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THE PONTE AFFAIR

4.1

The Tip

The telephone rings one evening. At the other end of the line a man murmurs his name. We knew each other casually. I (reporter for *Vrij Nederland*) see him sometimes in an Amsterdam hostelry we both frequent. He's part of the Hague scene, lobbyist for a small party occupying the centre of the political spectrum. The party's fluctuating success is very much dependent on the level of dissatisfaction among the voters. Each time the mood in the country takes a downturn, party membership swells. The man at the other end of the line has made influencing opinions his business. I'm on my guard, but listen with curiosity.

Always remain distrustful. Tipsters and sources have their own goal in mind when they're dishing out the dirt. Journalists can be employed to this end. In intelligence service terminology, for example, these are then known as "useful fools".

"Don't ask me about my sources, but a good friend of mine has been getting really het up about a tax dodge by two Christian Democrats who were deputy Finance ministers a few years ago" says the man at the other end. "I can only give you a few facts, but it's definitely a really big one. You should read page 52 of Flip de Kam's book *Paying is for dummies*. One of the former deputy ministers involved is Grapperhaus".

"I'm all ears, but your information is pretty thin," I say.

"It's all I know. My source doesn't want to say anything more or he could betray himself. But what he says is a hundred percent reliable" says the man down the phone.

The next morning I visit the book store and purchase a copy of De Kam's book, which came out just a couple of months before. On the page in question a lawyer relates amidst gales of laughter how he made a monkey of the tax office. In short, it boils down to the fact that he and nine others set up a business partnership. The company subsequently buys millions worth of real estate, with the aid of mortgage credit from the bank. The attraction is that, in this way, the ten limited partners benefit from a special right to *investment relief*. Each partner is entitled to personal tax relief on several hundred thousands each year of his gross annual income - which means the ten partners enjoy virtually tax-free lives.

The example is taken from real life. The economy in those days was in a slump. To get out of this, the ministers of Economic Affairs and Finance thought up a scheme which would encourage businessmen to make new investments. So they were given the right to investment relief and early write-offs - depending on how badly the region was suffering, two times twelve percent in the densely populated west and two times twenty-five percent elsewhere. Done properly, this could have really encouraged new activities. Done improperly - as the example in *Paying is for dummies* shows - real estate simply changes hands and the scheme amounts to no more than a bookkeeping trick.

As became apparent later, also guilty in this respect is Professor F.H.M. Grapperhaus of the KVP, the Catholic People's Party, Deputy Finance Minister in the De Jong government, advisor to renowned international tax and accounting agencies, much-in-demand speaker on tax morality and tax evasion.

4.2

Patience

In the period following, I find myself spending every spare moment trying to get to know more about the tax dodge. I visit a well-known tax specialist who explains the unprecedented opportunities offered by investment relief. A notary public of my acquaintance drills me on the distinction between silent and limited partners in a business partnership and explains that each partner remains an independent entrepreneur with full responsibility. That is the basis on which they are entitled to share the tax relief between them. I use hypothetical examples. At this stage I still don't dare use the name Grapperhaus, in case he himself becomes alarmed and in case others start to get ideas.

Meanwhile I still haven't found anything concrete about my leading man. He lives in Wassenaar, but the Land Registry in The Hague doesn't mention any property of note. I go along to the Chamber of Commerce, but I'm out of luck. My contact there is going to be away for some time. And I can't prevail upon his colleagues to use the internal personal register to let me into Grapperhaus' records.

I'm getting nowhere fast this way. One evening I decide to phone my Man about The Hague for another clue. I tell him briefly about my failed attempts to track down Grapperhaus. He'd rather not meet not me now ("you never know who might see us together") but promises to ring back.

A journalist is, to paraphrase Winston Churchill, "a little man with a little pencil". He/she doesn't know much in his/her own right. But the journalist has an address book with the phone numbers of a couple of hundred people who can help. He has a list of names with regular and occasional tipsters,

contacts and sources who usually have to be approached carefully and always discreetly.

4.3

Names

A couple of days later my source calls again. His friend is prepared to disclose two more facts, but not another word after that. The property involved in the investment relief dodge is situated in Utrecht and used to belong to Coop-Nederland. "My source can't give you more than a clue about the name of the company, since it's only known to a very few. You must search for a French bridge. That's really all I can tell you."

I spend a day and a night trying to decipher the code. I consult my partner and then I decide to concentrate my search on the name Pont. The Commercial Register in Utrecht - my first port of call - is quite categorical. There is no company under that name, or anything that resembles it. I turn again to The Hague. The clerk on the desk at the Commercial Register shakes his head and says: "No, we don't know any Pont, but we do have a Ponte. Is that the one you mean?"

That's the name I mean. There's the sudden euphoria of discovery. Quickly, the desk clerk recites the names of the partners: Professor F.H.M. Grapperhaus, Dr W.L.G.S. Hoefnagels, Professor M.V.M. van Leeuwe and Messrs A.I.J. Aukes, E.J.M. Hetteema and H.J.P. Zoete of Helmond. The proliferation of initials suggests they have one thing in common: all the partners must surely have a Roman Catholic background. Immediately I'm reminded of the historic words of Professor P.A.J.M. Steenkamp in an interview in *Vrij Nederland*: "the individual conscience of Catholics is underdeveloped". Further investigation reveals that the three

gentlemen from Helmond make up the board of the locally-based food concern Edah. Professor De Leeuwe divides his time between the boards of various large firms and the chair in "tax law and national economics" at the Catholic University of Nijmegen. Dr Hoefnagels is, like Grapperhaus, a former deputy Finance minister and later chairman of the Koninklijke Scholten-Honig company. And the word *Ponte*, the dictionary reveals, is French for "a player in a roulette game who takes on the banker". Another translation is "bigshot". Both terms seem to fit both the partnership and the aim of the enterprise.

In The Muckrakers Manual (Loompanics Unlimited 1980) Kevin Martin, who started out as a reporter for the North American underground press, sums up the qualities required in a researcher: a feel for news, scepticism, dedication, a particular kind of timidity - call it naivety - and stubbornness. To which I would add, you must be industrious and anti-authoritarian, so you can recognize small-mindedness and dishonesty. "Every government is headed by liars and nothing they say should be believed" wrote the celebrated journalist Izzy F. Stone of Stone's Weekly. There's a creed for journalists. It's also an advantage to have a liberal editor who asks no questions and lets you go your own way.

4.4

The reporter

With the help of a friendly financial editor, I manage to trace the history of Coop-Nederland - once a powerful bastion of manufacturers and users with shops, bakeries and flour mills partly owned by the trade unions and their members. A

very small part, that is. But as the word "cooperation" lost its meaning and the Coop did worse and worse, capitalism finally triumphed. The company was wound up.

Since bank director W. Mazzola was not only appointed to the board of Coop-Nederland but also on the board of Koninklijke Scholten-Honig (KSH), part of the Coop moved to Hoefnagels' KSH. The industrial sector to be exact, with the four mills and bakeries. And since Hoefnagels just happened to be both chairman of the board of KSH and on the board of Edah, another part of the Coop went, yes, to Edah. In this case the hundred and fifty Edah stores and Coop-Nederland's capital distribution centre at Europalaan 30 in Utrecht. Edah pays for the distribution centre - according to a copy of the deed in the public section of the Land Registry in Utrecht.- a sum of sixteen million guilders. The transaction takes place in 1973.

But according to the friend of my Man about The Hague, the distribution centre now belongs to Ponte. The Land Registry says nothing about this. I start a title search, ask for the information about the property Europalaan 30, check the mortgage register, keep trying the names Edah and Ponte. Nothing. I'm at the end of my tether. "How's it possible" I ask my regular desk clerk. He hesitates: "Could it be that Ponte has become the economic owner? In that case, no change would have been noted in the Land Registry."

At home I re-read the extract from the Hague Commercial Register and curse myself for a fool. There, in the last few lines, it says that "under the acts of administration" Ponte particularly refers to the "purchase and sale of property, including economic property". This must be the answer.

Theodore Roosevelt, US president around the turn of the century, angrily railed against the "scandalous and malicious scribbling" of journalists about people he regarded as

upstanding citizens. As a good Christian he quoted the passage about the "muckraker" from John Bunyan's *The Pilgrim's Progress* (concerning the Christian man and woman's pathway to heaven). On her journey, the Christian woman Christiana is shown a man "that could not look no way but downwards, with a muck-rake in his hand. There stood also one with a celestial crown in his hand, and proffered him that crown for his muck-rake; but the man did neither look up, nor regard, but raked 4to himself the straws, the small sticks and the dust of the floor." Interpreter, who accompanies Christiana, explains that "It is to let thee know that earthly things, when they are with power upon men's minds, quite carry their hearts away from God. Thou seest him rather give heed to rake up straws and sticks and the dust of the floor, than to what He says that calls him from above with the celestial crown in His hand."

Anyway, the point is that the word "muckrakers" immediately entered the language. But otherwise than Roosevelt intended, it came to describe a particularly tenacious form of journalism.

4.5

Caution

I try contacting my Man about The Hague just one more time. "Could it be that Ponte has obtained economic ownership of the property Europalaan 30 in Utrecht?" A couple of days later he calls me back with the answer "yes".

My friend the notary public then lectures me for an hour on "legal" versus "economic" ownership of real estate. In the latter case, the buyer becomes the owner but without the deeds to the property having to be transferred. Therefore without

the five percent registration fee plus notary's costs (in this case amounting to around eight hundred thousand guilders) having to be paid. Nothing changes as far as the Land Registry is concerned. It has the undeniable advantage that it makes it difficult for nosy third parties to detect the transaction. Legally, Edah remains the owner of the building. Nothing changes as far as the mortgage of 22 million guilders on Europalaan 30, provided by the Philips Pension Fund and two banks, is concerned. Edah continues to stand in for the mortgage, only now Ponte takes care of the interest and repayments.

This situation can continue indefinitely. In fact, economic ownership by Ponte is somewhat comparable to a civil wedding involving practising Catholics. They may belong to each other, but they're not truly one until they've been joined together in the Mother Church.

A few months earlier I happened to meet an employee of the Edah retail food concern, who wanted to tell me about unrest among the workforce. Greater and greater efforts were being demanded of the boys and girls working in the Edah supermarkets, due to management's desire to earn more money using less personnel. I call him up and ask him if the distribution centre in Utrecht is still owned by Edah. He doesn't have the answer but he gets a member of the works council to put the question casually to the secretary of the board. Who answers: "Well of course it's ours, we couldn't do without it".

At this point in the story I decide the time is right to ask Edah director H.J.P. Zoete for an explanation. I choose him since, according to my inside information, he's the least sophisticated director on the board. He's on holiday. So I ask his secretary: "You see, Miss, I'm writing a story about Coop-Nederland. Is it true that the distribution centre in Utrecht

is owned by Ponte these days?" She asks me to wait a moment, consults a colleague and says: "No, we've never heard of Ponte, we became the owners of the building after the takeover of Coop-Nederland."

The reporter engaged in long and thorough research, must proceed cautiously. Never go directly at the people you wish to write about. Avoid starting a conversation with the topic you're investigating. Work in circles. Begin with the widest circle, read everything, gather knowledge, establish reliable contacts. Make the circle smaller and search out informers who used to work for the suspect employer or company. From them you can get the names of rebellious and critical employees, whom you can in turn ask for information. Be discreet, never tell people who you have spoken with already. Keep to your word, never name people who don't want to be named. Spare no-one. In this respect, the Handbook of Journalism directly contradicts the Holy Scripture. The Holy Bible says: look into all things and keep to thee the good. The journalists' bible says: look into all things and make public the rotten, the bad, the false.

4.6

Confrontation

Two weeks later Edah director Zoete is back from holiday. I decide to talk to him first before contacting Grappehaus or Hoefnagels. They, I'm assuming, are perfectly assured in their manner towards reporters. They can improvise evasive, non-committal answers to questions, whilst instructing their partners not to comment at all. I call Zoete and put to him the same question I put to his secretary earlier. There's a silence. He clears his throat, hesitates and then says: "The

property in Europalaan was transferred to Edah in the fusion with Coop. The situation is unchanged."

"Is that really the case?" I ask him. "I have in front of me an extract from the Commercial Register regarding the Ponte partnership. Your name is listed on it and I have it on good information that Ponte is now the economic owner of the building."

The silence lasts longer. Zoete sighs, umm's and err's a while, then says in the voice of someone admitting defeat: "You're right, the distribution centre has been bought from Edah by Ponte". Now I need to know the amount that Ponte paid Edah for it. The friend of my Man about The Hague refuse to name a sum. So I'll have to bluff. I know that Edah bought the distribution centre for sixteen million, surely the Edah directors won't have neglected to make a profit for their company?

"My information is that Edah sold the property for eighteen million" I tell him firmly. There's another long silence. "I can't answer that. We decided the amount would remain secret" Zoete eventually responds. By "we" he means that he, Hetteema and Aukes, as directors of Edah, sold the distribution centre without the knowledge of Edah's staff to Zoete, Hetteema and Aukes, as partners in Ponte.

"So am I right in thinking that Edah now rents the building from Ponte?" Zoete confirms this. Again, he refuses to name the amount because it's an internal agreement. I try the "Registration and Succession" department of the Utrecht tax inspectorate in an attempt to fish up the amount. Depositing a copy of the rental agreement is not actually obligatory, but Grapperhaus and Hoefnagels know better than anyone that it's certainly appreciated. And a copy usually has been deposited, when the agreement is a fair one. But this transaction was done in secret.

"Facts", writes Professor A.N.J. de Hollander in Unmasking in Society, "are constructions continually isolated by our minds from a complex and confusing reality." The reporter chooses the facts. Journalism can therefore never be neutral or objective, but is always engaged. It can come out in support of society, be critical of society or attempt to undermine society.

4.7

The scandal

Immediately after Zoete, I want to confront Hoefnagels with the facts. I'm a second too late. His line is engaged for a long time. When I do get through, it turns out the former deputy minister has just been brought up to date by Zoete. He can't do much else than confirm Zoete's answers. Grapperhaus too knows that he's about to receive unwanted publicity. He's been thinking and wants to prevent speculations. Ponte, he tells me, took over the distribution centre for the sum of sixteen million guilders. A surprisingly low figure.

So finally, the pieces fit in place. Ponte, an accommodation address operation, is created on 13th November 1973. On the same day the deal is done for the economic transfer of the former Coop building in Europalaan in Utrecht. That's just five days before the deadline of November 18th, when the investment relief scheme is scheduled to expire. Thanks to that fast decision the six partners can claim 320,000 guilders of tax relief each year on their income tax forms. They've succeeded in creating their own little tax haven in the urban heartland of Holland.

Once the story is published, Finance Minister W. Duisenberg calls the behaviour of his former colleagues "totally repugnant". The service sector union Mercurius is

particularly scathing: "As far as we are concerned, they (Grapperhaus and co.) can be put across the border tomorrow as undesirable citizens and the property they have acquired in such a manner confiscated." The newspapers all cry scandal, parliament debates and Christian Democrat politicians rush to confess.

Grapperhaus is still on his feet. "It's a terrible thing that someone, somewhere has violated his vow of confidentiality. With behaviour like this, how is there to be any privacy left?" he complains.

"Property corrupts, but power corrupts completely" as the former Prime Minister W. Schermerhorn used to say. Power in the Netherlands has for decades been in the hands of Christian Democrats applying their "confessional domination method". Any reporter investigating power in the Netherlands needs to know the relationships between churches and the slavish subjection of the Christian Democrat politician to the church. Health care, education, administrative bodies are all dominated by Christian Democrat/KVP gun turrets. Since the reins of power are firmly in the grasp of the Christian Democrats, it's only natural that that's where the most exciting research material is, with potential revelations of corruption and scandal.

4.8

The consequence

The first article about the ingenious dodge employed by the Christian-Democrat partners in Ponte is published in the *Vrij Nederland* of 10th October 1977. Two days later, on a Monday, R.F.M. Lubbers (check those initials), outgoing Minister of Economic Affairs, hurries on stocking feet from Kralingen to the Rotterdam Chamber of Commerce in Beursplein. There, in

hushed tones, he tells the desk clerk that he wants his name scrapped from the business partnership R3. Not from November 12th but retrospectively as of 1st January 1976, so says Lubbers.

Because R3 is exactly the same construction as Ponte. R3 entitles the Lubbers brothers - including the cabinet minister - to the same investment relief which the Finance Minister has just branded "totally repugnant".

Thankfully the clerk on duty at that moment is brave enough to report Lubbers' visit to the Chamber of Commerce to the outside world.

It's the beginning of a new scandal.