

Where there's smoke, it's a job for Firepower



Going for gold...a \$3 million sponsorship deal was reportedly struck between Firepower and the Rabbitohs, the NRL club backed by Russell Crowe, left, and Peter Holmes a Court.

Photo: AFR

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Magic pills, religious links, Russian death threats, big sports sponsorships ... Gerard Ryle investigates.

PEOPLE who know him agree on one thing: Tim Johnston tells a good story.

At Sydney's Shangri-La Hotel in late 2005, the charismatic figure behind the fuel technology company Firepower recounted his discomfort as he undressed in the middle of winter and dived into the cold waters off Cottesloe Beach, near Perth.

It was for the filming of a segment that would appear to 80 million people on the Russian equivalent of the *Today* show, a piece entitled: A day in the life of a successful Australian business.

The anecdote was delivered without irony to an audience of about 40 investors at the Shangri-La, and to about 1200 others at a series of breakfast and lunchtime meetings around the country throughout 2006.

Many were taking a financial plunge on Firepower, an unorthodox company Johnston promised was about to take the London stockmarket by storm.

Using calculations drawn from public statements, he is estimated to have raised somewhere between \$10 million and \$100 million from investors - from wealthy sports stars to a couple who handed over a

\$60,000 termination payout in the expectation that they would get a \$1 million return.

But questions now are being asked about the company, its products and the delays in its long-promised stockmarket listing.

Firepower's mooted technology - which includes a little fuel pill that promises to solve some of the world's energy and environmental problems - has never been patented or extensively tested by independent laboratories.

The promised listing on London's Alternative Investment Market has yet to happen, and some owners of an estimated 200 million shares say they have never seen any of the company's annual financial returns.

Some of the shares, unloaded for between 5c and about \$1.30 in the expectation that they would soon be worth up to \$7 each, were sold by a formerly banned securities trader, and by another person who was successfully prosecuted by the Australian Prudential Regulation Authority over an unrelated matter in 2004.

Furthermore Johnston, the man behind the hype, had a longer history than he cared to tell.

The investor meetings, for instance, were not told about his involvement in a list of deregistered companies in Australia and New Zealand that offered similar products, or how an entity that was valued at \$25 million just three years ago could possibly now be worth \$3.5 billion.

In an interview with *The West Australian* last month, Johnston expressed surprise that people thought Firepower had just popped up out of nowhere. It was actually, he said, "a 15-year overnight success".

To understand the Firepower story, you need to return to 1992, shortly after Brisbane-born Johnston - a former transport manager with Kwikasair - left Sydney and moved to Auckland.

In March that year he started Power Plan International, a company that sold little blue pills through a multi-level marketing network of about 3000 small distributors across Australia, New Zealand, South East Asia and China.

The blue pills were sourced from CYI Techni Lube Co in California.

The CYI stood for Create Youth International.

Many of the claims made about the pill - that it reduced fuel consumption and harmful emissions - would later be made about the brown pill marketed by Firepower, though Firepower says it uses a different formula.

One of Johnston's business partners in the venture was Ross Johnston (no relation), the former owner of a local brush factory and a fellow member of the Jehovah's Witness church. Ross Johnston would later be presented to the media, by Firepower, as one of the inventors of Firepower's products.

Power Plan International did good business until September 1992 when it was the subject of a critical expose by the New Zealand Automobile Association.

The association found testimonials for the products were either old or highly subjective. It conducted

tests on the pill and found they didn't work. Power Plan took the matter all the way to the NZ High Court in a failed attempt to prevent publication.

In a sworn affidavit to the court, Tim Johnston said his products had been tested by the Victorian police commissioner and had been endorsed by the New Zealand Commerce Commission. Both statements were revealed to be untrue, the association said.

So, too, according to the association, were verbal statements made by Tim Johnston that the blue pills were about to be recommended by the association's sister organisations in Australia, the NRMA and the RACV.

"When you think about it, Petrol Pills, if they worked, would be one of the world's greatest inventions. This is a product which ought to interest not just motorists but governments," said an article that appeared in the association's magazine, *Directions*.

"Why have there not been reputable scientific studies done on it? Why is there no pressure on governments to have the product compulsorily included in all brands of petrol - and wouldn't that make far greater profits for the owners ... than the present method of distribution?"

Similar questions would later be raised about Firepower.

NZ company records show that after closing Power Plan International in 1994, Johnston registered a series of other companies between February 1996 and October 1999. Some had unusual share structures that involved entities in tax havens such as Vanuatu and the Isle of Man.

One was called TL Chemplex, a reference to the Chemplex Automotive Group Inc in California that engaged Johnston as a customer in 1996 and whose products, according to Chemplex, form the basis of some of the pill chemistry that Firepower today claims is so secret.

By the time the relationship between Chemplex and Johnston ended acrimoniously in 1998, Chemplex claimed that his companies not only owed a significant amount of money, but were selling a substandard copy of Chemplex's product while incorrectly claiming an Environmental Protection Authority registration.

"At first we thought Tim didn't know what he was doing, that he didn't have a technical understanding of the products," Chemplex president Carol Grebe said.

"But it soon became apparent that he took great liberties in using data where it seemed most beneficial from a marketing standpoint, even when it did not relate to the product."

Chemplex also alleges that the original design and business model for an engine cleaning machine - a similar product appears in the Firepower range - could also be traced back to Chemplex.

Back then Johnston had his own version of the machine manufactured in a factory owned by the Exclusive Brethren religious group in New Zealand.

Johnston had his version of the Chemplex pill made by New Image International, a multi-level marketing company listed on the NZ stock exchange. New Image is a contract manufacturer for Firepower.

During this period a number of claims were made about Johnston, which could not be verified. For instance, in February 1998 he was described in the Malaysian press as the managing director of a company called TLC USA.

Press reports described the company as an independent California-based fuel conditioning manufacturer that was looking to set up a local manufacturing base. But there is no record in the US of any company by that name.

Chemplex was also not alone in being unhappy with Johnston.

Some people such as Ray Whitham, a former New Zealand policeman, took out loans on his house so he could purchase an engine-cleaning machine and pill-selling franchise in November 1998. He eventually lost tens of thousands of dollars.

"The whole Johnston thing was you put your money up front and then buy these pieces of equipment up front. Shell was on board, this was on board, that's on board," he said.

"It all turned out to be bullshit. The machines were good for about three engine flushes, simply because they weren't doing research ... Basically he was running on everyone else's money."

Johnston's time in New Zealand - he returned there occasionally over the years - prompted a curious aftermath in 2004 when matters arising from his former companies came to the attention of the police.

"We did want to question him," said Elaine Hautau, a forensic accountant with the company fraud squad in Auckland. Her interest was over "questionable payments" that were made by some of Johnston's companies to entities registered in Vanuatu.

When Johnston could not be traced the investigation ended and no charges were ever considered, she said.

Johnston had earlier laid the groundwork for life in Perth, registering TLC Manufacturing and Development Australia in August 1999.

He maintained his relationship with New Image, which continued manufacturing his pills that he sold through agents in Australia and overseas.

Those familiar with the product said the pill was a formulation containing ferrocene, a commonly available chemical.

Ferrocene and its derivatives are anti-knock agents that can be added to unleaded petrol to enable it to be used in vintage cars designed to run on leaded petrol. In diesel-fuelled engines, ferrocene reduces the production of soot.

Living out of a rented house, Johnston got a break when he stumbled across a local chemical company, Gold Leaf Enterprises, which he had initially engaged to produce liquid products. The company, which has since changed ownership, showed him what it considered their own, better, versions.

Johnston purchased the rights to several formulas and that led to the formation in November 2000 of TPS Firepower. TPS stood for Transport Pollution Solution.

Johnston got a second break in early 2002, when he met Trevor Nairn, an accountant and investor.

The two men sat down over a kitchen table and developed a business plan that continues to be used by Firepower today. It involved targeting large users of fuel - such as mining and transport companies.

In early 2004, the company registered an entity in the Cayman Islands, Firepower Holdings Limited, and issued an information memorandum creating 500 million shares in the company.

It then sold 50 million shares in Australia - or 10 per cent of those on issue - at 5 cents each, which valued the company at \$25 million.

One of the salesmen in the venture was Michael van Rens, who in 2003 and 2004 was the subject of action by the Australian Prudential Regulation Authority.

Van Rens was one of four trustees of the Perth-based Strategic Capital Superannuation Fund whose funds were seized by the authority after investigators were only able to locate about \$13 million under management, despite advice that the fund had about \$24 million.

While one arm of government was investigating Strategic Capital, another arm of government was helping to shoot Firepower into the stratosphere.

By early 2004, despite the company subcontracting all its processing, Firepower said it had been selected by the European office of the Federal Government-funded Austrade as one of only 10 "rising global businesses".

Firepower told shareholders that its activities within Austrade would be co-ordinated by John Finnin, the regional director, Europe, Middle East and Africa.

By coincidence, Finnin would later become CEO of Firepower.

Over the next two years the access afforded to Firepower was breathtaking.

Shareholder newsletters are sprinkled with images of the Prime Minister, John Howard, witnessing the signing of a deal in Pakistan; of the Governor-General, Michael Jeffrey, meeting Johnston in Moscow; of a Firepower director at dinner with British Prime Minister, Tony Blair.

Subsidiary offices were set up in Russia, Germany and Romania, where some of the company's machines were made under a deal organised by Austrade that involved the British arms dealer BAE Systems and where Firepower's partner was, until recently, a relative of the late dictator Nicolae Ceausescu.

The buzz helped convince at least some new investors, albeit mistakenly and without prompting by Firepower, that the Australian Government had a stake in the company.

In September 2004, the relationship between Nairn and Johnston ended poorly and Nairn left the company. At that stage, Firepower had a turnover of about \$1 million a year and had yet to turn a profit.

Nairn was replaced by Gordon Hill, a police minister in the former West Australian Labor government of Brian Burke. He was recruited to help get the company a listing on London's Alternative Investment

Market, a stockmarket that features smaller speculative companies.

Shareholders were first told the listing would take place in March 2006. Then the date was put back to October 2006 and then to February 2007.

But in January 2007 the company said it had yet to make a decision on whether it would float.

Hill left Firepower in February last year and declined to answer questions for this article.

About this time, Firepower's joint venture partner in Russia was revealed as Grigory Luchansky, a dual Russian-Israeli citizen who has reportedly been the subject of intense scrutiny by Interpol, Britain's MI6 and Israeli law enforcement.

Firepower's push into Russia was aided by its generous sponsorship - \$200,000 in cash - of Australia Week in Moscow, an annual fair organised by Austrade for companies to show their wares. This led to Johnston's appearance on Russian television.

By now, Johnston was claiming that Firepower was selling its products in 56 countries and that he had received death threats after it signed a multimillion deal with Russia's largest coal producer, Kuzbassrazrezugol.

The Australian embassy in Moscow took the threat so seriously it organised four bodyguards from Russia's special forces unit to accompany Johnston during the trade fair. The bodyguards were paid by Firepower, an Austrade spokesman said.

"The threat came from Kuzbass, in Siberia, where we reduced fuel consumption [at Kuzbassrazrezugol] by 40 per cent," Johnston told the *Herald* at the time.

"We've been selling a lot there, and the people who had been supplying [the mining company] with diesel fuel weren't happy. I didn't get a Christmas card.

"They said: 'Tim Johnston, you keep out of Russia, or else'."

Curiously, the deal with Kuzbassrazrezugol would later be referred to in a press release issued by Firepower in response to *Herald* stories in early January.

"Firepower is planning to sign its first contract with KRU (Kuzbassrazrezugol) in February 2007," the press release stated.

Other apparent contradictions have also been questioned.

General Motors Holden requested that Firepower retract a claim that the two companies were working together in a technical capacity. The Australian military has no record of having purchased any Firepower products, as the company claimed. Neither does the New Zealand Defence Force.

ASIC has no record of a company called Firepower Group Pty Ltd, the company presented by Austrade as an export success story in Russia. Nor does the commission have any records of a company that represented Australia in another Austrade investment mission to Malaysia in August last year - Firepower International Pty Ltd.

Late last month Firepower said Finnin was confused when he incorrectly told a press conference that Firepower's products had been tested by Volvo. Yet the exact same claim was made in a letter to shareholders on January 10, signed by Johnston.

Despite the continued delays on the AIM listing, the share sales to investors continued.

During 2005 and 2006, according to public statements by Johnston, another 150 million shares in the company were sold.

The *Herald* has learned the shares were sold through investment advisers in each of the major capital cities.

At first the price of each share was 20c, then 33c, then 50c. Eventually, by late last year, they reached \$1.33 each.

Until recently, investors who wanted to purchase the shares were directed to a company in Perth called Axis International Management Pty Ltd.

The sole director of Axis International Management is Quentin Ward, a former bankrupt who was once banned by ASIC from 1995 until 1998 from dealing in securities or from giving investment advice.

He declined to comment and directed the *Herald* to Firepower. In turn, Firepower declined to answer any questions.

What investors received for their money was a share certificate in a Virgin Islands registered entity called Firepower Holdings Group Limited.

Throughout this period the eventual pay-off was also rising.

Early investors were told their shares would be worth about \$2.50 each on the AIM. The price rumours soon shot up to \$7.

Few seemed to consider the multiples that would be needed to support a stockmarket share listing of \$7, a figure that would take Firepower from the \$25 million at which it valued itself in 2004, to almost \$3.5 billion.

Nor did shareholders appear concerned by the fact that Firepower products retailed in only a few dozen motorcycle outlets and truck stops in Western Australia and Darwin, and a marine supply shop in Hobart.

What appeared to ease shareholders concerns about the company's failure to meet its second self-imposed deadline for listing on the AIM was simply the fact that the company, and Johnston, were splashing around enormous amounts of cash.

They seemed oddly reassured when it was reported that Johnston had moved into a \$9 million mansion in Perth, bought in April last year by the property tycoon Warren Anderson.

Anderson was revealed in January as a former director of the company.

Almost overnight, Firepower became one of the largest sporting sponsors in the country.

A reported \$3 million deal with the South Sydney Rabbitohs rugby league team was unveiled by the team's part-owner Russell Crowe - on the Jay Leno show.

It was quickly followed by sponsorship deals with the Sydney Kings basketball team, the Western Force rugby team, the Tongan national rugby team, the Porsche Carrera Cup, V8 Supercar racing, and the Australian Superbike Championship.

The company's money is also reportedly underpinning five Wallabies in the forthcoming rugby World Cup.

But alarm followed revelations in the *Herald* in January that all might not be what it seemed. Shareholders' concern grew when Finnin failed to address those concerns and instead revealed that the company had not yet decided whether it would list on the AIM.

On February 2, Firepower shareholders were told that a series of meetings originally planned for early February in Sydney, Perth, Darwin, Brisbane, Melbourne, Hobart and Adelaide would be postponed until March due to "overseas business commitments".

Until then it seems that shareholders can't be certain if they're swimming in gold, or are in way over their heads.

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