned 70% by Milestone Trading Ltd of the United Kingdom and 30% by the Nimikoro Paramount Chiefs and local community.

Milestone Trading Ltd is a UK registered company, straightforwardly operating in the UK from substantial offices near Marble Arch. Milestone is a company that has successfully and responsibly invested in commodities in a number of countries.

The principal shareholder in Milestone Trading is Dr Nissim Levy. As you will have seen from the work carried out by the Anti Corruption Commission and DFID Dr Nissim Levy is a man of excellent character, running a responsible business.

Milestone Trading employs Mr Moshe Levy. Moshe Levy is a retired diplomat, having worked for the Government of Israel; he is a man of exemplary character as was again confirmed by the Police Reports, the Anti Corruption Commission Report and DFID's investigations.

There appear to have been two substantial misunderstandings:

Firstly, when Mr Moshe Levy sought to enter Sierra Leone, there was clearly a misunderstanding and he was confused by the Immigration Authorities as Mr Lev Leviex. I am satisfied there is absolutely no connection whatsoever between Milestone Trading, Dr Nissim Levy and Mr Moshe Levy with Lev Livix. This was clearly an issue of a case of mistaken identity by the Immigration Authorities, confusing Moshe Levy for Mr Lev Leviex and I think that misunderstanding has now been sorted out by the investigations by the Inspector-General of Police, and by the Anti Corruption Commission.

There appears, however, to have been another misunderstanding and that relates to Mr Gershon Ben-Tovim.

My understanding is that Gershon Ben-Tovim is an engineer whose company, Gem Farm, is a sub-contractor to Milestone Trading and thus a sub-contractor to the Nimikoro Mining Company Ltd. Gem Farm has expertise and experience in mining diamonds both on land and offshore.

Gershon Ben-Tovim is the owner of Gem Farm.

The suggestion in the Anti Corruption Commission's report is that Gershon Ben-Tovim has had a "... close business relationship with two persons, Mr Vito Pallazollo, and ... Mr Silvio Polera."

I have looked into these allegations in some detail and I believe that they arise from misunderstandings I think such contact as there has been between Mr Ben Tovim and Mr Pallazollo has been extremely tangential. As an offshore diamond dredging operator, Mr Ben-Tovim was well known to the Government of Namibia as a person of some substance. The Government of Namibia suggested to him that Mr Ben-Tovim might like to provide bridging finance for an ostrich farming venture which was being set up in an effort to improve Namibia's rural economy. Mr Ben-Tovim agreed and put up a substantial loan on terms whereby he would receive shares in the venture in the event of default on repayment of the loan.

As it happens, Mr Pallazollo was one of a few private individuals who owned shares in the ostrich farming business through a nominee called Mr S Phelps.

I understand that Mr Pallazollo through Mr Phelps originally held a 10% stake subsequently acquiring a further 10%. He was never a director of the company and never was involved in the running of the company.

The ostrich venture could not repay Mr Ben-Tovim's loan so in due course the loan was converted into a 35% stake in the venture.

Subsequently Mr Ben-Tovim petitioned to wind up the company and in due course purchased the assets quite legally from the liquidator, without the involvement of Mr Pallazollo or any other individual shareholders.

As you will know the business community in Namibia is not that large and clearly Mr Ben-Tovim knew of Mr Pallazollo but they have never been friends, they have never worked together in business, they have never been business partners, nor business associates.

The tangential “connection”, such as it was, between Mr Ben-Tovim and Mr Pallazollo, was only ever raised because of a vindictive press campaign by Mr Ben-Tovim’s estranged wife. Mr Ben-Tovim was a lender and then later a shareholder when that loan was defaulted on, in a venture in which Mr Pallazollo was a minority shareholder, but simply a shareholder.

I am attaching an extract from the funding request for the venture “NACOCO” as evidence of the above facts.¹⁰

Mr Ben-Tovim’s company has carried out considerable work for many reputable diamond companies throughout the world and has carried out substantial work for de Beers.

There came a time in September 2003 when the Institute for Security Studies in Namibia published a monograph on “Business organised Crime in Southern Africa” and posted that monograph on the internet (The article can be found at www.iss.co.za/pubs/Monographs/86/chap2.htm).

If one reads that website, it is clear that it is collection of any rumour, suggestion or innuendo against anyone from any source and there has been no real attempt to properly investigate, verify, or weigh the truthfulness or strength of any such allegations and the website makes it clear that insofar as there is any comment about Mr Ben-Tovim it is “... according to his estranged wife Sarah ...”.

There is absolutely no evidence whatsoever of Mr Ben-Tovim ever having had any connections with Silvio Polera. In my presence Ben-Tovim was telephoned in South Africa and made clear that he had never heard of Silvio Polera let alone ever having met him or had any business dealings with him.

It would appear that the way in which Polera’s name has come into this is that in the website article to which I refer, Silvio Polera is mentioned as being an Associate of Vito Pallazollo.

In short, I am satisfied that Gershon Ben-Tovim has never met and never had any contact with Silvio Polera and that his contact with Vito Pallazollo has been entirely tangential and simply arose because the latter was a shareholder in a company to which Gershon Ben-Tovim made a loan at the behest of the Government of Namibia.

In your letter to me of 30 September, you say that Mr Levy was exonerated of any criminal behaviour but was found to have “very close business relationships with Pallazollo ... and ... Polera”. I think that clearly arose from a misunderstanding of the Anti Corruption Commission and DFID’s Report. I don’t think there has ever been a scintilla of a shadow of a suggestion that Moshe Levy in his life has ever even met either of these two people. The only shadow of a suggestion about contact with these two individuals was in relation to Gershon Ben-Tovim and I hope I have dealt with those allegations above.

It is clear from the report of the Anti Corruption Commission and from DFID that Gershon Ben-Tovim is a man of good character.

In your letter to me you say that His Excellency the President has asked me for my views and my appraisal as to how the Government of Sierra Leone should move forward.

The Nimikoro Mining Company Ltd, through Milestone Trading Ltd, has already made a very substantial investment and commitment to the future of Sierra Leone. As I said in my last letter to the President, they have invested some \$10 million in kit and equipment and hope to employ some 500 people in the near future, and they have clearly established a constructive and purposeful joint venture with the Nimikoro Paramount Chiefs and as you will see the Regent Chief Ki Buffa wrote to the Minister of Internal Affairs saying “... we have negotiated a joint venture agreement with Gem Farm acting on behalf of Milestone for the processing of

¹⁰ Not appended by the Commissioner.

our Number 5 Tailings Dumps. This agreement stands to benefit our people not only in our immediate post war development efforts but in laying a solid foundation for future development”.

The inability of the Nimikoro Mining Company Ltd to operate is costing the company some \$12-15,000 per day in lost wages and in kit and equipment they are unable to use. Clearly they cannot continue to sustain those sorts of losses indefinitely.

I respectfully make the following recommendations to His Excellency the President:

- Moshe Levy. I think it has now been established beyond peradventure that Moshe Levy is a man of good character against whom nothing is known to his detriment, but that it must be a matter for the Sierra Leonean High Commissioner in London in consultation with Freetown to decide whether to issue him with a further Visa to enter Sierra Leone. I can see no possible reason why such a Visa should be withheld.
- Gershon Ben-Tovim. There is, I understand, no pressing immediate need for Gershon Ben-Tovim to return to Sierra Leone. I understand that there are two of his Engineers in the country who can give the necessary direction and leadership to Gem Farm for the immediate future. However, in the longer term it would obviously be desirable for Gershon Ben-Tovim to be able to re-enter Sierra Leone. It is he who has designed and developed much of the mining equipment and in due course his expertise is going to be of value. On the basis of erring on the side of the maximum possible caution, I would suggest that before a Visa is issued to Mr Ben-Tovim that the DFID consultant who undertook the report for the Anti Corruption Commission invites the DFID office in South Africa and the UK High Commission in South Africa, through their contacts with the South African Police and Intelligence Services to double check the facts that I set out above.

Given these caveats and suggested procedures in relation to Moshe Levy and Gershon Ben-Tovim, I see no reason why in these circumstances, and given that there has now been the most comprehensive and thorough investigation of Milestone Trading Limited, Dr Nissim Levy and the Nimikoro Mining Company Ltd, in which nothing otherwise has been found to their detriment, and indeed, quite the contrary, here is a substantial UK Company that has made a substantial investment in Sierra Leone properly entering into a real and deep joint venture with local people, that the Ministry of Mineral Resources be instructed to issue a Mining Licence and Mining Lease to the Nimikoro Mining Company Ltd without delay to enable them to commence work.

On other matters, I had a very useful meeting with Abdul Turay on his way through London to the USA and I think that in principle we have agreed the way forward for the airline project and I hope that on his way back from the USA it may be possible for Mr Turay to go via Paris so that he can meet *** and *** to finalise details of the proposed agreement, which can then be passed to respective lawyers of Angel Gate Aviation Ltd and the Government of Sierra Leone for them to draw up the necessary contracts and we fully understand that “speed is of the essence” on this matter and that the Government of Sierra Leone is anxious to see a viable airline operating between London and Freetown as soon as possible.

As you know, there are other UK investors who are keen to move forward both on the fisheries project and on the possibility of purchasing the Mining projects and I again discussed these with Mr Turay so that he could make further and better enquiries from the respective Ministries in Freetown of the information that we need.

I have to go to India for a large part of October, leading the International Development Select Committee on an enquiry we are undertaking into UK Development Assistance to India but I hope it will then be possible for me personally to come to Freetown early in November and to bring representatives of these potential investors with me and of course I hope by then we will have made some continuing progress on their airline project.

I hope that my investigations and advice contained in this letter will enable His Excellency the President to feel confident to issue the Nimikoro Mining Company Ltd with a licence to mine so that they can start to work and bring benefit to the people of that region and Sierra Leone.

4 October 2004

Tony Baldry MP

15. Letter to Mr Tony Baldry MP from HE the Vice President of Sierra Leone

Nimikoro Mining Company Limited

I referred your letter of 4 October to His Excellency the President. He wishes me to express to you his thanks and immense appreciation for your sustained efforts in attracting investors to Sierra Leone, and for our shared interest in ensuring that we allow in only investors who will contribute positively to the economic development of Sierra Leone. Your two letters on the matter and my reply sent on behalf of His Excellency clearly bear this out.

After careful consideration of the issues raised in your letter as well as the reports from the Police and the Anti-Corruption Commission, the President has decided that the following is the best way forward in the case of the Nimikoro Mining Company Ltd:

- i. that Mr Moshe Levy is allowed to return to Sierra Leone;
- ii. that the licence be issued to Nimikoro Mining Company;
- iii. that the decision not to allow Mr Gershon Ben-Tovim to enter Sierra Leone stand pending further investigations by the Anti-Corruption Commission.

In the light of the above Mr Moshe Levy can apply to the High Commission in London to be issued with a visa to enable him travel to Sierra Leone to put in place mechanism to start the operations in the Company.

As regards the matter relating to Angel Gate Aviation Ltd, I am asked to inform you that Government just last week received from Gold Coast Aviation (PTY) Ltd, a South African Company, an offer to salvage the Sierra National Airlines (SNA) by liquidating its huge liabilities and reactivating the Company by providing an aircraft to fly its traditional Freetown/London route and to other destinations. This South African Company is prepared to implement its offer as soon as it is given the go-ahead by the Government. In addition, it will be the national carrier, retaining the name, Sierra Leone National Airlines and its logo and colours. Government is inclined to accept this offer as, above all, it will relieve us of the liabilities which have been incurred by SNA and which at the end of the day would have had to be met by the Government of Sierra Leone.

We are sure that you will understand the reason behind our intention to proceed with the Southern African Company. We thank you for the time and effort you have put into resolving the problem relating to SNA and to alleviate the need to have dependable direct and regular air connection with London. We shall appreciate it if you will be kind enough to explain to the Proprietors of Angel Gate Aviation the reason for our intention to now pursue a different course of action. And please express our gratitude to them for their willingness to allow their aircraft to operate from Sierra Leone.

The matter relating to the establishment of a diagnostic facility in Freetown is one that we are still asking that you help us to push through. His Excellency the President had even identified premises for this purpose. We look forward to our successful collaboration in this particular venture.

11 October 2004

H.E. The Hon Solomon Berewa

16. Note by Mr Tony Baldry MP on his correspondence with the Secretary of State for International Development

Re: Letter to Hilary Benn

These are my observations in response to the complaints made by the Rt Hon George Foulkes, in relation to the letter I sent to the Secretary of State for International Development on 14 January 2005.

The implication in Mr Foulkes' complaint is that in some way I have acted improperly.

I hope that I can demonstrate that it was not my intention to act in any way untoward: I do not believe that I have.

I have for some time had entered in the Register of Members' Interests the fact that I am a Director of Red Eagle Resources plc which specifically makes mention of the fact that Red Eagle's area of interest and activities is in Sierra Leone.

I have already written separately to explain why, entirely by oversight, I had not registered a registerable shareholding in relation to Red Eagle Resources because although at that time we anticipated a number of shareholders, I had never anticipated my shareholding being in excess of 15% and as at the time the company was a start-up company, my single founder share clearly did not represent anything other than a nominal amount by way of value.

I am not a director of Milestone Trading.

I do not hold any shares in Milestone Trading.

I have never received any money from Milestone Trading and I have not visited Sierra Leone on behalf of Milestone Trading. All trips made by me on private business to Sierra Leone were paid for by me.

Red Eagle Resources plc has a contract to participate with Milestone in suitable business opportunities in Sierra Leone.

So, Red Eagle has introduced Milestone to the opportunity of taking forward a diagnostic centre in Freetown; of undertaking work for Milestone on the possible privatisation of the management of the National Lottery in Sierra Leone, and Red Eagle has been in its own right taking forward a fisheries project but where Milestone intends to become a Joint Venture partner and in particular contribute a processing ship to the overall package of the project which is envisaged to include trawlers, a contribution to sea fisheries protection, and the processing ship. Milestone's participation is one among a number of necessary participants.

Milestone has been in discussion about going to the AIM Exchange, but I understand that is still some way off. Brokers have not yet been appointed. I have been approached to see whether at that stage I might agree to become Chairman of the company and if and when a time were to come when I became a director of Milestone, that clearly would be a matter that I would enter in to the Register of Members' Interests at the appropriate time. At present I have no interest in Milestone and therefore nothing to register.

As part of the business participation agreement Red Eagle Resources plc would obtain 3% of the shares of Milestone in the event of flotation. Until successful flotation, Red Eagle would not, indeed does not, have any shareholding whatsoever in Milestone.

In the event of successful flotation Red Eagle's 3% would be 3% of the value of Milestone's shareholding at that time and if it occurred. There has not at present been any valuation of Milestone and I understand Milestone await a geologist's report.

To date, in relation to various work that Red Eagle Resources has undertaken with Milestone, Milestone have paid Red Eagle Resources approximately £18,000.

Red Eagle Resources plc has been engaged in general trading in Sierra Leone. Some of the projects mentioned earlier indicate its diversity and intention to invest in job creating projects relating to natural resources. It has no skill, inclination or function in providing any public relations role for Milestone or otherwise. But to develop its own business activity in participation with Milestone and others.

It may be helpful if I set out the background to why I wrote to the Secretary of State as I did on 14 January.

I visited Freetown from 3-6 January 2005. This was a visit made on behalf Red Eagle Resources plc.

Red Eagle paid my air fare. Red Eagle paid my hotel bill.

The purpose of the visit was to take forward a substantial fisheries project on which Red Eagle is taking the lead.

During the three days, I had meetings on behalf of Red Eagle Resources with the Minister of Marine Resources, and with officials from the Department of Marine Resources. The purpose of those meeting was to understand as much as possible about fish licences, fish quotas and a potential sea fisheries protection regime.

Part of the purpose of the visit was also to identify a potential overall Sierra Leonean Joint Venture partner for the fisheries project, which I did.

I had also intended to spend a day in Bonthe looking at the prospects for establishing part of any fisheries project.

Within the time available, the only way to get to Bonthe was to charter a helicopter from Freetown. This I had done on behalf of Red Eagle on the middle day of my visit. The helicopter company, whose main activity is ferrying passengers from the international airport to Freetown normally has two helicopters operational. Unfortunately on that particular day one of them developed a fault and so I spent much of that day patiently waiting at the helipad to see whether it would be possible to get to Bonthe. In the event it wasn't.

During the course of my three day visit—I think on the last day—I had a meeting with Daniel Chen, who has overall responsibility for Milestone's operations in Sierra Leone. The reason that I wanted a meeting with Daniel Chen was that my nephew was keen to visit Sierra Leone during his "gap" year and I wanted to see if Milestone could arrange any assistance. Daniel Chen wanted to show me some offices that were being built in Freetown which he envisaged becoming Milestone's offices and at which Red Eagle would be able to "hot desk" when we were in Freetown.

I recall asking Daniel how progress was going at Nimikoro, and he indicated that they were starting to produce some diamonds. I asked him about compliance with the Kimberley process. I had it in my mind that the responsibility for demonstrating that diamonds had been produced in accord with the Kimberley process lay on the exporter. As it happens, that was a mistake on my part, in that I now understand the responsibility for demonstrating that diamonds have been produced and are being exported in compliance with the Kimberley process rests on the country of origin, in this instance Sierra Leone.

I cannot remember the conversation verbatim, but I went away concerned as to whether everything was being done to comply with all proper paperwork.

I was conscious that many of those involved with the Milestone operation had been involved in mining for many years, but the company overall I knew to be a new company and I was anxious that every procedure be got right at the outset.

I was also very conscious, from my knowledge of Sierra Leone, that investment that had already been put into the country by Milestone would have made it one of the largest UK investors in Sierra Leone overall and certainly one of the most significant new investors in the country post conflict. If there was any controversy or difficulty it would set back British investment in Sierra Leone and the prospects of that country attracting other investment, but in development terms it seemed to me whatever could be done to check Milestone's procedures was important to Sierra Leone's fragile economy.

This was the background against which I wrote to Hilary Benn.

My letter wasn't intended to try to achieve written reassurances that Milestone's operations in Sierra Leone were fully in accord with the requirements of the Kimberley process.

I wasn't expecting, nor wanting, any written assurance or otherwise on this point.

What I was simply asking for and I believe that the letter makes this clear, was a straightforward request that DFID officials in Freetown met up with Milestone's representatives in country and seek to ensure that Milestone were doing what was necessary with regard to the requirements of the Kimberley process and to check that Milestone's procedures were in accord with DFID would expect from UK companies. It was a straightforward request for a check that proper procedures were being followed.

I was not expecting, nor wanting, a letter back from the Secretary of State reporting on the outcome of such a meeting.

I had expected a letter from the Secretary of State along the lines of “if representatives of Milestone got in touch with “whoever the nominated official might be” in Freetown, they would be willing to discuss these matters with them.”

I did not see my request as being in any way inherently unreasonable and it certainly wasn't intended to elicit some written response from the Secretary of State or officials giving an evaluation of Milestone's performance and in all honesty I cannot see that my letter could conceivably be construed in that way. It was intended to ensure that any omission could be corrected and every process tested by those who had a knowledge of the system. Indeed, in any event, as I understand it, officials from DFID have recently visited Milestone's operations in Sandoh, where I imagine exactly the sort of discussions that I was suggesting might take place, have taken place.

Nothing in my letter could be conceivably construed as requesting the Secretary of State or DFID to give Milestone a “best practice” seal of approval.

That is clearly to take words out of context and to twist them.

I used the phrase “best practice” entirely in the context of requesting officials to have a meeting with Milestone representatives, to check so far as possible that they were delivering on what DFID would hope for by way of best practice. I most certainly was not expecting an endorsement in any way—indeed, I wasn't expecting there to be any written report of any such meeting whatsoever. I simply wanted to ensure that DFID officials in Freetown were plugged in to the Milestone in country team, so it was most certainly not my intention that the Secretary of State, or DFID, should in any way “confer a benefit”, exclusively or in any way on Milestone.

This was a new company, recently set up in country, yet a significant UK investor. I wonder whether DFID had actually heard of Milestone's operations prior to my writing to the Secretary of State. What I was concerned about was what I considered to be in the mainstream of DFID's responsibilities generally and I think that the fact that DFID officials have since visited Milestone's operations demonstrates that fact.

I was not writing to request anything exceptional and if I had thought it were in any way exceptional, or that I was making an exceptional request, I would not have written.

I of course recognised that there was a responsibility on me to be open with the Secretary of State about my having a clear commercial link with Milestone. I had thought that I had made that commercial link clear in the letter to the Secretary of State, and indeed he acknowledges that fact in the first paragraph of his reply.

Clearly, I could have written “I am a director of Red Eagle Resources which has a contractual relationship with Milestone under which, if Milestone floats on the London Stock Exchange, Red Eagle may receive a percentage of the shares of the floated company and I have been approached to become Chairman.” So far as I was concerned, I was seeking straightforwardly to put the Secretary of State and officials on notice that I had a commercial interest in Milestone; I wasn't seeking to write a company report and in all honesty I thought I had discharged my responsibility for making the Secretary of State aware of my commercial interest.

Lastly, there was clearly no other way in which I could write this letter to the Secretary of State than it being about Milestone and declaring my commercial connections with Milestone, but as I explained above, the purpose of my letter was not to seek to obtain some benefit in any way for Milestone and indeed, so far as I was concerned, the purpose of my letter was not commercial. I was concerned that here was a new, significant, UK investor into Sierra Leone, investing in probably one of the most emotive commodities so far as the country was concerned. It was an issue on which I happened to have particular knowledge. I believed it pro bono in the interests of the UK and Sierra Leone that Milestone's operations were such that DFID would hope such operations might be in a country such as Sierra Leone.

I repeat my earlier question, I would be interested to know whether prior to my taking this matter up with the Secretary of State, DFID knew of Milestone's presence in the country. My genuine motivation for this letter was the overall public interest. The key two paragraphs are the final two paragraphs—the rest is really preamble explaining my knowledge and how I come to be writing the letter.

In fairness, given the concerns I was seeking to raise, what other notepaper should I have used?

As I have explained, I was not seeking to write this letter on behalf of, or for the benefit of Milestone, and even if I was, which I wasn't, I am not a director or officer of Milestone, so it would have been inappropriate to use Milestone notepaper.

I wasn't seeking to raise the matters on behalf of Red Eagle.

It is not Red Eagle's role to "lobby" on behalf of Milestone, and if I were to have written on Red Eagle notepaper, that would neither have accurately presented Red Eagle or Milestone's positions and, most importantly, it would not have reflected the real reason why I was writing, which was a concern that a major new UK investor into Sierra Leone, should be complying with the appropriate regulations.

I wrote on House of Commons notepaper because the fundamental purpose of my writing was to seek to ensure that DFID were confident that a new and substantial UK investor in Sierra Leone was following proper procedures.

I could, of course, have written on my own domestic residential notepaper, but on the basis of having a duty to be open with Ministers, I should of course have had to have made it clear that I was the person writing, so the Secretary of State and his officials would have immediately known that it was Tony Baldry MP writing to them, and for the reasons set out above the text of my letter would have been no different.

So far as I am concerned, the fundamental point here is that I was not seeking to get any commercial advantage for Milestone and I genuinely do not see how asking that officials might meet with Milestone confers any commercial benefit on them at all and, as I say, my understanding is that in recent time that is exactly what DFID officials have done in the normal course of their work.

I suspect it may well be as a consequence in any event of picking up on the existence of Milestone from this letter to the Secretary of State so DFID do not seem to have considered what I was asking to be untoward. My letter was not in any way seeking "... an assurance of best practice", nor in any way, an endorsement of an individual company's activities; that was not requested, not intended, and I do not believe from any reasonable reading of my letter that that could be reasonably inferred, so I submit that if one looks at the motivation as to why I was writing the letter, it was not inappropriate to use House of Commons notepaper.

7 April 2005

Tony Baldry MP

17. Letter to Dr Nissim Levy from the Commissioner

As the independent person appointed by the House of Commons to consider complaints against Members of Parliament I am writing to seek your help in relation to a complaint I have recently received against Mr Baldry from the Rt Hon George Foulkes. Since Parliament is currently dissolved I will not be able to complete consideration of the complaint until the new Parliament meets after the general election but I have been in touch with Mr Baldry about the complaint and I have told him that that I am in contact with you.

Briefly, the complaint concerns correspondence Mr Baldry had with (1) the Secretary of State for International Development in January of this year on behalf of Milestone Trading Limited, of which I understand you to be joint owner, and (2) the Vice-President of Sierra Leone last October, again on behalf of Milestone. These matters were the subject of articles in the Sunday Times on 27 March and 3 April 2005 respectively.

The issues raised by the concerns put to me are:

- Whether Mr Baldry had properly registered and declared his various interests in relation to the correspondence.
- Whether it was right for him to use House of Commons notepaper when conducting the correspondence.

- Whether Mr Baldry's activities on behalf of Milestone broke the ban on a Member using his Parliamentary position to lobby for the exclusive benefit of a body (or individual) from which he has received, is receiving or expects to receive a pecuniary benefit.

Mr Baldry has given me an extensive account of the context in which he wrote both his letters to the President and Vice-President of Sierra Leone and his letters to the Secretary of State.

As a result of considering Mr Baldry's account and the articles which appeared in the Sunday Times (in the first of which you are said to be quoted), I have a number of questions which I should be grateful if you would answer. As the enclosed procedural note of guidance makes clear, your answers may eventually be published as part of any report I make to the House's Committee on Standards and Privileges but until that point they are confidential and they remain at all times covered by Parliamentary privilege.¹¹

My questions are as follows:

1. Would you please describe briefly your interest in Milestone Trading Limited?
2. Mr Baldry says that the first contact he or his company Red Eagle Resources plc had with Milestone was when he met you and Mr Moshe Levy along with Mr Stuart Polak on or around 21 September 2004. Is that correct?
3. Would you please describe Mr Levy's interest in the company?
4. Am I correct in thinking that during the period of his correspondence with the President and Vice President of Sierra Leone, Mr Baldry did not have any actual or prospective financial interest in Milestone?
5. Did Mr Baldry receive any payment from Milestone in connection with the correspondence?
6. It appears from Mr Baldry's explanation that at some point between October 2004 and January 2005 a business participation agreement was signed between Milestone and Red Eagle Resources plc. What was the date of the agreement and what did it cover?
7. Mr Baldry is said by the Sunday Times of 27 March to have visited Sierra Leone in November 2004 and January 2005 during which he arranged meetings between you and the President and Government ministers of Sierra Leone. Mr Baldry says that Red Eagle, not Milestone paid for these visits. Did Red Eagle or Mr Baldry receive any money from Milestone in connection with these visits?
8. The Sunday Times alleges that Red Eagle received \$75,000 (£40,000) in return for work on behalf of Milestone. Mr Baldry says the sum received to date by Red Eagle is £18,000. Which is the correct sum?
9. The Sunday Times says that the agreement between Milestone and Red Eagle involves the latter acquiring 3% of the shares of Milestone when, as expected, the company floats on AIM later this year. This would be worth £1.5 million. When is the flotation expected? How is the valuation of £1.5 million arrived at?
10. Mr Baldry acknowledges that it has been suggested he becomes chairman of Milestone on its flotation. Is this correct? When was this suggestion first made?

I am sorry to put such a long list of points to you but will be grateful for your response and for any other comments you may wish to make. If you would prefer a word, please do not hesitate to get in touch. A reply by early May if possible would be very helpful as I know that Mr Baldry will be very keen to have this matter resolved as soon as possible after Parliament re-assembles.

21 April 2005

Sir Philip Mawer

¹¹ Parliamentary Standards Procedural Note 4.

18. Letter to the Commissioner from Dr Nissim Levy

Thank you for your letter of 21 April. The answers to your questions are as follows:

1. I have a 20% interest in Milestone Trading Ltd.
2. Milestone had invested several million pounds in Sierra Leone. We had negotiated contracts with the local Paramount Chiefs in Nimikoro and Sandoh. We had shipped mining equipment from South Africa to Sierra Leone and had taken on both expats and local people to work for us at Nimikoro. Everything was proceeding in a straightforward fashion when our company was plunged into crisis. My colleague Moshe Levy who had been running the project in Sierra Leone was suddenly one day arrested at his hotel and deported for no apparent reason and the sub contractor who we had employed to run the mining operation was denied entry clearance into the country. This effectively brought our business to a complete standstill. Moreover, we were losing money daily as we were obviously employing people without being able to undertake any work or production whatsoever. We approached the Sierra Leone High Commission in London and they didn't seem to be able to give us any help. No one in Freetown appeared able to give us any help. In desperation, I asked a friend of mine, ***, who was a potential investor in Milestone, if he knew of anyone who could help us. He put me in touch with Stuart Polak. Stuart Polak said that he would try and find and track down a Member of Parliament who knows something about Sierra Leone and might be able to help us. I think he came back and mentioned that he thought either Lord Freeman or Tony Baldry might be able to help. In the event Stuart Polak kindly set up a meeting for us which took place in the Carlton Club.

We knew Tony Baldry to be a Member of Parliament. We didn't particularly know anything else about him. We explained our problems to him. We were by now very concerned about what was happening in Sierra Leone.

At our first meeting in the Carlton Club we were obviously interested to know what involvement Tony Baldry had with Sierra Leone. I recall that he explained that someone who had been the former Head of his Chambers was prosecuting the War Crimes in Sierra Leone and that President Kabbah had once been a member of his Chambers and that he had been visiting Sierra Leone reasonably regularly to see friends and because he was involved with a charity doing some work in Sierra Leone. I think he also explained to us that he was very concerned to hear our story because he was involved in a business that was possibly going to enter into a contract with the Government of Sierra Leone to provide some air link between London and Freetown.

Throughout the meeting we considered Tony Baldry in no other capacity than as a Member of Parliament who happened to have some good knowledge of Sierra Leone.

Whilst Tony Baldry mentioned his connections with the airline business, at the first meeting, no mention was made of Red Eagle Resources and it wasn't until some time later that we learned of Tony Baldry's involvement in Red Eagle and Red Eagle's involvement in fisheries project in Sierra Leone. We were very grateful that here was an MP who was prepared to help us by getting in touch with President Kabbah when no one else seemed to have been able to have been of any help at all.

At that meeting we gave Tony Baldry as much information as we could. He took a careful note, promised to write to President Kabbah, which he did. Very shortly afterwards we understood that he had received a reply from the Vice President. He kindly came to our office. We went through the letter and there was a brief telephone call with Gershon Ben Tovim in South Africa and we assumed he then went away and wrote a letter to the Vice President.

Throughout this time we thought of Tony Baldry only as a Member of Parliament who we were fortunate to have found in that he clearly knew Sierra Leone and importantly it was possible that the Government of Sierra Leone would at least consider what he had to say.

3. Moshe Levy works with me but has no shareholding interest in Milestone.
4. During the correspondence with the President and the Vice President, our only interest in Tony Baldry was that he was a Member of Parliament who was able to help. We had made a considerable investment

in Sierra Leone, perhaps one of the first UK companies to make a truly significant investment in the country since the end of the conflict there and our business was in crisis. Tony Baldry didn't have any actual or prospective financial interest in Milestone. None was mentioned. None was asked for and none was offered.

It didn't seem unreasonable to us to expect or request an MP who had a particular knowledge of a country and moreover good contacts in that country, to help a UK company in difficulties, and we don't understand how it can possibly be wrong for us to seek the help of a Member of Parliament in this way and, as we say, we were grateful that we had found someone who was willing to help us with our problem.

5. Tony Baldry has not received any payment whatsoever from Milestone in connection with these letters. Indeed, Tony Baldry has received no payment direct from Milestone at any time.
6. Some time later in October, I think we then learned more generally about what Tony Baldry was doing in Sierra Leone, and my memory is that he asked us if we would be interested in investing in and helping take forward a diagnostic health centre in Freetown. We said we would be interested because our trading company Interlink had been involved in supplying medical disposables and diagnostic equipment in Eastern Europe.

Tony Baldry asked us if we would also be interested in investing in a fisheries project in Sierra Leone. We were clearly investing a lot of money in the country. We were going to have to set up an office in Freetown and if there were other commercial opportunities, we were certainly willing to look at them and we made it clear that we thought through our contracts in Eastern Europe in general and Russia in particular we might be able to contribute a processing factory ship to such a venture.

We understood from Tony Baldry that he and his colleague Tony Lawson were due to travel to Freetown in the middle of November and it seemed sensible to us for us to go to Freetown at the same time so that we could investigate further the potential of a diagnostic project and see if there was any other project that we could also take forward.

Some time during the middle of November we went to Freetown where we met up with Tony Baldry and Tony Lawson.

Tony Baldry took us to see the President where almost all the discussion was focused on the President's desire for there to be a diagnostic centre in Freetown and our trying to understand what was needed and what support the Government of Sierra Leone itself would give to such a project. At the end of the meeting, the President asked a Cabinet colleague of his to liaise with us to take the project forward. At present, it seems that an Iranian company is the favoured supplier, but we are offering to build an assembly line for basic pharmaceuticals in Freetown.

Tony Baldry also took us to see Mr Turay the Head of the Privatisation Commission. We went through all the projects the Privatisation Commission were trying to take forward. Some of them were fairly hopeless; some of them were just simply too big for us to even consider undertaking, but we were interested to see whether we could get involved more broadly in Sierra Leone and undertook to look at the possibility of bidding for the management of the Sierra Leonean National Lottery and we agreed with Tony Lawson that he would commission a report for us on this particular project. Clearly the Sierra Leone Lottery isn't like the UK National Lottery— it is done differently and is much more close to the NHS lottery in the UK and Mr Lawson and Red Eagle in due course did produce the report for us.

So far as we were concerned, on this visit we, that is Moshe Levy and myself, were the Milestone Team and Tony Baldry and Tony Lawson were there representing Red Eagle.

During our visit to Freetown there was some discussion about our working together, i. e. about Red Eagle and Milestone working together and when we got back to the UK Tony Lawson for Red Eagle and David Bressloff, in-house lawyer, negotiated a contract.

From our point of view, it looked as if Red Eagle could introduce us to other business opportunities in Sierra Leone, commercial opportunities where we could work together. They had complimentary skills and strengths to us and in the contract ensured that if Red Eagle undertook to work for us on these

commercial projects they would be paid. At that time we envisaged all of Milestone's activities in Sierra Leone being under an umbrella and we agreed with Tony Lawson that if Milestone should ever float, in consideration of Red Eagle's helping us to build up the number of Milestone projects in the country they would have 3% of the shareholding of any floated company.

At the time we had in the back of our minds that at some stage we would hopefully want to float Milestone but we had no immediate plans so to do.

The date of the agreement was the 23 November 2004.

So far as we were concerned, it was a joint participation agreement between Milestone and Red Eagle whereby we would be helping each other get established and moving forward in Sierra Leone.

It has to be remembered that there are very few UK companies that have so far ventured back into Sierra Leone.

7. Moshe Levy and myself travelled to Freetown at approximately the same time as Tony Baldry and Tony Lawson in November 2004. We did not pay for their air travel. We were never asked to pay for their air travel and assume that they paid their own air fares. Likewise, we made no contribution to their hotel bills which they settled themselves.

Yes, Tony Baldry and Tony Lawson did help set up meetings for us with the President and the Head of Privatisation Commission but those were commercial meetings to discuss the diagnostic centre with the President and privatisation opportunities with the Head of the Privatisation Commission. It was clear to us from the discussions and the body language that the President and other officials, and head of the Privatisation Commission, saw and treated Tony Baldry and Tony Lawson as business people who themselves were seeking to do business in Sierra Leone in their own right.

We didn't go with Tony Baldry to Sierra Leone in January. He went on his own to take forward work on the fisheries project. We understood that he went to have meetings with officials and the Fisheries Minister and to identify a Sierra Leone company that could act as a partner for the overall project. Whilst he was in Freetown, we know that Tony Baldry met up one day with our in country Manager, Daniel Chen, but our understanding was that was because he wanted to see whether Daniel could take his nephew to work with him for some time during his gap year between school and university. Again, we made no contribution to Tony Baldry's air fare for this visit, or his hotel bill, and none was offered and none was ever asked for. Tony Baldry has received no money from Milestone in connection with these visits and indeed, as we explain above, Tony Baldry has received no money from Milestone whatsoever.

8. Some time during late November, I think shortly before or shortly after the Lottery report had been given to us, Tony Lawson negotiated a payment for Red Eagle with our Finance Director, ***. We wanted the payment to be in US dollars and a figure of \$37,000 was agreed, which is in £ sterling somewhere between £18-19,000. The purpose of this payment was to reflect the fact that Red Eagle had led us to a number of commercial opportunities in Sierra Leone. So far that work had been done by them entirely on trust and we consider this to be a one off payment to demonstrate good faith and our wanting to work with the Red Eagle team and other potential partners, such as those in the fisheries project to whom they were introducing us. The invoice for that payment from Red Eagle was dated 15 December and paid shortly afterwards.
9. The agreement between Milestone and Red Eagle states that "... in order to ensure the continuity of the relationship between Red Eagle and Milestone, Milestone irrevocably agrees to procure a nominal 3% shareholding for Red Eagle for no further consideration in the new floated entity in the event that Red Eagle so desires." The figure of £1.5 million came about because the Sunday Times journalist asked me what I believed would be the valuation of Milestone Trading when we eventually floated I said that I hoped it would be somewhere in the region of £50 million. That is a hope, not a firm figure.

At the present moment, we are in the process of talking to a number of brokers about a floatation and are undertaking a geological survey of the land to which we have licences in Sierra Leone. Until that is

completed it is difficult to know when we are going to be able to float but we are wanting to do so as soon as possible as we wish to raise venture capital to make further investment in Sierra Leone.

10. For some time we had hoped to raise venture capital from individual investors or partners, but late last year/early this year we came to the view that it would be more sensible to try to float the company and we were encouraged by the success of at least one other company working in Sierra Leone that had gone to the AIM Exchange. I am not sure when I first talked with Tony Baldry about the possibility of his becoming Chairman of Milestone if it were to float; it was either just before or just after Christmas break. We thought then and still think that he would make an excellent Chairman of a public company. Again, there are not that many people who are willing to travel to Sierra Leone. It is not an easy country in which to do business but as of yet Tony Baldry has no direct involvement whatsoever in Milestone. He is not a shareholder. He is not a director. He is not involved in the day to day management of the business, here or in Sierra Leone.

I hope these answers are helpful and if there are any further questions which you may have arising from these answers, or anything else, please do not hesitate to come back to me.

One last point. We understand from the Sunday Times article that Tony Baldry had written to the Secretary of State for International Development. We never asked him to write such a letter. Indeed, I don't think he even mentioned to me that he had written such a letter but I can understand his being concerned that we were doing the right things in Sierra Leone and DFID officials have been to visit our operations and as far as we understand, they are satisfied with what that we are doing. We have never looked for any endorsement from DFID nor would we have expected one. However, as a group we operate in several countries around the world and would expect UK officials where possible and practicable to help ensure that we're complying with the rules, particularly so in Sierra Leone where we are conscious that we are, as I mentioned before, one of the first and most sizable UK investors into the country.

27 April 2005

Dr Nissim Levy

19. Letter to Mr Tony Baldry MP from the Commissioner

Complaint by Rt Hon George Foulkes

Thank you for your letter of 18 April in reply to mine of 12 April.

I have adjusted the draft note of our meeting on 7 April in the light of the points you make and enclose a copy of the final version.¹²

In my letter of 12 April I said that I would write again should I have any questions as a result of reading the folder of material you handed me when we met on 7 April. While I shall fully understand if you are unable to respond to this letter until after 5 May, I thought it might be helpful to set out now the few questions which have occurred to me.

11. You say that Red Eagle Resources has a business participation agreement with Milestone. Can you please tell me when this contract was signed? Did it arise out of your initial assistance to Milestone in relation to the grant of a mining licence and lease?
12. You say that Red Eagle Resources has to date received £18,000 from Milestone for work done with Milestone. What was the nature of the services provided Milestone by Red Eagle which justified this payment and when were they undertaken?

¹² WE 10.

13. Do you know (or can you speculate) where the figures of \$75,000 (£40,000) and £1.5 million mentioned in the Sunday Times article of 27 April came from and to what they relate?
14. Am I correct in assuming that your meeting on 21 September 2004 with Mr Polak, Dr Levy and Mr Levy was the first contact between you and Red Eagle Resources plc (or any other company in which you have a registered or declarable financial interest) and Milestone?
15. Am I also correct in assuming that at the time of your correspondence with the President and Vice-President of Sierra Leone, there was no suggestion that you might be invited to become chairman of Milestone and that this suggestion came later? When was it made?

I shall be grateful for your answers to these points.

I am in touch with the Serjeant at Arms in relation to your use of House of Commons stationery in connection with the correspondence at issue in the complaint and will let you know when I have his observations. I have also written to Dr Nissim Levy to obtain his account of events and will let you know should anything relevant emerge.

21 April 2005

Sir Philip Mawer

20. Letter to the Commissioner from Mr Tony Baldry MP

Complaint by Rt Hon George Foulkes

Thank you for your letter of 21 April in which you raise a number of questions.

I enclose a further folder of material which I hope you will find helpful as it tries to set Red Eagle's involvement in Sierra Leone into a proper chronological context. The documents I hope help answer a number of your questions.¹³

16. The contract between Red Eagle Resources and Milestone was signed on 23 November 2004. It did not arise out of any assistance that I had given to Milestone as I explained. My initial assistance to Milestone was as a UK Member of Parliament seeking to help a UK company clearly in difficulties in a country in which no-one else was seemingly able to assist and where I believed that I could be of help. The contract between Red Eagle and Milestone came about some time later when both Milestone and Red Eagle recognised that there would be benefits in collaborating together in Sierra Leone.
17. This is explained in the last three paragraphs of the accompanying statement but essentially post mid November 2004 Red Eagle was helping Milestone discover and develop other commercial opportunities in Sierra Leone in addition to the mining business which they already had.
18. To be honest, I don't know. I can only speculate. My recollection is that in the first telephone conversation that I had with Dean Nelson of the Sunday Times, when I explained the relationship between Red Eagle Resources and Milestone, he asked me what benefits that contract had brought Red Eagle and what, if any, money had been paid by Milestone to Red Eagle. I think I must have replied that my recollection was that Red Eagle had received some \$40,000 from Milestone (as you can see, it was in fact \$37,500) and somewhere in the reporting, dollars seem to get converted into £ sterling. The reason why I was somewhat hazy about the exact amount was that the actual payment had been negotiated by my colleague Anthony Lawson who had issued the invoice. I also explained that under the contract between Red Eagle and Milestone, Red Eagle would be entitled to 3% of the shareholding in the event of Milestone floating on the Stock Exchange. As I understand it, the next day, the journalist Dean Nelson went and interviewed Dr Levy. I can only speculate that he asked Dr Levy what Dr Levy estimated the

13 Not appended by the Commissioner.

market capital value of Milestone might be if and when it floated. I don't know what valuation Dr Levy put on the company or how that valuation was arrived at as my understanding is that there is yet to be a detailed geological survey carried out of the licence holdings owned by Milestone, but I can only speculate that whatever figure was given, the journalist calculated that 3% would equal £1.5 million.

19. Yes I have known Stuart Polak for many years but the first contact I had with Dr Levy, Mr Levy and Milestone in any way was on the 21 September 2004.
20. Yes. There was no suggestion of any financial nexus or involvement whatsoever between myself and Milestone or Red Eagle and Milestone. Throughout the correspondence with the President and the Vice President, my only interest and my only locus was that of a Member of Parliament trying to solve a problem for a UK company, concerned that having spent some time helping to encourage UK companies to invest in Sierra Leone, if this was the way that significant investors were being treated, that was obviously not going to encourage further UK companies to venture into the country and I saw this as a problem that needed to be resolved and staggeringly no-one else seemed to have got to grips with it.
21. I cannot recall exactly when it was first mooted that if Milestone were to float that I might become Chairman. I think my recollection was that it was shortly before Christmas 2004, when as I understand it, Milestone had decided that they wanted to raise venture capital from a broader base and had thus decided to go to the Stock Exchange.

As for the Serjeant at Arms, presumably he will have seen a copy of the statement that I gave you regarding the letter I sent to Hilary Benn.¹⁴

Finally in relation to Angel Gate Aviation Ltd I enclose at the back of the folder a copy of a letter that I sent to the Vice President on behalf of Angel Gate Aviation Ltd on 9 February 2004.¹⁵ You will see that it clearly states that "I am writing this letter in my capacity as Chairman of Angel Gate Aviation Ltd which is a United Kingdom company and owns Air Horizons and Euralair in France ...".

You will see that the letter was copied to the Ministry of Transport, the Chairman of the Privatisation Commission, the Managing Director of SNA, and the High Commissioner for Sierra Leone in London. I don't think that there can be any doubt in the mind of the Vice President or indeed any other relevant person in the Government of Sierra Leone that when I was referring to the airline project, I was doing so in my capacity as Chairman of Angel Gate Aviation Ltd.

Throughout 2004 the Government of Sierra Leone were seeking to find a way forward on their airline; their difficulty was that at some point their contract with Icelandic Air would come to an end and with it any direct air service between London and Freetown. I seem to recall during the latter part of the summer of 2004 receiving telephone calls from the Sierra Leonean High Commissioner in London asking if Angel Gate Aviation Ltd were in a position to help and my letter to the High Commissioner of the 8 September was a re-statement of the fact that Angel Gate Aviation Ltd were prepared to help but on the understanding, as set out in my earlier letter, that this would be a contract whereby we would undertake contractually to provide a level of service in exchange for traffic rights over a period of time and it was to that continuing proposal first set out in February 2004 that Mr Turay responded and on which he wished to have a meeting, which indeed took place in London, between him, myself and ***, at which meeting I had thought we had come to an agreement but as I explained earlier, events intervened in that pretty much simultaneously a South African company was offering the Government of Sierra Leone in Freetown a seemingly too good to be missed opportunity of paying off the debts of SNA, etc. In the event, the South African deal never came off, the Sierra Leoneans now have no airline of their own; the only connection between London and Freetown is a UK private airline based at Gatwick and I only observe that what I had negotiated with colleagues would have delivered to Sierra Leone a contract-based air service for ten years at no cost whatsoever to the Sierra Leonean exchequer.

14 WE 16.

15 Not appended by the Commissioner.

Lastly, the Sunday Times have sought to set the whole of my actions as being hypocritical—in championing Africa whilst at the same time having business in Africa. To this I would simply observe that Sierra Leone like much of Africa is desperate for foreign direct investment to create jobs.

Take Bonthe in Sierra Leone as an example. Its warehouses have closed down; ships no longer stop for bunkering; the piassava industry had collapsed; the electricity supply broke down a number of years ago and has never been repaired; there are few, if any, jobs—which leads to a double migration; those with “get up and go”, get up and go to Freetown; and those in Freetown with “get up and go”, seek to migrate overseas—either to Britain or to the US.

Even a couple of fishing trawlers based at Bonthe would start to transform the area and likewise elsewhere where a Sierra Leonean fishing industry can get established.

Likewise, health provision in Freetown is so poor that for Foreign Office officials, for example, Freetown is an “unaccompanied post”. A new diagnostic health centre is not going to be able to serve the whole of Freetown’s medical needs but it is a step in the right direction.

Improving the management of the National Lottery in the great scheme of things may not necessarily be of huge benefit but it should lead to more money being generated for the Government of Sierra Leone to spend on priority areas and again hopefully encourage other investors to think about entering the country.

26 April 2005

Tony Baldry MP

21. Letter to the Commissioner from Mr Tony Baldry MP

Thank you for your letter of 11 June.¹⁶

As to the specific queries that you raise on items 1 and 3, I have now had the opportunity of discussing these matters with Tony Lawson.

(1) This is confusing. I had always thought that there had been a single payment in respect of a single invoice and indeed, there has only ever been one payment made by Milestone to Red Eagle and that was the payment made in response to the invoice issued on the 15 December. A second invoice was issued subsequently in January 2005 by Tony Lawson, but cancelled almost immediately because Milestone told him that they wanted to see what further work needed to be done and was done on the Lotteries project, the fisheries project and with the possible diagnostic centre.

The first time I saw the amount of the possible valuation of Milestone was in the article in the Sunday Times. I still suspect that the valuation figure is pure conjecture.

As to (3), there were discussions about the various ways to try and establish a long term agreement that was fair to both Red Eagle and Milestone.

At the time of the agreement, Milestone had made it clear that they intended in due course to put their mining and non mining interests in Sierra Leone into one public company. At that time of the agreement, we believed that this would be some time off. It was some time later that Milestone started to talk about the possibility of seeking an earlier listing on AIM but my recollection is that it was at the end of 2004 when they decided they needed to raise more venture capital.

On 2, I enclose a statement from Stuart Polak which clarifies matters as he recalls them, as I think it is important that you and the Committee understand the context within which I sought to help Milestone.¹⁷

¹⁶ Not appended by the Commissioner.

I of course cannot put myself in Dr Levy's, or anyone else's mind, but nothing that was said at the first meeting, or subsequently, gave me the impression that Milestone wanted me for my contacts, "to do some politics, PR (things) like that", which, if they had, I would not have undertaken.

Milestone presented to me a serious problem which they asked me help to try and resolve and I was willing to help, as I would have for any UK organisation in difficulty. It occurs to me that colleagues would not unreasonably say that this was not an immediate "constituency" case. I would simply ask that it is borne in mind that during the last Parliament, there was barely a working day that went past when I didn't have a pressure group, an NGO, Parliamentarians, a UK company, or some organisation coming to seek my advice and help in relation to some development issue somewhere in the world. I think many of those who came and saw me would have thought it incredibly churlish if I had simply said to them "Go and seek out your own Member of Parliament" but instead I would seek to help any organisation experiencing legitimate problems, by listening to the problem and trying to work out how best to take forward the issues and that was the mindset in which I tackled the problem raised by Milestone.

As to the response by the Serjeant at Arms, I have previously explained to you my actions and motivation in full.

So far as the letter to the Vice President was concerned, I was not trying to influence anyone, I was simply seeking to set out the facts as I understood them, although I fully appreciate that a "stream of consciousness" ramble about an airline project, even if the Vice President was well aware of the background and context of those comments, laid me open to criticism.

As to my letter to Hilary Benn, I can only observe that this letter must have been very poorly written by me if objective and dispassionate readers conclude that I was "seeking DFID checks for business reasons". As I have explained, that was not my purpose: I simply wanted to ensure that a new and substantial UK investor in Sierra Leone, in a sensitive commodity, was complying with the rules, and that DFID was aware of this company's existence and operations. I have explained in detail why and how these letters came to be written and I am disappointed, having read those explanations, that the Serjeant at Arms concludes that there was a "business imperative" in everything that I did. That was most certainly not the case, nor my intention.

However, I fully accept that the perception of an MP's conduct is important and if I have managed to give the Serjeant at Arms that perception from these letters, then I fully understand and accept why the Serjeant at Arms has come to the conclusion that I have broken the current rules of the House and the guidance on the use of stationery given by the Administration Committee. I fully accept his adjudication and I apologise unreservedly.

13 June 2005

Tony Baldry MP

Formal minutes

Tuesday 19 July 2005

Members present:

Sir George Young, in the Chair

Mr Kevin Barron
Angela Browning
Mr Andrew Dismore
Nick Harvey

Mr Brian Jenkins
Mr Elfyn Llwyd
Mr Andrew Mackay
Dr Alan Whitehead

* * *

Conduct of Mr Tony Baldry: Mr Tony Baldry, a Member of the House, was examined.

The witness withdrew.

* * *

The Committee further deliberated.

Draft Report [Conduct of Mr Tony Baldry], proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 23 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the memorandum from the Parliamentary Commissioner for Standards be appended to the Report.

Ordered, That the Appendix to the Report be reported to the House.—(*The Chairman.*)

Ordered, That the Minutes of Evidence taken before the Committee this day be reported to the House.—(*The Chairman.*)

* * *

[Adjourned till Tuesday 18 October at 10.30 am.]

Reports from the Committee on Standards and Privileges in the current Parliament

Session 2005–06

| | | |
|---------------|-------------------------------|--------|
| First Report | Conduct of Mr Jonathan Sayeed | HC 419 |
| Second Report | Conduct of Mr John Horam | HC 420 |
| Third Report | Conduct of Mr Tony Baldry | HC 421 |

Oral evidence

Taken before the Committee on Standards and Privileges

on Tuesday 19 July 2005

Members present

Sir George Young, in the Chair

Angela Browning
Mr Andrew Dismore
Nick Harvey
Mr Brian Jenkins

Mr Elfyn Llwyd
Mr Andrew Mackay
Dr Alan Whitehead

Witness: Tony Baldry, a Member of the House, examined.

Q1 Chairman: Good morning, Mr Baldry. The Committee has before it a memorandum submitted by the Parliamentary Commissioner for Standards, investigating complaints against you. I understand that you would like to make a statement before we address that report, so we are anxious to hear what you have to say.

Tony Baldry: Thank you, Sir George. Can I say to the Committee the following: I have no quarrel with the Commissioner's report. I have been given the opportunity to explain my actions and that I have done. My explanations are there for the Committee and anyone to see. The Commissioner has found that in certain instances I got it wrong. No one is sorrier than I for that. Insofar as I got it wrong, I should like to say to the Committee and, through the Committee, to the House that I am very sorry. I am grateful to the Commissioner for making it clear that during the course of his inquiry there has been no indication whatsoever of my seeking to exploit my position as Chairman of the International Development Select Committee to further my private interests. I am also grateful to the Commissioner for making it clear that, on the evidence, he does not believe that I set out to exploit my public position for personal advantage. My letter to the Secretary of State was clearly very poorly written as it has led to a number of misunderstandings and I have to accept that, as I wrote the letter, the consequences of those misunderstandings fall to me. I want to make it very clear that I would not in any way at any time by either words or actions wish to mislead the Secretary of State or any of the officials in DFID and I apologised to Hilary Benn face to face back in April for anything that I may have got wrong in my letter to him and I am confident that the Secretary of State accepted that apology in the spirit in which it was given. Although I am not chairing the Select Committee in this Parliament, I intend to continue to take a close interest in international development policy and this Committee can be confident that, based on the experience of the last four months, I will be extremely careful about separating my public role from any private interests.

Chairman: Thank you very much. The Committee may want to ask you some questions. Mr Dismore?

Q2 Mr Dismore: I would like to ask you about your relationship with Dr Levy and how it came about. We have got an account here. You fully accept that Dr Levy is not one of your constituents. Is he a UK resident?

Tony Baldry: Firstly, I am very happy to produce my diary to the Committee, but I do not suppose there was a day, certainly no more than a couple of days, in the last Parliament when I did not have people coming to see me about problems relating to international development in one way or another, NGOs, groups from overseas, or it might be people concerned about the Lord's Resistance Army from Uganda one day, an NGO concerned with health the next. I was approached, as I think the evidence makes clear, by Stuart Polak, whom I have known for many years, who is Director of the Conservative Friends of Israel. He, I think, had discovered from his office that I had a close knowledge of, and close interest with, Sierra Leone and he asked me if I would meet what I understood to be business colleagues and business friends of his who had a problem with Sierra Leone. I am perfectly happy always to meet people who have a problem and they had a problem, they had a serious problem. If I can just put the test like this, if this had not been a private company, if it had been an NGO who had had similar experiences of having one of their key people evicted from the country and another person being refused entry clearance to the country, I think the House and colleagues would feel it pretty churlish of me if I knew the country well and I had not sought to help them, so that is what I sought to do. It was clear to me when they came and saw me that they had a real problem and most of my life, like most of the lives of members of this Committee, is problem-solving and this was a problem which I sought to solve.

Q3 Mr Dismore: That was not really what I asked you though. I think there is a wealth of difference between an NGO seeking general help in relation to the Lord's Resistance Army or something in Uganda and somebody trying to promote their business interests, but the point I come back to again is that Dr Levy was not your constituent.

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Tony Baldry: No, Dr Levy was not a constituent.

Q4 Mr Dismore: Do you know whose constituent he was?

Tony Baldry: No, and, as I say, I sought to help him—

Q5 Mr Dismore: Did you make enquiries as to whose constituent he was?

Tony Baldry: Can I just answer the question? I sought to help him because I had a good working knowledge of Sierra Leone. He had a problem relating to Sierra Leone and I believed I could help him with that.

Q6 Mr Dismore: You have made that quite clear, but I come back to the point about him not being your constituent. Did you make enquiries as to whose constituent he was?

Tony Baldry: No, I did not and I would have to say that frequently during the last Parliament I helped people and if I said to everyone who came to see me, “Please go and see your own constituency Member of Parliament”, I think they would have thought I was being pretty churlish.

Q7 Mr Dismore: The question I was going to come on to was whether, having decided to help Dr Levy, you notified the constituency Member that in fact you were dealing with one of his constituents which would, I would have thought, be appropriate within the House of Commons protocol. Obviously if you did make enquiries, presumably you notified the constituency MP.

Tony Baldry: As I say, this was a problem brought to me by someone I had known for a very long time. They were clearly in considerable difficulties and time was of the essence. Effectively they were not being able to operate in Sierra Leone and it seemed to me a problem I was in a position to help with and I sought to do so.

Q8 Mr Dismore: But that is not the point I am putting to you, is it?

Tony Baldry: I understand the point you are putting to me and I am saying, Mr Dismore, that during the last Parliament I had large numbers of people on a regular basis coming to see me and asking for help on various matters. I think if I had simply said to them, “Look, your concerns about Malawi or Ghana, I will take these up with your own constituency Member of Parliament”, I do not see this as a problem in—

Q9 Mr Dismore: I think there is a wealth of difference between an NGO coming to see you in your capacity as Chairman of the International Development Committee and a business contact. I know Mr Polak as well too, so obviously throughout the time you would get together, but there is a wealth of difference between him then coming to see you not in your capacity as Chairman of the International Development Committee, but as a result of your own private business interests in Sierra Leone.

Tony Baldry: No, he did not have a knowledge of my own private business interests in Sierra Leone. He knew that I have a good working knowledge of Sierra Leone. My interests in Sierra Leone go across a whole number of areas. Firstly, President Kabbah was a member of my Chambers, Desmond de Silva, who was prosecuting the war crimes in Sierra Leone, was my predecessor as head of Chambers, I spent a week in Bonthe in Sierra Leone doing a dissertation for a university degree a couple of years ago and I am involved with the NGO, Friends of Africa, which does work in Sierra Leone and has funded community projects and other projects in Sierra Leone, so my knowledge of Sierra Leone spans a whole range of interests, not just commercial.

Q10 Mr Dismore: But, to come back to the basic point, Dr Levy was introduced to you not as the Chair of the International Development Committee, which is the capacity that NGOs would come to seek your assistance in relation to matters properly within the parameters of the Committee. Dr Levy was coming to see you not as Chair of the International Development Committee, but to seek help with his business interests in Sierra Leone, a rather different kettle of fish, I would suggest.

Tony Baldry: No, I disagree. Dr Levy and Mr Polak came to see me because they knew that I had a good working knowledge of Sierra Leone. So far as I was concerned, Milestone was a UK company in difficulties and I do not have, and never had, any hesitation about seeking to help UK companies having difficulties.

Q11 Mr Dismore: But you did not think to notify the constituency MP?

Tony Baldry: I did not and I am not actually quite sure in the circumstances of that whether it would be the Member of Parliament where the company was based or where he lived or whoever. This was a company which was actually making considerable daily losses. They had invested millions of pounds in Sierra Leone in equipment and for no particular, explicable reason one of their senior people had been summarily taken from his hotel and deported from the country and another person had not been allowed entry clearance into the country. They were making substantial daily losses and, as I say, if I had been in a position to help and had not helped, I think colleagues would have considered that to be pretty churlish.

Chairman: I think we have established that Mr Baldry did not notify the constituency MP, so can we move on.

Q12 Mr Dismore: Can I move on to paragraphs 54 and 76 of the Commissioner’s report, which are different aspects of the same thing. Basically your case is that you never received dividends or director’s fees from Red Eagle?

Tony Baldry: Yes.

Q13 Mr Dismore: When did you see Red Eagle benefiting directly from this relationship with Milestone?

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Tony Baldry: Well, as I have made very clear to the Commissioner, when we got to the discussion about the diagnostic centre some time after the first visit to Freetown, there were various reasons why we were interested in developing a relationship with Milestone. Firstly, they would have almost certainly a permanent presence in the country and, secondly, they had evinced an intention to invest in Sierra Leone. At that time and continuing, we were involved in a fisheries project in Sierra Leone, so we saw the potential of a long-term business partnership. We are still pursuing the fisheries project and only time will tell as we develop it to what extent Milestone would wish to get involved in that, but other than the single payment which was made to Red Eagle, we have received no other benefit, direct or indirect, from Milestone as yet.

Q14 Mr Dismore: But if one looks at the question, for example, of business goodwill or potential capital value of the company, that presumably would be enhanced by its relationship with Milestone?

Tony Baldry: Sorry, I did not hear the question.

Q15 Mr Dismore: If one looks at the wider context of where the company operates, would Red Eagle's effective goodwill, contacts and potential capital value have been enhanced by its relationship with Milestone?

Tony Baldry: To be honest, I am genuinely not sure what the point is you are driving at.

Q16 Mr Dismore: Well, it is a straightforward question. Is Red Eagle better placed in the Sierra Leone market because of its relationship with Milestone?

Tony Baldry: No, I do not think so. As you can see, Red Eagle has a perfectly good working relationship with Sierra Leone. We have been, and we are, involved in a project on fisheries and we are getting along with that project. I am not sure that Milestone has as yet helped in any particular way in that and, as I said, I think we saw in the longer term a benefit for Red Eagle that Milestone would have a permanent presence in the country, funding an office and so forth, and they had evinced and shown that they were willing to invest in Sierra Leone and practically no one else is investing in Sierra Leone.

Q17 Mr Dismore: So there was a prospective benefit rather than one which has actually crystallised?

Tony Baldry: Yes, and obviously there is a prospective benefit, so that there is no ambiguity about this, Mr Dismore, there is a prospective benefit because under the long-term participation agreement between Red Eagle and Milestone, if Milestone should float, Red Eagle has the option under that agreement to secure 3 per cent of the shares in Milestone.

Q18 Mr Dismore: When did you first become aware of the prospective benefit from the relationship with Milestone?

Tony Baldry: Well, I hope it is all set out in the evidence, but let me go through it again for you.

Q19 Mr Dismore: But the evidence deals with actual benefits and I am asking you when you first believed that there would be a prospective benefit from the relationship with Milestone, which is not in the evidence?

Tony Baldry: I think in one of his letters to me, Solomon Berewa, who was the Vice-President and the High Commissioner, had been for a long time expressing concern about the diagnostic centre, a project which had been raised in the previous year. It was a matter of real concern to them because when the UN withdraws from Freetown, there is not a proper medical service in Freetown at the moment and the only decent medical facilities are being provided by a Jordanian field hospital attached to the United Nations and that is why Freetown is an unaccompanied post and UK diplomatic staff cannot take their wives or families to Freetown. At some stage it became clear that Milestone were willing to invest in a diagnostic centre in Freetown and at that stage I was due in any event to be going to Freetown to talk about the fisheries project and take forward the fisheries project. Indeed the dates for that had for a long time been in my diary and the tickets had been bought. At that stage, I think, we agreed to meet with the Milestone team in Freetown, which we did. I think following that visit, we decided, both sides decided, that there may well be some mutual benefit in participation in a partnership and, from our perspective, what I think we saw in Milestone, as I have explained, was that they were going to have a permanent presence in Freetown, they had evinced an intention to invest and, certainly in relation to the fisheries project, they said that they could get the processing ship to bring to the project and that seemed to us of real value. I am not sure whether that is prospective value; it strikes me as being real and immediate value to the company.

Q20 Mr Dismore: Well, to come back to the original question, when, in terms of time, run-through or whatever, did you first consider that there was a prospective benefit from the relationship?

Tony Baldry: I think probably from mid-November onwards and then I think after we returned, and I think there were some discussions when we were in Freetown, and when we came back from Freetown, that led to the drafting of a joint participation agreement.

Q21 Mr Dismore: Can I ask you about a different issue now. You have seen the criticisms of the Anti-Corruption Commissioner in Sierra Leone. What do you say to them?

Tony Baldry: Well, when I met the Vice-President in London a couple of weeks ago, I asked him about them. So far as the Government of Sierra Leone is concerned, I understand that they have no criticism of my conduct at all. I have never met Mr Collier. It seems to me that Mr Collier did not know the full facts. He made a criticism about Angel Gate Aviation and he clearly did not know the facts about

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that. Those must be matters for him, but I set out clearly to the Committee and to everyone what I have done and that is for you to judge. It seems to me that Mr Collier had made a judgment without the full facts, without ever having got in touch with me and without ever having asked me for an explanation.

Q22 Mr Dismore: Would you agree with me that one of the basic thrusts of his argument is that developing world countries do look to the UK to set a good example in terms of, and “corruption” may be putting it too high, but in terms of business dealings involving politicians?

Tony Baldry: I do not think, Mr Dismore, in fairness, that I have done anything for which Mr Collier could justifiably criticise me.

Q23 Mr Dismore: That is not the question I put to you.

Tony Baldry: No, but I am just saying that I do not think there is anything I have done for which Mr Collier could justifiably criticise me. Indeed one of the ironies of all of this is that one of the reasons I wrote to the Secretary of State was that I was very anxious that a major new UK investor to Sierra Leone should get it right. One of the ironies of all of this is that I was very anxious that Milestone should get it right in Sierra Leone and that was all. What I was seeking to do in that letter to the Secretary of State was I wanted to ensure that they, and I was not expecting a written reply, I was not expecting some, as *The Sunday Times* suggests, “seal of approval”, not at all, but what I was wanting was officials in Freetown to talk to Milestone officials to make sure that Milestone were following the correct procedures. As I understand it, they have subsequently, without any fuss, actually done that and they have got on with it.

Q24 Mr Dismore: But can you answer my question?

Tony Baldry: Of course one would want to ensure that UK companies, UK Members of Parliament and everyone involved in the UK would set a good example. With all due respect, I do not think that I have done anything which in any way confounds the example one would want to set in Sierra Leone and, as I say, when I saw the Vice-President two weeks ago when he was in London, he made it very clear that, so far as the Government of Sierra Leone was concerned, they considered that I had behaved in a perfectly proper way.

Q25 Mr Dismore: Thank you. The last point I want to put to you is the sort of growing relationship between your business interests, your attempt to assist Milestone and your role as Chair of the Select Committee. Would you consider that your role as Chair of the Select Committee on International Development does impose on anybody in this area perhaps even a higher standard in terms of how you deal with business relations in developing world countries?

Tony Baldry: Absolutely and, as I say, I do not think, Mr Dismore, that there is anything—well, if there is anything in the Commissioner’s report which says that I have in any way failed in that test, I would be very grateful if you would point it out to me.

Q26 Mr Dismore: Well, I am asking you.

Tony Baldry: No, no. If there is anything in the Commissioner’s report which suggests—

Q27 Mr Dismore: No, I am asking you for your opinion.

Tony Baldry: Well, of course, and I make it clear, I would expect the Chairman of a Select Committee or a Member of Parliament of my seniority to behave in an exemplary fashion, but if there is anything in the Commissioner’s report or in the evidence which you believe shows that I have not done that, I would be very grateful if you would point it out to me and give me the opportunity to respond to it.

Q28 Mr Dismore: In the end the Committee will produce its own report. The Commissioner obviously reports to us and our own document may or may not endorse the Commissioner. I am sure you are aware of the procedure. The next point I want to put to you is: did you feel that there was any risk of your role, as Chair of the International Development Committee, becoming blurred with your business interests in the developing world?

Tony Baldry: No. I had declared to my colleagues on the Select Committee my interests. They are declared to the Committee. My directorship of Red Eagle Resources and my directorship of Invicta Africa were there on the Register of Members’ Interests. They are shown to the Committee on a regular basis. I do not think any colleague on the Committee ever had a scintilla of concern about those relationships and they could have raised it. I do not think anyone had any reason to raise it with me and I do not think I had any reason to believe that in any way my role as Chairman of the Select Committee conflicted with my business interests.

Q29 Mr Dismore: It is not so much to do with the question of declaration, but more to do with the question of advocacy within the very strict rules of the House, the advocacy rule, both in relation to lobbying the UK Government and in relation to lobbying overseas companies. My concern here is whether there was some blurring between your business interests and your role as Chair of the Select Committee bearing in mind, for example, the points made by the Commissioner in Sierra Leone.

Tony Baldry: I think I have answered that. At no time were any of my approaches to anyone, to President Kabbah or the Vice-President, as Chairman of the International Development Select Committee and I do not think that at any time was that ever mentioned, so it seems to me, reading the Parliamentary Commissioner’s report, that the only place where I have got it wrong was in relation to the letter to the Secretary of State. I have given my explanation to the Committee on that. As I said, I

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have no quarrel with the Commissioner's findings, but my explanation is there for the Committee to see. I was not seeking, I put it on the record and I put it on the record again, I was not seeking benefit from Milestone, let alone seeking an exclusive benefit from Milestone, but I accept that if the Commissioner and others, reading the letter, objectively consider that that may be have to be construed, then I have to accept the consequences of whatever interpretation is put on it. I ought to have written a much clearer letter in the circumstances, but during my time as Chairman of the Select Committee, I hope that I discharged my responsibilities as the Chairman of that Committee diligently and with some integrity.

Q30 Chairman: Can I ask if any other colleagues have any questions they wish to raise? Can I then ask a final question. Do you have any idea how *The Sunday Times* obtained your letter to the Secretary of State?

Tony Baldry: Yes, I gave it to them. What happened was, and sorry, I thought I had explained it to the Commissioner, but what happened was that late on Maundy Thursday *The Sunday Times* telephoned me and their initial questions were about Milestone and Milestone's activities in Sierra Leone. I said, "Look, I can't help you in detail with this. These are matters that you must take up with Dr Levy", and I gave them Dr Levy's telephone number. The journalist then went on to say, "We understand that you have written to the Secretary of State", and I acknowledged that immediately, that I had done, and I think the Commissioner has seen the transcript of the interview that I had with the journalist from *The Sunday Times*. I did not consider that I had anything to hide and so he asked if he could see a copy of the letter and I immediately faxed it across to him.

Q31 Chairman: Thank you very much. Are there any other questions? No. Thank you very much, Mr Baldry.

Mr Baldry: Thank you.

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