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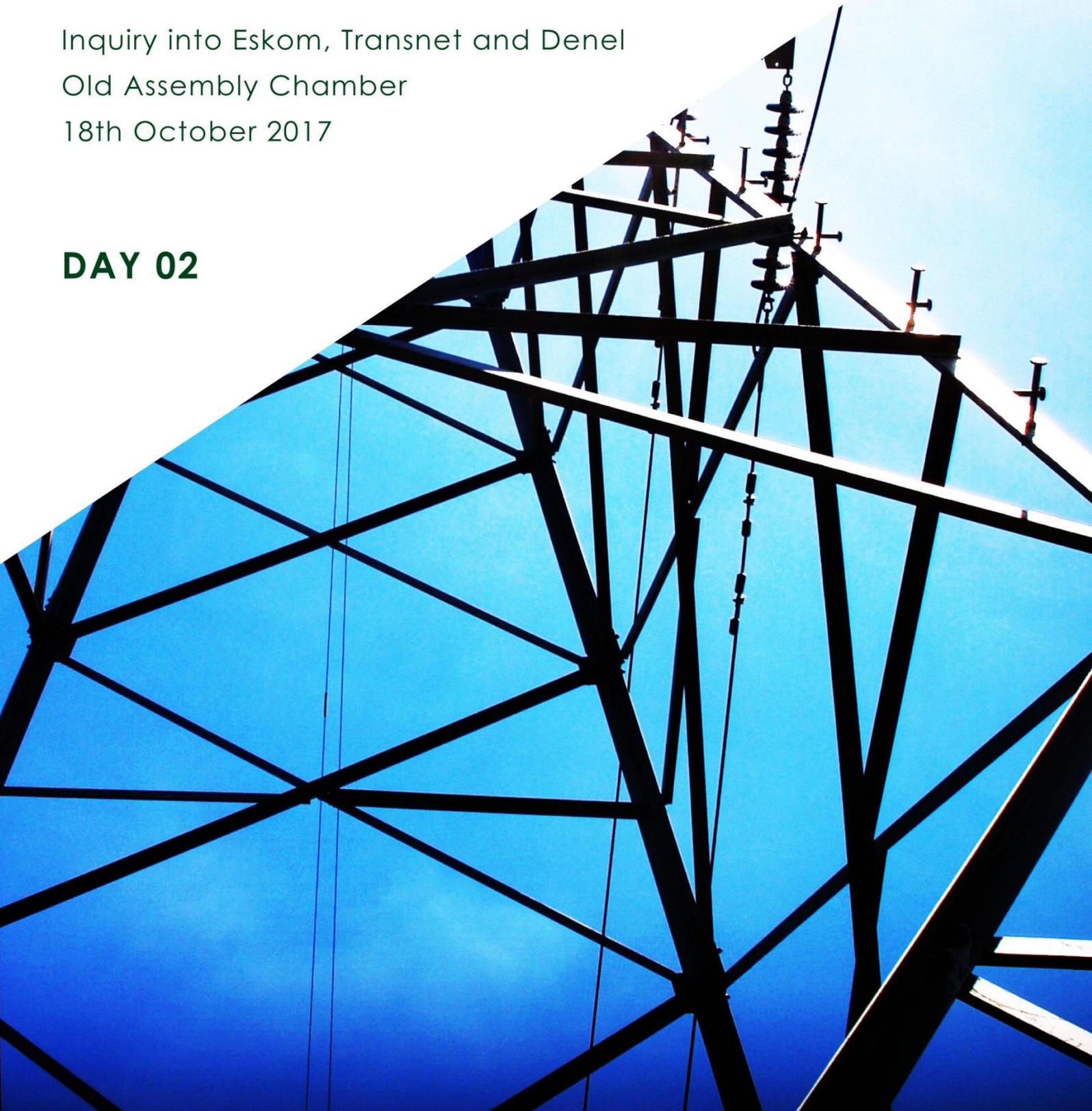
public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES

Inquiry into Eskom, Transnet and Denel
Old Assembly Chamber
18th October 2017

DAY 02



[00h00:00 - START OF AUDIO]

Ms Daphne Rantho - Chairperson -[Inaudible]...9 and we will have to start, can we get seated. [Non-English]. Let me welcome everybody, welcome the Honourable members, and welcome the people from the media, our officials from different stakeholders. We will be starting with the work of today if you remember well yesterday we said we are going to meet two witnesses for today. Our first witness is already here. Everybody is welcome to this ...to the second day of the enquiry. Members today we've got a witness in front of us who will be public. He is not going to speak in camera, he will speak publicly so that everybody sees him and everybody hears him. Let me thank him for that because that makes our work very easy for this enquiry. What I would wish to do now because the witness is here in front of us we will read an oath to them. I am told that he is willing to take an oath in this enquiry. So I will just read a few paragraphs from him after that he will then take an oath. In accordance with section 16 of the powers and privileges and immunities of parliament and provincial legislatures Act 2004, as a witness to this oversight enquiry please be informed that by law you are required to answer fully and satisfactorily to all the questions lawfully put to you or to produce any document that you are required to produce in connection with the subject matter of the enquiry, notwithstanding the fact that the answer or the document could incriminate you and expose you to criminal or civil proceedings or damages. You are however, protected in that evidence given under oath or affirmation before a house or a committee may not be used against you in any Court or place outside parliament, except in criminal proceedings concerning a charge of perjury or a charge relating to the evidence or documents required in this proceeding. Please be aware that in terms of section 17 subsection 2 of the powers privileges and privilege act, immunities of parliament and provincial legislatures act, a person who wilfully furnishes house of comedy with information or make a statement before it which is false or misleading commits an offence and is liable to fine or imprisonment for a period not exceeding 2 years. Therefore, because I am already told that you want to take an oath you are therefore; I would wish you to raise your right hand and say and I will read to you you'll just respond to what I'm going to read. 'I swear that the evidence I shall give shall be the truth the whole truth and nothing else but the truth, So Help Me God',

[00h4:32]

Mr Brian Dames- I do.

Ms Daphne Rantho -Thank you very much. The oath has been taken in front of all of us. You'll just have to sign a paper that has been printed, I will give it to you, I will give it to you now in few minutes time. Honourable members, Mr Brian Dames will speak about the corporate governance at Eskom, what he knows and what he's experienced and what has been taking place inside the entity. But before that I will give to the evidence leader to lead and to lead us today before we get to Mr Brian Dames. Over to you Advocate Vanara.

Advocate Vanara - Thank you Chair, good morning to yourself, the Honourable members, the guests to the Committee, and colleagues. Mr Dames for the record can you place your qualifications when you joined Eskom and how you grew up the ranks when you became the group chief executive.

Mr Brian Dames- Thank you Advocate. The context of my discussion this morning really is based on the engagements we have had. I do the best of recollecting the events and issues that you have raised with me. I must stress these things date back some time, several years, and I will answer your question on my history and that is even longer. And in recalling these events I have to make it clear that I've not gone back and analysed any documentation and aspects such as that. And I certainly will do my best endeavours to recollect these historical events. I started my career at Eskom 1987. I started out of the University of the Western Cape as a graduate...

[00h06:59]

Ms Daphne Rantho -Sorry, sorry Mr Dames and sorry to Advocate Vanara. Mr Dames, could you please bring your mike a little bit closer to your mouth.

Mr Brian Dames- Ok. I'll do that. I think I have to move forward. The mike will not move. I started my career at Eskom in 1987 out of the University of the Western Cape. Was a graduate in training at Eskom Koeberg Nuclear Power Station. I eventually trained as a nuclear physicist and thoroughly enjoyed this work; it was very unique in the country. It was a different time and our country's history. I used to have to drive everyday to get to work. I could not stay where I worked. I could not at the time at Eskom belong to the medical aid or the pension fund or eat where others ate. And so that was a huge challenge both work-wise and the transformation was needed in the organisation and I guess in our country. I spent a long time at Koeberg and thoroughly enjoyed that, then had an opportunity through Eskom to go... I did other things at Koeberg as well; control systems, building simulators and things like that. It was all fun and nice and then had an opportunity to study in the United States. I was selected; Eskom had a leadership development program that selected middle managers in Eskom throughout the country. There were thousands and I got selected as one of two in the country to study in the USA to do an MBA. A full time MBA, as well as a graduate diploma in Utility Management, and I got selected and had an opportunity to spend time in the United States doing my MBA as well as my graduate diploma in the Management of Utilities and then return to South Africa as then head of Eskom's generation information management. I had a graduate honours degree in physics, BSc honours in physics, and also a graduate... undergraduate degree and majors in computer science. So I looked after Eskom powers the generation part of Eskom's information management or technology issues. And that gave me exposure to power stations throughout the country. It was new to me; moved from the Cape to in the Witbank. This was all different and new, but it was quite exciting, I got to know the rest of Eskom.

[00h09:35]

From there I had an opportunity to move out of the Eskom generation executive committee and go to one job lower as an engineering manager at Lephalale, today Matimba Power Station. And I took the opportunity because I wanted to learn a bit more of power stations and worked at Matimba for about 2 years and applied to be a power station manager. I was successful and was placed at Duvha Power Station in Witbank where I was power station manager for 4 years. That was a unique experience; it was... it was difficult it was. The manager at the time told me that you can either take the easy assignments at Eskom or you can take the difficult assignments. And I took the difficult one which was Duvha. I must say 4 years later it was a different place; I had a great team of people that work with me. From there I was asked to head up Eskom's nuclear business, so I return to the Cape. Now in charge of Koeberg and all the nuclear activities at Eskom, and it was not long, two years later they called me to go back to Johannesburg and head up Eskom Enterprises which was Eskom's non-regulated business. It had businesses all the way from Tripoli to Bamako to Lesotho to and I had to deal with this telecoms and everything else and we had to dispose of that and get Eskom back to its core business. I also was asked to then lead the Eskom Enterprises division at the same time to then start the construction of the new infrastructure Eskom needed. Eskom changed strategy; I had to start all of that. That was my role; we all know in 2007 there were the events around load shedding. It started in the Cape. I was member of the executive for the first time then from 2004 I believe, and in the middle of the load shedding in 2008 while the load-shedding had already started, I was approached together with other colleagues to take the role of Chief Operating Officer Generation. To not only do what I was currently doing, but to then also deal with Eskom's generation business and really to get Eskom's production capability back; to stop the load shedding and that we did. I think it stopped in April 2008 and in 2010, I think it was just before the World Cup, I know that quite well because it was a huge, huge challenge,

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I was asked to then be the chief executive of Eskom. I applied for the role and I was appointed, and I left Eskom in March 2014. Hopefully that gives you a sense of my career. I think it was about 27 years.

Advocate Vanara - Thank you for the laborious background. But I think it was deliberate for the committee to get a sense of your experience and different positions and roles at Eskom. But this interaction today will mainly focus on the period 2010 to 2014 when you became group chief executive. You're aware that the committee is faced with looking at corporate governance issues at Eskom; we would like you to share with us the corporate governance at Eskom. Could you share with the committee the corporate governance at Eskom by reference to the governance structures one, and two the governance protocol, and three the governance documentation.

Mr Brian Dames- Thank you I'll focus on that. Before I get to talk a little bit about governance, I want to say a few things around firstly I think what the committee is doing is absolutely commendable; but I do think you too late. I think you should have done this long time ago. Governance is not just organisations companies organisations countries, does not just work on structures, the documents, the protocols at that, it has to do with leadership. And leadership is hugely important in companies and it also sets culture. I was very fortunate to have a very strong team with me in different levels of Eskom. Eskom has got wonderful, wonderful people. After the load shedding when we went around the company and asked the people what they wanted. I can remember three things, that many things but I can remember three things. They said to me, 'deal with safety in the company' which was hugely important personal safety of people, 'deal with the load shedding stop that,' we can't go to dinner parties. It's our role as a company to make sure we power this country and thirdly 'restore our confidence in the leadership of the company'. And I've always remembered that. So when I took over as Chief Exec I was very clear not to... we did not fire anybody, I wanted the whole team they were different to me. They were in many cases better than what I am, and that was useful because it allows for an environment where people can disagree with you, people are different to you, you can express different views, you've got different eyes on different issues. And so I say the context of leadership for me has always been very important. I was very clear around the leadership behaviours I expected of every Eskom leader. I even wrote it down and I gave it to them.

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So I think that's the first point I'd like to make; that leadership drives culture in companies. The process is the documents, they were there they all work; it's the Culture that you drive as leadership, and people do what you do they don't normally just do what you say. So, I want to make that point the culture issue. And I would urge, and I remember this committee, I used to come here and there was one particular member in this committee that used to serve in this committee I think, Dr Koornhof, that used to ask me about the leadership issues and the culture issues in the company. And those things are hugely important, and you as a committee used to do quite a lot of oversight meetings, and it gave you a sense of the culture of the people on the ground and that was very important; and so I wanna make that point, and I'll deal with the governance issues as you asked me. I think I want to make that the first one. The second thing I'd like to just say, I would urge the committee; when I left you may not have been too concerned that is maybe right, I mean, there are better people than me to do these things, but when some of my team members left after me you should have been hugely concerned as to why they leaving. By the time I left I knew of my partner the time, Paul O'Flaherty, and the two of us were completely different, but we had unique working relationship we could complement each other. And we were clear and he was leaving and I was leaving. I only knew of two other executives, senior executives in Eskom

that was gonna leave; the person that was working in my office and the head of strategy at Eskom. And they came to me and said we know now you're leaving, we're not gonna stay if you're not here.

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I did not know any of the other executives were going to leave. I read that in the papers like all of you. But when that happens, and after 6 months or 9 months, you've lost over 100 years of experience resting in the leadership team. You should have been very, very, very worried. Eskom is a big, big company. It's the biggest company in this country. It touches all our people. I've always worked at Eskom not for what you gave me but for the fact that I could make a meaningful difference. I don't have anyone if you ever been to a village or house when people get power for the first time, it is a massive empowering experience, and that's what kept us there. And even today the people of this country not all of them has got power and we can't allow that to continue. Now my ... I want to urge you, we're now where we act, but what I've read in the newspapers recently as to the changes at the company, it's shocking. It is absolutely shocking that. I don't know the individuals and maybe they've been there when I was there; I don't know them. But you have a big company with people about 40 000 of them that touches the lives of every South African with assets that are hugely important, with obligations that stretches from here to Los Angeles to Boston to investors around the world, more importantly you have assets that are power stations and one of them is a nuclear station that you have very close to you here and all of this needs to be in the care of people that understand this intimately. And I would urge that it's something that I think you... what you doing is right. But you're dealing with these historical issues; don't have another discussion in the year's time to have a discussion of what happened today. That's so... let me come to the governance. I do apologise for a little bit of that, so. Eskom's governance structures has always been well defined.

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Like I said we've been absolutely blessed by very good people. We had an exceptional, exceptional, corporate council that played a big role in the setting up of Eskom's governance structure. It was always well defined, it was well documented. I was particularly keen when I joined Eskom or became chief executive, that the company be a lot more transparent. That I had a firm belief that there's no such thing as secrets and therefore, you know, company's get shaped by the community in which they have not my management and so I was in and we were very clear that internally you need to have robust discussions and that you should have very strong leadership teams. So Eskom's governance is very well defined, it's very well structured, you have delegation of authority matrixes, you have clear input, significance materiality framework from the shareholder, you have a shareholder compact, you had corporate plans these things were done by a very, very, competent Eskom strategy team. We build up a unique ability and doing strategy, own strategy work and doing our corporate plans. You have very clear requirements around reporting to parliament, to the shareholder and those things worked. And over the years we have certainly worked on improving the governance, to governance got expanded not only to deal with matters of investment or procurement or... It started to be expanded when the power system became a constraint with implementation of governance around how the power system could managed. We expanded that also with the construction programme of Eskom to include that when we started the procurement many years ago for the large construction projects Eskom implemented specific requirements. The board at the time... specific requirements around how the procurement would be done, the processes internally, we changed... We created ...[unintelligible]...the board, instituted independent audit of each large procurement item and that became standard practice at Eskom. We were for many years had an Eskom Council we then had an Eskom Board. This board comprised of very experienced people. Sound experienced executives; we had independent directors that were international directors on the board of Eskom. They had huge experience in power and utility issues and

they used to be very objective because they were not attached to the country that looked at things got objectively...The tone around the governance certainly changed after the World Cup in 2010.

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With the appointment of a new board of Eskom I think out of all the members it was only you, I think, I could call myself and maybe the finance director and maybe one or two other members that were retained but the whole board got replace and it certainly brought a different sense of tone to the organisation. So the protocols were well establish, the structures were there, the frameworks were well-defined. We have very clear authority levels; we had very clear structures in which the organisation work, the shareholder compact, the significance in reality frameworks. The funding plans of Eskom, the corporate plans. The performance targets, I was a stickler on that I used to do the performance contracts for the company myself for every executive we would align it clearly with the shareholder expectation, the corporate plan and every executives compact and I would do the assessments myself at least twice a year, out of that the budgets for the organisation. So those processes were well-defined and so the reason why I raise that is because every company has what I call a 'rhythm' it's very important and the rhythm then comes into; how do you do your planning and then how do you do your reporting, which was also quite important. The executives were responsible for the day-to-day running of the company and activities thereof. We had very standard processes designed for instance, every report that would go to the executive committee or the board would be quite structured, upfront, predefined, so that the board is well informed of all the issues that it would like to raise. It would then have independent assessments done. So if you do a procurement method, at Eskom as an example, every procurement matter would go through Eskom treasury. So Eskom treasury would do the independent evaluation whether this is the best deal for Eskom and normally as an executive in the company, you know, you can't bypass that you have to go through that and the treasury report independently go to the board with whatever submission you make as an executive or from anywhere in the company together with aspects such as what are the environmental risks to the specific procurement or proposal. What are the requirements for approval? PFMA approval, treasury approval, all of those things executives had to apply themselves and both Eskom Legal; Eskom Treasury would independently provide those assurances for the board. And over the years we've redefined those standards and redesign them and prove them. So these things were all there, we've also through the work that the finance director did, Paul at the time, even before I got appointed did a huge amount to work for us to really get our financing systems redesign. You know, the payment processes got redesigned, we wrote it down, we workshopped it, it came into manuals. The reasons why we did it in manuals is because you can then use it for training, for people as they come in. So that got all changed and Paul had a huge amount of work around just how would we redesign our standards within the company.

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Such that our reporting at the time it was quite innovative; we won quite a lot of awards for the standard of reporting for Eskom report, integrated report we would report it to you as Parliament on time. By the time that we were at Eskom we could close our accounts 6 weeks after the year end and have it audited and submit it to the shareholder, as needed, and report it to parliament and the shareholder on time, never had a qualified audit. And that for us was very important. Out of that we, we, had a huge amount of reporting protocols outside as well, so if that is the governance framework and I just give you a sense and then I'm going to give you a sense of the reporting part. Internally we had ways of checking the internal controls of the company and we had a very competent internal audit function at Eskom, it was done by Eskom itself there were many years build-up of a unique capability and they would produce a the thing, I don't know what it's called today, but it used to be called the 'catalyst report'. Now as a young power station manager I would always care about the catalyst report. Why? Because a catalyst report

finds its way all the way to the board audit and risk committee and to the board and you don't want to be in a catalyst report.

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So you want to make sure your controls, whether it's the management of your stores or the management of your debtors or a technical issue, this catalyst report was the internal audit report on all the audits they've done throughout a quarter, and it was done every quarter. And it included quite interestingly enough a technical audit report, so if Eskom will have a major technical event or the routine technical audit reports or for that matter when I became chief Exec, I had specific request that I wanted audited so I wanted things such as for instance the Eskom State of Eskom civil structures audited, then they would go out and audit that and give me feedback or the control of ammunitions by Eskom security things such as that and then I would get feedback on those things. Together with this came at the internal controls, the normal financial audits, procurement audits, the technical audits, the ethics programme came with it, so every quarter there was a full report on the ethics programme, how many people were trained on ethics, are the ethics coordinators appointed, and that was part of the rhythm of the company. We had a whistleblower programme, people could phone anonymous numbers. And this process also once a year internal audit will do an independent assessment of Eskom's internal controls, they'll actually rate it and say whether year on year the controls is approved or not approved and they had access to the board audit and risk committee and they have access to the board of Eskom. I spent quite a few hours with every quarter and we would have gone through all of this, myself as a chief Exec with them and in addition to that as I said this would be provided to the board. There is one other issue I must just raise. Eskom also had another oversight that was very important which was a nuclear oversight. Because Eskom is a nuclear utility, it needs to have, the board needs to have oversight of the nuclear activities of Eskom and so I had an independent report from the oversight team at Koeberg that would see me at least once a quarter and take me through all the nuclear aspects on top of that that would go to the board what are the risk committee and in addition to that there will be independent twice to every two years there would be an independent peer review from international people on the nuclear activities at Eskom. And that report would also come directly to the chief exec and to the board. o I think that's an important part. In addition to that I had a little thing that I called 'Brian's blog'... it's something, really created problems for some of the managers but it allowed Eskom employees to raise whatever they like with me and this was quite useful. I got to read all of this. they used to say whatever they like and out of this there would be issues that I will then ask forensics to look at or whatever the case. So, that became quite a source of things that needed addressing. It became to such an extent that before I read it, the managers would have taken action so you actually get the desired result.

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If there were issues out of these audit reports, I normally would have addressed a personal letter to each of the executive for them to then address the issue and come back with feedback and dealt with that. For the shareholder, just very briefly, for the shareholder we produced every quarter a shareholder report. That was inclusive of all of Eskom's reporting for every part of the business and whatever the shareholder has asked for. With its performance reports, at some stage the shareholder asked for, you know, every detail in every municipality in the country, I mean, we had to provide that 30 days 90 days all of that was provided. We provided the funding programme because upfront we had to get permission for funding programme and we had to then provide feedback on that. And as I said these things would go through the, to the Exco, through the audit and risk committee and the board of Eskom. I also had a habit of providing every week to the Chairman and the Director General of the shareholder, a weekly report and this report would be provided by the team on all Eskom matters. I never edited the report; I would just take it and send it through to the Chairman and the shareholder, the Director General of the Department,

so that they have weekly updates. Because the power system was constrained I used to provide daily updates through SMS certainly to my Chairman, the Director General of the shareholder, the Director

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General of Energy, the Minister of Energy, the Minister of the shareholder, the chief Exec of the regulator and they you at least once or twice a day exactly the state of the power system and how we managed the power system every day. And that was quite important. Our trade unions played a very important role in our company. When big issues at Eskom happened, I would over and above communicating with the Chairman, the shareholder. I would talk to the chairs of the committees of the different committees of the board, but I would also call Trade Union Leaders and make sure they understand what was going on, that they're not surprised. And that created back to this issue, the transparency issue. The shareholder report every quarter went to Exco, to the audit and risk committee of the board and then the finance director and Exco team met with the shareholder team and with National Treasury and work through that report every quarter. And that allowed us to make sure that we then had a framework that then has the plans, has it governance and then report it against that. Our interim financials we introduce for the first time at Eskom we started producing interim financial for Eskom because we felt it was hugely important for markets and for investors and for the issue of transparency. I've spoken about our year end audits; we've met our statutory requirements. This parliament has had oversight over us, we always came, we invited you over site meetings. And in the last aspect that I just want to talk about, then I'll stop, is the management of Eskom rating. Eskom by the time I left had an investment grade rating and we understood that very clear as to Eskom's own rating and underpin that we got from government support. And this was very important for us because we were at the time I run for the first time boring program that was close to 300 billion rand and for the first time went to the US to raise money in US dollars, we were quite successful. First time we raised it, we had 1.7 billion raised and we were four times oversubscribed. The second time, by that time Paul has left, I was alone. We raised a billion dollars again four times oversubscribed, unguaranteed. And I know at the time we had lots of debates about should be guaranteed or not. And we wanted it unguaranteed because we wanted to limit the use necessary of the government guarantees.

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So the management of the rating agencies for us was hugely important. We met with them on a regular basis with National Treasury and the shareholder and for that matter we also had a ratings advisory committee or a company that advised us on ratings and I can remember making a presentation to one of the last support breakaways I attended. We brought them to the board to explain to the board the importance of the maintaining Eskom's investment rating and that we had a usual up lift support unlike other utilities in the world. And the point that we wanted to make to the board is whatever you do don't do anything that will jeopardise Eskom's rating and these are the important aspects of it. I think by the time that the board decided to fire four Executives or suspend their many years to a year later or whatever, Eskom immediately got downgraded to junk status. And that was very important for us. Maybe I can stop there? So that's a sense of the frameworks, the frameworks were there, they were well-defined, the teams brand it, there was reporting part of it and as I said for us certainly the tone changed with the new board that came in and I can, if you like, can talk about three or four specific examples that leads to the sense of tone that, that was absolutely different.

Advocate Vanara -In the context of leadership, shall you agree that the relationship between the group chief executive and his or her board would be crucial but also between the group chief executive and the Chairperson of the board? Can you shed light of your relationship with a Chairperson of the board and at which you served at the time.

Mr Brian Dames -I had two chairs while I was chief Exec, the one had a very short tenure and then one with the longer tenure and the previous Chairman of Eskom was also an executive chairman and

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prior to me coming on to being Chief Exec, we normally would engage with the chairman of Eskom every quarter as leaders in Eskom but not necessary directly. So we had a wonderful Chair and he's been on the board for a long time so when it took over it was somebody that we knew and he knew how the company worked. I can remember and I think I got a phone call one late evening from an editor of a newspaper saying, "Can we have the number of our Chairman?" Why? You know, "Because tomorrow morning we gonna run a story saying that is not the chairman anymore." And I remember calling him very early in the morning saying, "I don't if you've seen the newspapers but this is the headlines." And we then had the board replaced at Eskom. We then had a new chair and...

Advocate Vanara -Sorry Mr Dames, who was that Chairperson?

Mr Brian Dames –The Chairperson of Eskom when I got appointed was Mr Mpho Makwana, the chair that was then appointed was Mr Zola Tsotsi. I was the chief executive and like I said Paul was already the finance director and I did not particularly know the Chairman of Eskom. I knew of him when I was when I worked at a power station I remember we will come to use to come to Johannesburg for this big meetings and I know that he was at Eskom but I didn't actually know him. One of the first things that happened and I was not pleased with it, was the Chairman had particularly two people identified that he wanted to work in his office, Eskom people, and I was not aware of this and he came in and said he wanted these two people appointed. By that time Eskom Chairman and the chief Exec always shared an assistant or an executive and it's practice for many years and I recommend that's what we do and there's no need to have added resources but that was not the case. So it ended up with two people in the Chairman's office that he selected, prior to coming to Eskom and then two people, one person that then worked with me. And part of this tone was, I would raise maybe two or three examples, I think the first time that Paul and I really after the first year, one matter that came up was the rotation of Eskom Auditors.

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By this time Eskom had auditors that served for many years and then I had to mandatory be rotated and so the finance team under, Paul's leadership, run a process to engage with audit and risk committee and ran a tender process and came with a recommendation. But this thing kept being debated and debated and we were asked to do legal opinions and audit accounting opinions on or everybody on this list of tenderers. And I can recall one specific special audit and risk committee that was called, I was not a member of the audit and risk committee but I was an invitee and I intended all of them and the Chairman came to this audit and risk committee. It was just private to a board meeting and really instructed the committee to cancel the tender process. Now Paul and I disagreed in the committee meeting we and we ask for it to be minuted because as far as we were concerned the process ran, the process was fine, this is the answer, you asked us to do due diligence, we done that, we've given you the responses, the tender's fine and the same matter went back to the board. We again disagreed and asked for that to be minuted. The end result of that process is that the current auditors that Eskom had was extended for another year. The next year we then went back to the audit and risk committee and said, "Please what is it that you want?" and the answer was, "we would like to have a Black audit company" and we said, "we support that, we think it's the right thing, you know, let's follow the process" and we soon realised that we needed PPPFA approval for changing the tender requirements. Which we then, I personally asked, the finance director to approach National Treasury and ask for the exemption. The exempt that the board

said to me clearly, you know, we decided not to ask for an exemption we will do it. We did, and we were not given the exemption. And we were quite admonished by not applying in the first case, so that 'why did we go and apply?'

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In any case, the recommendation was made to the shareholder for the appointment of auditors. The shareholder correctly did not support the recommendation from the board because there was no PPPFA approval. Needless to say by the time I left Eskom, Eskom had no new auditors. So this is now three and a half years later this, I think, after I left some auditors were appointed. But that in the first year then we had the process of board evaluations which is a very good governance process of broad self-evaluations and I think in this Board self-evaluations the first one that was done it was very clear that was a distinct difference between the board members either the finance director, two executive directors and the board around the issues of integrity, probity and this actually led to, led to a breakaway, mend relationships between the board and management and even a consultant got appointed to work with us I don't think it ever got necessarily solved. So that is one example of, I think, trying to give you a sense of their relationships. And there was another matter around New Largo. So we were will building Kusile Power Station, a very important power station and in Eskom's history it's got one power station without a mine and we were very clear that we didn't want to end up in that position again. And so it was very important that we engage with the owner of the mining right a big mining company to set the contract terms for this mine. And this specific mine, it was the first time Eskom was going to revert back to cost plus arrangement with a mining company where Eskom was going to contribute some of the capital. It was a really important from the perspective of the cost of the supply of coal and we had a framework agreed with a mining company and we could never get this approved. There were two specific requirements that I was asked to communicate with the new chief Exec of this mining company that then came into my office; was that Eskom, the mine should be owned 51% black-owned, I have no concern, no problem with that and secondly that the operations of the mine should be done by... should have the same ownership structure, the operational part of it. And that's the part that we communicated to the mining company and we were quite reluctant because it was the first big new mine and we wanted this mining company to do the mining.

[00h46:12]

You know, his view to me was, 'Brian we are mining company, we mine, it's our business'. My view to him on ownership was this is a requirement of the board and secondly we will never tell you who to pick as your mining partners, your black owned partners, and that will leave to you. This matter did not go away. The chairman of the tender committee came to me and said they going to meet the chairman of this company in I think it was London or something like that. And they're gonna raise this issue. It's fine, do that. They came back to me after the meeting in London, none of executives went with, and came back to me and said that they've reached an agreement on the structure. And I said that's wonderful, you know, can you do me a favour; could you write to this person and just confirm the agreement so that we as a team can then work on whatever's been agreed to. Needless to say that did write and the response came back that no such agreement exists that has been reached. And then this engagement went on and on and by the time I left Eskom, I think, there was no mining...there was no agreement there, there's no contract. The station I think by now must be running. And I've always felt that engaging with suppliers directly, and I have raised it with the chairman, was wrong, because where do they go if they have a problem. You know, if you, if someone engages and says go and talk to the chief Exec and I mess up then they can go to the Chairman and the board and complain and do all sorts of stuff, but if you talk to the chairman how do you then... where do you go after that... we do you divert. And so that was one of the issues I did raise that the involvement in procurement matters, the involvement engaging with suppliers

was not right. Not something I was used to. I personally never served on Eskom procurement committees; is it something I've learnt from my predecessors, is to how they ran Eskom. Never, never exercised my delegation for contracts and investments.

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[00h48:32]

I had a team of people, all was delegated to a team of peers; they can do it better than I can do it on my own. And that was an issue. So those are three things I think the last one I spoke about the board evaluation was the Koeberg steam generators. Now I did say to you earlier that Eskom does these international reviews. And the replacement of Koeberg's steam generators comes out of this review; one of these international reviews that Eskom had brilliant engineers at Koeberg and had one of the best steam generator health programs. But we got to the point where were the only utility that had these old things. Now in the nuclear business you don't want to be on your own. You wanna have others that have similar experiences because it becomes a risk for the whole industry. And recommendation was that we should replace these things and we then started the process of replacing with many, many years ago even with the old board of Eskom, the one during the World Cup. And the board ran the process and right in the beginning the process concluded, the team got a mandate, the team negotiated with suppliers, and it was just the time when the new minister also came in and I recall a meeting, we were all called to a shareholder; the board, myself and all of us, you know. This tender we were asked, that this tender should be cancelled because we have no approval, which we did.

Advocate Vanara - Sorry Mr Dames, can you just assist us with the specifics when you say this minister, this chairperson, can you just tell us who this minister is or who this chairperson is.

Mr Brian Dames- At the time I think it was just after minister Gigaba came into office. We certainly had, this was one of the first issues with engagement with Eskom. It was still the board of Mr Makwana and the previous board members, and we were asked to cancel the steam generator tender for Koeberg, because we had, I think, no approval or...and there was concerns that raised that, you know, the suppliers were already in the country to sign the contracts. Now as the chief Exec I was not aware of that personally. I mean the team would not come and tell me what they're doing they would do what they have mandate for. But it became clear that, you know, one of the key issues over the years is that communication started flowing inside of the company to outside of the company. Flowing to, you know the board would know things that I would not know or Paul would not know and so that was a new environment that we were in and that was just one example.

[00h51:33]

In any case the Koeberg Steam Generator process we then restarted it. We got PFMA approval; exactly what is the requirement got the approval and we started the process again. This was towards the end of my tenure. The head of Generation came to me one day and said Brian you know we've completed the process and by the way the answers exactly the same as the first time around and the board tender committee has not- we've submitted the report, but they have not called us into present our... What was happening is that the board got independent opinions on this procurement matter and the chairman of the tender committee one day came into my office and said, we've told the team we are not gonna talk to them anymore, we're gonna talk to you as the chief Exec and here's the independent report, we would like you to change a recommendation of the tender.

Advocate Vanara - And who was the chairperson of the board?

Mr Brian Dames- It was Mr Collin Matjila, he was the chairman of the tender committee. And I said, what I've always done with things, not a problem give it to me I'll deal with it, which is what I did. I worked with

the Koeberg team extensively, with our corporate council, with the legal team that has supported them and I prepared quite a detailed report and response to each of the recommendations from the independent company. The conclusion of all of this was that the process is fine; the board should feel absolutely free to award the tenders. And I think it was an award of tenders between two companies.

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I can't even recall the allocation of the work. And I submitted this to both the chairman and the Mr Tsotsi and Mr Matjila and that was it. I can't recall if it was months or weeks later Mr Matjila came back to me again. This time with a hand written note and I can remember it clearly; it was a white piece of paper with I think blue writing if I can recall clearly but I was quiet because it was minutes of the tender committee and I was amazed as to why the minutes was handwritten because there's a company secretary at Eskom. But in any case, and this was an instruction to me that we should change the tender process and I again wrote quite a formal letter back saying I disagree. I've given you my response; I disagree with your process. If this is an instruction of the board tender committee I'll ask the team in the head of Generation to meet with you and you can tell him what it's that you like. By the time I left Eskom I think the process was not completed. I think I subsequently read, like all of us, in the newspapers what happened to this and I think it eventually went to the courts. But that gives you, ask me a sense of relationship, that gives you a sense of some of it, three examples, and I would like to stop there.

Advocate Vanara - Two last things from me. In the business of Eskom clearly there is quite a number of contractual relationship with different service providers. And you spoke about this cost-plus concept; in your tenure from 2010 to 2014 has the shareholder the Minister of Minerals played any role in the contractual negotiations between Eskom and different coal suppliers. You don't have to limit it to coal suppliers.

Mr Brian Dames- You ask me if the minister of minerals has played any role in coal suppliers while I was at Eskom. No, not the minister of minerals which was responsible for licences. Not to my knowledge, so that is a minister of minerals.

Advocate Vanara - In your experience would there have been ever need for an involvement of a minister with the concluding of contractual negotiations between the suppliers of Eskom around coal in particular.

[00h56:36]

Mr Brian Dames- No, we have many years...; my engagement with the Department of, I think it was then called DME, or then changed to minerals, it's always been with the Director General and the teams and it was more around the strategic issues around coal; cause coal is important, you know, you have a regulated energy price that you have an unregulated coal market and we could see, you know, from early that the coal market has changed, but the answer is, no.

Advocate Vanara - If there were to be facts presented to you of a minister, particularly of minerals, actively involved in a transaction of a purchase and sale of a mine which is a service provider to Eskom. Would you describe that as an appropriate or inappropriate conduct?

Mr Brian Dames-It's not appropriate.

Advocate Vanara - The last question that I have relates to your circumstances under which you left; can you just shed light on why you left Eskom?

Mr Brian Dames- I have to give credit to my family. So, a lot of pressure from them but be that as it may. I spoke to you about the sense of communication lines everywhere; I think when you and I met I that

spoke to you a little bit about little things I used to do in just how I would run my office. For instance, every year declarations of interest of executives. I would have internal audit look at it and they would do proper checks before I would sign it off. And it was little processes. I would every claim that would come; firstly don't claim anything that is...is nonsense. So nobody would claim a big cell phone bill with me. They would not even bring it, because they would already go to HR and deduct the money from the salary.

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[00h58:46]

So because internal audit would check every claim... you know little things, lots of little things I did. I had great predecessors that I could learn from. But what became difficult is that with these examples I gave you it became very difficult to vouch for the governance of Eskom. I could no longer look up and have oversight up, down, sideways, back and for the whole organisation give leadership. And I think that was the essence of it. And I think Paul, my finance director, now he saw this quite early. If you would have asked me that after the World Cup when all the changes happened, I knew I was going to leave Eskom. I knew the environment was such that I would not; we will do what is right but we could not change. And I think Paul I got to the same conclusion at the same time because we were both executive directors; we used to talk quite a lot. And we got to the same conclusion to test our own views. He eventually left. I left about the same time. I decided to resign; I decided to resign. And I resigned and asked the chairman and spoke to him on the first; I resigned from the 1st of February 2013. Why the 1st of February? Because that's actually when I started with Eskom in 1987, 1st of February. And after one meeting with the executive I asked the chairman to stay behind and I said to him; I've decided to resign and here is my resignation letter. He was, he was shocked. Just some context for the members; I never had a term contract at Eskom; all of us were permanent employees. So the only requirement was to give six months notice on both sides, company or in the executive. And the chairman was shocked and he said, 'Listen, this can't be true. Please give me time to engage with the board to engage with the shareholder and the minister and, you know, we will meet'. So we had a meeting; the board called a special meeting to discuss my resignation. Unanimous position of the board is, firstly, we cannot contemplate you leaving. Eskom can't afford you leaving. We don't want you to leave, we don't think at this point where Eskom is or the country the issue with facing; you can't leave. The conclusion of that was two-fold; one is -tell us what you want and we will create a special board committee to engage with you on this process of you leaving, to talk to you and engage with you. I gave it quite careful thought as to what would say. I could say 10 000 things is what I wanted, but I only listed five things. The first thing I listed was that I wanted the board to give me my performance expectations before the year start. It's a very simple request, it should be done. The reason why I did that is because for the years I had performance assessments with the chairman I never got feedback, there was no you've done badly we want you to focus on this, you know.

[01h02:11]

My last performance discussion was "you're doing a brilliant job, you know, you just...there's no issues, board has got nothing". There were some issues around where the board members stayed in Cape Town in which hotel, what cars they drive; that was it. So I said please tell me your expectations because with all of these communication it felt like there's no matter how hard we worked we were never right, there was always something that we just never knew what it was. So, that was the first request. My second request was that I would like to have control over the executive appointments, again very normal; all chief exec's should have that. And the reason is that, you know when I came in and we had, you know, a massive piece of strategy work and out of that came a structure and I wanted to appoint executives in certain roles and change the Exco; I was not allowed to do that. We had performance issues; some executives that I wanted to fire I was not allowed to do that. I think by the time I left they also realised that one or two to executives is a real problem and that, you know, we should deal with them. I wanted to move executives around to different roles because I felt different eyes, you know, different ... could... I

was not allowed to do that. So that was a second request. A very normal request. The third one was that I asked for a Chief Operating Officer because Eskom is big, it's big. I've now just left Paul which was a huge, huge support, and I wanted a Chief Operating Officer because it was a lot of work; it's a big, big entity. So the fourth request was that I wanted my salary corrected. Now, it was a very strange request. What happened to me is I got appointed,

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[01h03:52]

I think Minister Hogan was still there and Mpho Makwana was still there; I had a contract with the board. And in this contract there was a salary for me as the chief exec, the salary was never implemented for all the years that I was at Eskom. I still earned the salary that was before I was still in the executive of Eskom. So all I asked for was for this to be corrected. Every year the board would make salary increases and award bonuses and whatever, but it would be on this old thing. They knew that this thing was outstanding. And it was because of the shareholder at the time doing a study on remuneration or something like that; and I just ask for this thing to be corrected. I've always made sure that the rest of the team were properly looked after, properly dealt with. And then the last request I had was that I be allowed to take early retirement if I take...turn 55, like all the other Eskom executives and Chief Execs prior to me. And if not then board wants me to leave before I'm 55 that, I think, they pay me one month for every year's service or something like that. But I made 5 requests. The board then had a meeting to engage me on these 5 requests; I explained it to them, clarified why these 5 things and they understood it. I never got feedback. Nobody came to talk to me. There was no engagement in all our public engagements, with the staff of Eskom the chairman used to publicly say "you know Brian is going nowhere." He told the executives that you know this clear "he's going nowhere." And I never got feedback. And I think at one of the board breakaways somewhere in one of these places that you go for a board breakaway, it was a particularly difficult meeting and I had enough, and I took out the letter that I gave the chairman, he asked me to keep it, and I handed it to him that morning. It created quite a lot of anxiety amongst the board. The meeting stopped, this issue got dealt with and I told them, you know, we had the discussion ...I told you what I ...nothing happened. I received feedback one day on my desk, a letter would be left on my desk, and I think the letter I received said something to the effect that "We're not going to give you a Chief Operating Officer all of this, we accept your resignation.

[01h06:18]

You can leave December 2013. That was fine; nobody spoke to me about it the letter that was left on my desk. I continued I think I found another job, which was important, good for me. I then... I think we got to about... I think in that period I also went overseas, I was in a meeting overseas towards the latter part I think of 2013, I can't recall exactly the dates and the head of Eskom sustainability, one of my exco colleagues, called me while I think I was in Korea, and said to me "Brian you got a death threat and this threat was left on your desk. We phoned your family they are fine. We checked with them if they know any of this and we're looking after them." When I returned to South Africa I had Eskom protection from that day until the day I left Eskom. There were always 3 people with me. I could not go shopping. When I played golf, I've got a weakness I play golf; they would go with me on the golf course. It was strange. It was reported by Eskom security to the police, I've never received any feedback, I never know. And when I came back they showed me this thing, I can't recall it clearly but I can recall it was newspaper clippings, you know, words made of newspaper clippings that was left on my desk. Towards the end of I think November the chairman and I had our normal meetings. I alerted him to the fact that our interim results was due I think very early in December 2013, and that he must remember that I'm leaving end of December and he needs to announce it. He's not made any announcement; nobody's come to talk to me about handover or anything like that. He then said to me, "but Brian you're going nowhere." I said "yes I am, you gave me a letter." He said "no I never gave you a letter." I said "please can you go check that

you... just check it." He did come back to me and realised that that is the case. I got another letter on my desk, left on my desk, not discussed with me that read the following, it said "we want you to stay until the AGM of Eskom," which was kind of like now July 2014. That's normally when Eskom AGMs would take place. I refused because by now I had enough. I refused and I said to them; if you want me to stay the best I can do is finish the financial year March. I said but now you gonna pay me for that.

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[01h09:09]

I've now given up the job I had. You gonna pay me whatever short-term incentive you decide, you gonna pay me all my long-term incentive payments. By that year at an AGM of Eskom, the board then also corrected the salary issue for the last 4 or 3 years, and I don't know if they corrected the Pension Fund...all of those things had to be done. Eskom's redraft announcement was made on the 5th of December 2013; it is quite an important date for all of us. That day when they announced... so the morning before we did this thing two things happened to me; firstly they came back to me and said here's a letter it's fine you can go in March, and this is the agreement that we have with you and by the way this is the finance director we're going to announce we're going to appoint. I didn't know that, so I was told before that. Secondly, we're gonna announce your resignation; which was done on the 5th of December 2013. It was an important day for all of us; that's the day Madiba passed away, that evening; I remember that clearly. So that was fine, it was announced and we... I was always clear when I actually entered into a contract with the board; I asked that if ever I had a dispute with Eskom it will be settled through private arbitration, so that you don't go through this public thing that affects the company. And so we were very... I was very clear I wanted to be mature about this. That we don't fight because it's not good for the people or the company. What happened in early January was that the chairman I think went to DAVOS with one of the executives. I never went to DAVOS while I was at Eskom because it was an important part of the year, January for Eskom; maintenance would have been done, everybody comes back to work, the factory starts. If you remember the load shedding it all happened in January. And so I always stayed in the office in January. He came back and he said to me, "we would like to appoint an acting chief executive while you're here." And I said, no; I've got contract with you, I'm here, why would you want somebody else. You know there's no such thing as democracy in management. There's one person in charge, and that's the person responsible, so I said, no. I phoned the chairman of the remuneration committee to check with him whether or not this a board decision and he said to me, no. This is ... the board is going to contract with you until December...sorry to March, you must stay in until March; which I did. But the chairman and the person that he designated as acting chief Exec, I assume, started having meetings with the Exco without me, while I'm in the office, and you know they said to me clearly I don't know what they discussed, I don't know what happened, I ...some of the Exco members did come to me and were quite comfortable you know because where's Brian, Brian is in the office, why is he not here? I left it at that. But it gives the sense of the type of... how you were treated.

[01h12:20]

The respect was lost. The chairman came back to me I think by this time they must have made a recommendation to the Minister to make an acting appointment, and the Minister did not agree with it. And he asked me for help so that I can talk to the Minister. I said to him, no, because surely if you make such a decision you engage with the minister and you talk to the minister upfront and you agree. So I refused to do that. Needless to say I was asked to do an exit report from Eskom from the shareholder, which I did. It was everything that was already in Eskom and I continued my work. Two days, two working days before I left Eskom the chairman and Mr Matjila and one of the executives came into my office and said that Mr Matjila would be the acting chief exec of Eskom. So I said fine; then they came to me and said I must now do the handover, and I said, no. You've known I was leaving from February 2013. It's a year later, you've done nothing. To now two days beforehand come to me and ask to do a handover; I

said, no. Everything is in the documentation and can go read it. They also wanted my cell phone numbers because I used to, like I said, communicate with people on issues quite quickly; everybody whether it's informing the Minister, or trade union leaders. They wanted my contact details so I refused. My last job at Eskom was to do a performance assessment of the head of treasury, and I left.

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[01h14:10]

Advocate Vanara - Just, in the interest of fairness and this is the very last question you said it will be in appropriate for the minister of mineral affairs to be involved in the negotiations between contractual relationship between the service providers of Eskom on coal in particular. What is your reasoning for saying that relationship would be an inappropriate relationship?

Mr Brian Dames- I mean we should be clear, I mean the ministers also the regulator. I mean at some stage the minister regulates whatever happens in mining whether if it's the Minister of Water Affairs would regulate water rights for a mine or whatever the case may be, if it's a case of mining, I guess there's mining rights. But there's no role in any procurement matter of a company other than what is allowed for within the approvals whether it's a PFMA approval, the materiality framework where it would spells out what you need to get approval for, other than that there's absolutely no role. I'm sure that ministers do engage with company executives from all over the world and those should be around issues of policy.

Advocate Vanara -No further questions Chair.

Ms Daphne Rantho - Thank you very much advocate Vanara and thank you very much Mr Brian Dames for your engagement with the leaders with the evidence leader. I'll give over to the members Honourable Swart, Honourable Luyenge, Honourable Natasha, Honourable Gungubele. I read the names.

Honourable Swart - Thank you Chair....

Ms Daphne Rantho - Honourable Shivambu.

Honourable Swart - Thank you Chair and thank you Mr Dames for your presentation. Did you receive a 30 million rand pension when you left? I know that is a light note, but what is your comment on reading about Mr Molefe receiving 30 million rand pension for 18 months work? Just briefly if you could answer that, thanks.

Mr Brian Dames - Would you like...

[01h16:36]

Ms Daphne Rantho -You'll just respond to that, to that question...

Mr Brian Dames - ... Oh ok...

Honourable Swart - Would you just keep your response very court, very short because I've got a very limited time.

Mr Brian Dames - I do apologies, I am long-winded. I got a pension after 27 years as somebody that has resigned. The amount was not that amount and I think even with the person currently managing my pension fund, which I took out of Eskom, it's not yet that amount.

Honourable Swart - Thank you and we know that that is subject of part of this enquiry .Now part of what we are looking into is the whole repurposing of Eskom governance, the whole issue related to state capture by political person's and of course the Gupta family amongst other family members. But going back to your time were you aware of any allegations of corruption? And what steps did you take at that stage? We know there was a lot of questions around the Chancellor House Hitachi deal. What steps did you take to address those concerns that were in the public domain and that apartment also was aware of at that time?

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[01h17:55]

Ms Daphne Rantho -Sorry before you respond Mr Dames, I just want to question the members. Members you have 10 minutes to engage with Mr Dames. The responses, his responses and your questions will amount to 10 minutes only.

Honourable Swart - Very briefly and you are welcome to supplement your answers in writing as well.

Mr Brian Dames – Yes, if you would, if that is needed certainly we will do that. With all issues around allegations like I said there were many ways of which they would come into Eskom, the whistleblower programme, Brian’s blog all of that. We would have that investigated even if it was executives, I never judged any allegation, forensics did that and we would investigate either internally or externally. The issue that you raised particularly around Chancellor House, just to give you background, I said to you that we’ve improved the governance when the big build procurement happened. One of the things that we did was that we separated the evaluation of tenders through the Eskom teams but we also implemented independent assessment for the board and probity assessment for the board, container matters. We as a team and independent assessment picked up the Chancellor House issue at the time that was reported to the board very explicitly, clearly, actually the outcome of the tender the first time around was that it actually was not gonna get the tenders it was actually Alstom. The second time around when we had to rerun the process we again raised the issue with the board at the time, made them clear on it, checked the Chancellor House issue and I think subsequently to that has been reported, the public protector also looked at that specific procurement. So we’ve taken action on all of those issues.

Honourable Swart - You referred to changes that took place with Minister Gigaba was appointed and it seemed and would it be correct to say that the level of political interference increased from that day on and was that a an issue relating to your relationship at Eskom? That's the first part and then secondly the acting CEO that was appointed Mr Matjila soon after within a month of his appointment finalised the 43 million rand New Age deal. Were you involved in the New Age deal at all? And if so or if not, what is your comment on him finalising that within a month of him been appointed?

[01h20:33]

Mr Brian Dames -To answer your first question, ja, I mean, there was a lot, like I said, the communication seems, you know, many a meeting we attended, you know, I think in one particular meeting an official from department accused me of lying and I got very angry. And what I realised is that information was being said that I or Paul had no knowledge of and so it became difficult that's why I left. The, yes, we have an engagement with the New Age. It absolutely public, we had newspapers, there was then breakfast shows, I always gave the team guidance to make sure it's consistently dealt with, with all other newspapers not to treat anybody unfairly. But I told you about the steam generator thing. That very same engagement to ask to address the steam generator, I was also asked I think have some thousands of copies of newspaper thing which I also said I will we will deal with it and the team did, I gave it to the

team and again the to use your voice clear, make sure you follow governance and be consistent, no further and the teams result of that whole process was; they sort the mandate, I think if I recall correctly, to have newspaper contracts. The mandate was not wanted, they came back to me and said this is not wanted, they said what do we do? I said please go back to the procurement committee and tell them you close the mandate because you're unsuccessful. We left the matter there. I then read like you have, about the thing happening afterwards.

Honourable Swart - Thank you. Part of our challenge is looking historically but also what is happening presently and I think you correctly say that some of the issues it is a bit late but it's better late than never.

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[01h22:27]

Just on the issue of the Koeberg generator replacement, is it a concern to you that it still has not been replaced at this stage as an energy expert? And does that present a threat to South Africans living in the Western Cape?

Mr Brian Dames - That's a big question. The Koeberg team is hugely experienced, I think we very fortunate. Just I do, I do apologise Chair, by the time I left Koeberg, the Koeberg team invited me back one night it was early in the morning about 2 O'clock in the morning and they invited me to switch off the reactor. Because by the time I left, it was the first time in Eskom's history that this power station ran from an outage to another outage and they wanted to give me the honour to switch the reactor off, which I did and it was quite unique. You have a very competent team at Koeberg. You have a very competent team to look after the steam generators at Koeberg. The Koeberg steam generators should be replaced.

Honourable Swart - The issues related to the unit four turbine and the unit three boiler at Duvha that was at your... that was during a February 2011. But we understand it the final tenders for the repair are only now being awarded, surely that is also totally unacceptable? The time delay and the alleged 2 billion rand increase in the Dongfang bid. Do you have any comment on that seen as that was on your watch at that stage? Now we are almost six years later and there doesn't seem to be any finalisation in that degree as well again indicating high levels of let's put it 'political involvement' or of certain 'family's involvement' in that when it came to the consultants involved.

Mr Brian Dames - Just to add, I mean, advocate Vanara when he spoke to me, raised a whole list of issues with me and I did say to him, you know, The New Age what happened after I left, I can't comment on it. The T-Systems things that happened after I left, I can't comment on that. The Duvha boiler procurement happened after, I can't comment and I give you a view on what happened when I was there. To get our coal contracts, I can't comment on that. McKinsey or Trillian that I read in the newspapers, I cannot comment on that, Impulse and so I think there's so many of these things but you have the booklet and... Let me go back to the steam generators. The Koeberg turbine failure that happen, I think 2011, happened after maintenance activity and it also was because of the same unit failed in just after I left Duvha's Power Station in 2004.

[01h25:23]

What we would do with a major event like that, firstly we would make a public announcement, but internally to Eskom, the power station manager's role is to make sure he looks after safety of people first and the safety of the plant, so if it's a fire to contain that, we would then launch an investigation from Eskom, a technical, it will be a major event declared. You would then get the insurance company intricately involved because the plant is insured. They would lead the investigation the root cause. They will tell you when to start the repairs and how to repair. In that case we appointed the original equipment manufacturer. Normally you would get and, I think it's from whatever company, would then be brought

in to rebuild the turbine. In the case of the boiler procurement, the boiler failure, I know the boiler failed, I don't know when it failed I think it was either the last month I was there or the last day? What I do know is by the time I left Eskom I had no root cause as to why the failure happened nor can I comment on the procurement. So for me what I read, it's quite unusual. The other point I made to you earlier is that treasury at Eskom is hugely competent and would evaluate what is the best value for money in all Eskom procurement.

Honourable Swart - Thank you and my time is almost finalised. But just your comment, firstly, briefly on the death threats that you received. Is there any reason why we've speculated is too what would you, why would you have received it? Was it information that you might disclose?

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[01h26:48]

Have you received any threats come into parliament before us today? And then lastly or your comments, if any, on the financial statements of Eskom at this stage we know we've got three, they've got 3 billion rand irregular expenditure and the decrease in operating profits compared to how you would've liked to see the company operating? Thank you.

Mr Brian Dames -I've never speculated on the death threats, the death threat, I mean, I can like be quite busy when you work, so this is a matter that Eskom, see Eskom security looked after me quite well, they really looked after, I don't know what happened with the police thing. Coming here I hope nothing happens...So I've not taken... so no...

Honourable Swart -You haven't received any threats... [Inaudible]... Thank you.

Mr Brian Dames -... no, no. And then on the Eskom financial situation, we had, this thing was equation and this equation we've agreed with the whole of government as to how do you construct assets with a balance sheet that has got no equity in it and is still valued on assets that were historically valued and we had many debates in parliament. And so the equation of what Eskom had to borrow, what Eskom had to do as its own savings at the responsibility and then this guarantees support framework and then the loans. All of that was a delicate equation. And so when we did the price application, in whatever year I was still there, it solved the equation. The day, and we made this very public including to this committee, the day that the outcome was different we made it clear that Eskom's financial viability is significantly under threat. We made that publicly clear, it's in our statements in our financial report. But we had a...

Ms Daphne Rantho -Sorry Mr Brian, Mr Dames your time with Mr Swart is up I want to give a, I want to be fair to everybody. I will now give over to... [Over-talking]...

Honourable Swart -Thank you Chair.

Ms Daphne Rantho -...Sorry for that.

[01h29:00]

Honourable Luyenge -Thank you Chairperson. In order to save time, I will ask the indulgence of Mr Brian to know to my few valid questions and then I will come back if I still have time. You seem to be a professional and also you have all the experience that is necessary for one to be in the positions that you were in at Eskom. So during your stay what were the worst memorable instances that you can remember, maybe being bogus kind of instructions given, illegal interference and interventions that your time the most memorable one. On issues of monitoring and evaluation, what was your role in terms of ensuring that the unit of M & E is actually doing its work when you have the two year the twice per year assessment exercises? And in that you have referred to good people at Eskom, commendable and with

the needed experience. Now what was good about people who choose to run away instead of sitting with you, identify a remedial action to be taken, giving guidance to the whole institution, what was good about those people? And then how do you regard the intervention by the then Minister Gigaba in the department? Would you justify that as an intervention or interference? If so, how do you then regard if, how do you regard that as intervention if it was or interference? And then elaborate a little bit on that one. What was illegal and what was unprocedural his involvement in the activities of the board? And is there any Eskom bad board member or staff member who actually benefited out of or that tender? Are there any exterior, are there any exterior forces that you can know of who were also beneficiaries of the decisions that, that, you actually took both at the management,

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[01h32:00]

as well, as informed by the governance kind of illegitimate mechanisms for you to do your work? And if those forces, those forces you know of, can you mention one or two? The other issue, how best can you qualify the monetary value losses of Eskom during your era as a result that actually culminated to the exodus of the management people including yourself at the end? At any stage did you ever said collectively as the group of concerned managers of Eskom and determined exactly the route that you foresaw as being taken by Eskom and it is not to the benefit of the poor masses of the country? I think I still have a minute? [Non-English]

Ms Daphne Rantho -No you have 10 minutes to interact with him and him responding to you. Actually now you are left with...

Honourable Luyenge - 6 minutes.

Ms Daphne Rantho -... with 7 minutes for him to respond...

Honourable Luyenge - Yes, yes.

Ms Daphne Rantho -...if you still have questions, the 7 minutes will be up before your responses.

Honourable Luyenge -No you must you must get there now because those are the questions that I want responses on that will be just a single kind of a follow-up. Over to you [Non-English]

Mr Brian Dames -I will do my utmost, you've asked very, very, difficult questions. Let me just.....I think the first question is what has been the worse incident of illegal interference while I was at Eskom, am I right? That's, that was the first question. I think I raised these three things I mentioned earlier, you know, like I said I can't recall to maybe other things but, you know, the issue of the steam generators for me was wrong as to how that was done. The fact that we still don't have a contract for a power station so, so, I mean those are some of the things that I've mentioned. The worst incident while I was chief executive at Eskom was the fatality of people. The day that 6 people died at Ingula, that was the worst incident, so hopefully I've answered your question?

[01h34:58]

Then you asked me the monetary evaluation..... the monitoring and evaluation unit I presume you mean the unit in government that does monitoring and evaluation during us working with them we have, like I said, we provided for the shareholder and National Treasury quite a comprehensive report of Eskom's performance. It had all aspects of Eskom's performance. We, if we were asked questions from the monitoring evaluation unit we would respond to those but we had no direct engagement necessarily with the unit. And I assume that a performance report would then go to them if that's how government works.

So if I can stay there. You talk about people running away and I would not say that the other executives ran away, you know, I left first, Paul and I left. You know, it's important that you change that that you can and those that you can't you, you know, find another place and we have tried to talk to people. I think at the time it was very difficult, maybe we did not articulate it properly, you know, none of this was there at the time, it was just a sense of how we could see things would unfold and those things that you can't tangibly put your finger down but we have tried to talk to people and say to people, you know, people did ask me 'why am I leaving' and I did explain why that is the case maybe I was not good at trying to explain that. But we've not really sat down and made an assessment and I would not say that the team members, I don't know why they left. I've never spoken to them and I do see some of them. But you have lost, not only in the executive, when I ran Eskom I had three levels of looking after the power system of people that was quite close to me. One was in my office, Kannan and he used to head up system national control.

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[01h37:14]

The other one was ahead of system operations, he was a general manager and then the other one was the head of risk at Eskom, it was an executive committee members. All of them came out of executive control, it was very important for me because it was something I didn't know and I think today none of them is at Eskom anymore. And, you know, for me that is, it would be a massive loss for any company. How do I regard the intervention of the Department as the intervention or interference? Some of it were interventions, some of it were very positive, you know, we needed the power system constrained and we needed to communicate energy saving and all of that and there was great support for that. Some aspects there were interference, you know, I would, for instance, get to the department with my Chairman, leave a meeting and then Eskom employees would be sitting there and then I said "what are you doing here?" and "no we were called to come" and, you know, it was for me wrong. You know, the communication was not always clear, so I think it's a bit of both that that made it very difficult manage, as I've said the communication becomes very difficult. Illegal and procedural who's benefited out of tenders external forces beneficiaries of management? If there were issues against management and there were issues of some of the executive committee members and all of them without an exception I investigated, I investigated them. And some stage they did not like it and I would give them feedback and if there were matters to be taken forward. And one case I decided to do the discipline myself, I would discipline and that's how we dealt with it. But I, external people, I don't know, I mean I can't comment, you know, I think one should. So when these issues happened we did investigate. You know, even the earlier, way back, we investigated. We got external help, we investigated it and we would deal with action needed to deal with it very, very transparently from that perspective. I didn't understand the second last question around the best quantify the money during my ten year, the management Exodus? So when I was there I don't think there were any management Exodus that turned out when Eskom was quite low, it was seen as, you know, the monks MBA graduates the best place to work amongst engineers, the best place to work. A lot of them has left afterwards

[01h40:00]

I can't quantify the loss of that. Whatever during my tenure was there was transparently reported in Eskom financials and one can, you know, for instance there was an issue of fruitless and wasteful expenditure. That had quite a thorough process and Eskom certainly when I was in a young station manager, you know, you look at every item, you report that and that goes all the way up and you look at the significance of that, gets checked by internal audit and that's all, clear reported in Eskom financials.

Ms Daphne Rantho -Could you reserve the other questions and try to write them down and respond with something that has been written down because he took too much time and he gave you less time to respond, that's unfortunate. Your time is up. Ms Mazzone?

Honourable Mazzone - Thank you Chairperson, thank you Mr Dames. Given the time constraints I'm going to be very blunt and I think you know me well enough from my time on the committee when you served to know me as such. Mr Dames at any time during your tenure as Eskom CEO were you ever asked to meet with or consult with any of the Gupta family members or Mr Salim Essa? Did anyone in your executive that you know of where they requested to meet with any of the Gupta family members or Mr Salim Essa? In 2008 when we had our big load shedding incident, it's quite well known that Eskom had taken absolutely no action to remedy the stockpiles being depleted. Now there is a theory of thought that says that our coal stocks were depleted deliberately so that by the time we realised the extent of the damage of load shedding coal had actually doubled in price by the time Eskom was buying this. Now Mr Dames under your tenure the negotiations for Glencore mines and the coals restructuring developments had started already.

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[01h42:14]

Can you explain why the sudden increase in the price of coal and what you did about that? Chair, it's interesting that, you know, if one looks at the structure of this. Mr Dames served for longest period of any CEO at Eskom, he served for a period of just over 4 years and in the last 4 years we've seen 6 years CEOs. Now what's also telling is that your director general, at the time that you were CEO, left, was not reappointed as director general when you resigned, but then in 2014 became one of the acting CEO s of Eskom at the time. Do you know of any interference perhaps that Mr Matona might have been involved with? With any foreign, when I say foreign I mean people that weren't in government, requesting certain benefits? And then Chair, allow me to just to take Mr Dames back to Hitachi because I think that that was touched on far too lightly. The Hitachi deal was an enormous embarrassment for our country, Chair, and there's just no doubt about that. In fact, Chair, the United States Securities and Exchange Commission charged Hitachi for making improper payments which were inaccurately recorded with a US foreign corrupt practices Act. Due to the ANC connection with Hitachi in the 2 billion dollar Medupi Power Plant deal, now Mr Dames this did happen while you were CEO and I understand that you say that you reported it, but sir, I must say that I don't think that you reported it with a loud voice, because I certainly never saw as a member of the public enterprises committee any concerns that you had raised about any improper dealings with Hitachi. And I'd like to know to who you reported this, because clearly they ignored the report and that indicates that they must have known of wrongdoings with this deal. So if you could just elaborate further on how you reported this massive, this massive, deal. Chair, the World Bank gave South Africa one of the largest loans it's ever given out for the Medupi Power Station build. Chair, the cost overruns and the time overruns are enormous and this was due greatly due to tender processes being highly irregular and that's in the public domain. Obviously Mr Dames was CEO for a great part of this, Mr Dames I'd like to know from you who did you report these tender irregularities too?

[01h44:52]

Because, you know, this has cost our country billions of rands and also most certainly has led to one of the reasons that Eskom's in, had gone through the downgrades and our country suffers because of these downgrades, and Chair I'm gonna stop there so that Mr Dames has a full time.

Mr Brian Dames -Thank you Chair. The first question around the engagement with the Gupta's or Mr Essa I was asked to meet with them. I didn't know it was them, I was asked by the Minister's advisor. He came to me one day and said he would like to meet some people, I don't know who the people were...

Ms Daphne Rantho- Sorry Mr Dames, you were asked to be specific when you speak about... When you say the Minister's advisor [Over-talking]... Minister who and who's advisor.

Mr Brian Dames -The advisor of Minister Gigaba, I think it was a gentleman call Mahlangu?

Siyabonga Mahlangu who asked me to see some people. He arranged a meeting where I was present. It was somewhere in Midrand and there was one other individual in this discussion, I don't know at the time the individual, even up to today if you give me, I assume it was one of the brothers and after this meeting I was quite angry, I was very angry, I actually called Mr Mahlangu and said to him "you will not bring these people to me again" and it was a very strange discussion, you know, there were three items mentioned, one was if I can recall it, it went like this, you know, "we've decided we can work with you" I don't know who we was. It was, you know, there was a request for a coal contract to Lethabo and it was very strange because, you know, Lethabo is a unique Power Station and needed no additional coal. There was a request for another coal station after Medupi and Kusile some coal three thing, and then there was the newspaper thing and that was...But I left and I told him I don't I don't think I've ever met the Mr Essa,

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[01h47:08]

I've not, I can't recall on the executives, I can't say whether they have met or not met. About the load shedding and coal stockpiles in the theory that it was deliberate and Glencore and the increasing in coal prices. The 2008 load shedding, I was asked, as I said earlier when I gave you my background in my career. I was a member of the Eskom executive in 2007, actually many people don't know that, even while I was at Enterprises when the Koeberg bolt thing happened I was asked by the chief Exec to come down to Koeberg and deal with the matter, not necessarily the bolt thing it was another unit at Koeberg that was down. And I spend many a day in Cape Town without sleeping to deal with that. And when the load shedding then happened, and the load shedding happened, I must tell you, you know, as executives of Eskom with all of Eskom's customers we heard about load shedding at the same time. And was announced and it happened and this went on, and I think this happened in January 2008, by February I was asked to takeover. And one of my first tasks was to visit all the power stations. I did it over a weekend, I visited each and every Power Station and their teams and when I flew over the power stations it was very clear for me that there was no coal. There was no coal, I remember Kendal clearly, you know, for me to see the bottom of the Kendal stockpile and the brown sand which formed the base is wrong because the Kendal stockpile needs to be as high as trees. It was very clear that was no coal. I came back to the board of Eskom at the time they ask me to give them assessment, I gave them an assessment both of Plantation and the coal situation what we need to do to fix it. We then worked right up to the World Cup and beyond to start dealing with Eskom plant and the Eskom coal. We bought coal, we got a mandate from the board properly assigned. We bought coal for Eskom, we worked with coal mining companies, we worked with...interestingly enough, logistics companies. Some of the country's leading logistics companies came to assist as to how would you move all of this stuff around, and I think by April that

[01h49:24]

year load shedding stop. We restored Eskom coal stockpiles; you'll also recall that we increased the coal stockpile levels. We did a risk assessment per power station so...The coal pricing we have been very transparent in how that got done with a regulator. We've been absolutely transparent. One of the issues that we have raised and there was questions about minerals department with the policy regulator was you have an unregulated coal market and was very clear that coal prices in South Africa was not just, Eskom was not just the only market but there was a market outside of Eskom as well. And that was that was becoming quite clear. The other big things that move Eskom coal prices was the fact that the cost plus mines was producing a lot less and if you don't get coal from the mine right next to you and you have to buy coal and transport it, you more than double the price. But the coal pricing we have heard there's a lot more competent people than I. The head of coal was a lady, it was firstly Dan Marokane and then Kiran Maharaj, very competent, Kiran in particular, I think eventually they- she also got suspended but, but they procured the coal. We very transparent with the regulator on the pricing and what other issues with the pricing. You asked me about the Glencore thing. Just some background to the Optimum Coal

Mine; I was a young power station manager in Witbank area, we had a mine called Middleburg Mine Services, it just so happened Optimum was right next to us so... Many years ago with the load shedding when I was a member of the Executive I was not responsible for Generation, there was a request for Billiton, which owned that mine, to sell its mine to Optimum Coal Holdings. Amongst the executive I was against it. I was not head of Generation, I was not responsible for coal but I was against it and because, you know, if Billiton can't mine the thing, you know, who's.... somebody else. When I did this helicopter trip... through that process I arrived at Hendrina power station, where Optimum is, when I arrived at Hendrina, two things struck me; one is that there was a mountain of coal and when I asked the power station manager.

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[01h51:55]

What happened over years, Hendrina had a significant fine coal and the stuff got wet and really became an absolute nightmare for them for the power station to deal with and contribute to a great extent to the fact that they could not produce. And they asked me to fix this, the request to transfer Eskom to consent to this transfer of ownership from Billiton came back when I was head of... I agreed, I agreed with my team but we were going to fix the Hendrina problem. So what we did, is we, if I can recall, we asked them to take this fine coal out, give us less coal. We then improved the coal quality specifications, we then increase the penalties and then and we asked specifically that the rehabilitation fund, as required by the regulator, be funded in cash.

Ms Daphne Rantho - Thank you very much for answering those questions. We'll now give over to Mr-Honourable Gungubele.

Honourable Gungubele - Eish, where's timing... [Off mike]... Thank you. I must also time myself. Thanks Mr Dames. I'll try to ask short questions and then we'll interact as quickly as possible. Just to... if you can tell who this Chair, you spoke about this, Chairperson, who came for risk committees, if I understood you correctly? And then started giving directives in a manner that is not supposed to be and you and Paul express your disapproval, who is the Chairperson?

Mr Brian Dames -It was Mr Tsotsi.

Honourable Gungubele - What was his response to your disapproval?

[01h53:57]

Mr Brian Dames -The board noted our disapproval, minuted that in the committee made the sec... the committee made the same recommendation to the board, the board noted that and again we minuted it, but they cancelled the tender.

Honourable Gungubele - Which tender was cancelled?

Mr Brian Dames -It was the appointment for the auditors.

Honourable Gungubele - If I get you, you say there was a direction that a black auditor be appointed and then you recommended a particular process for that to be done. Can you repeat what that process was?

Mr Brian Dames -After the first year, which we've just discussed, we gained the requirements of audit committee which was that, you know, the direction is that we would like to transform our auditors. We agreed with that, we were quite clear in doing that that if you have a specific outcome you needed to get

exemption to as to how you would evaluate that. And we were clear that that's what needed to be done and we did that and we did not get the exemption so...

Honourable Gungubele - You're supposed to give the exemption.

Mr Brian Dames - National Treasury. The procurement officer.

Honourable Gungubele - [Off mike, inaudible]....

Mr Brian Dames - Is this right?... I can't recall specifically the reasons but I think there was no compelling reason from Treasury's perspective as to why you needed to change the tender evaluation criteria.

Honourable Gungubele - You spoke about the Kusile saga, I use the word saga, mining and board members interacting with suppliers. Can you quickly repeat what exactly the story is there?

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[01h55:55]

Mr Brian Dames - Ja, I mean, we needed to take our understanding with Anglo of a high-level, I think we had a memorandum of our understanding, into a firm mandate to negotiate a contract and there was a requirement for both the ownership of the mine and operations to be changed. You know, and the engagement with the board directly picked that up with Anglo...

Honourable Gungubele - [Off mike, inaudible]....

Mr Brian Dames - It is, it is unusual...

Honourable Gungubele - It's either you're saying it's irregular or unusual. Which is the correct one?

Mr Brian Dames - To engage with the...

Honourable Gungubele - Which one is correct, is it irregular or unusual? It may be unusual and regular.

Mr Brian Dames - If you're part of the adjudication of the outcome of what you've negotiated, it would be irregular. You should recuse yourself. To engage with the supplier at a strategic level, I would not necessarily say- it was definitely unusual in the Eskom's sense...

[01h57:10]

Honourable Gungubele - Sorry, in other words, you say the board members would be required to intervene in doing what? In case there is a problem in the process? What makes it unusual?

Mr Brian Dames - What makes it unusual is because the matters of procurement would normally be left with the executive both in Eskom and the executive of the company. So to him, so the specific reply, for this instance, this company was also clear that in terms of their governance, you know, the Chairman of the company not normally get involved in the procurement or contract negotiations.

Honourable Gungubele - There is an issue of a trip to Paris by the bid technical committee sponsored by Areva and this happened in 2013 December? You are still the CEO? Areva which seemingly irregularly later got the Koeberg steamers. What did you do about this? Are you aware of this trip? And who was it, usual or irregular? And what did you do about it?

Mr Brian Dames - I know about the trip... Let me give some background. The board audit and risk committee, as I said earlier, is got the responsibility for the nuclear oversight of Eskom. We have for many years, it's taken board members as well as executive that don't have nuclear experience that has to serve in this oversight committees, to training and the particular training was in the USA at MIT. Nuclear course

for non-nuclear engineers and our board went on that. As soon as it came in, as part of the induction, is part of the training, we sent them to the US.

Honourable Gungubele -Was the trip sponsored by Areva?

Mr Brian Dames -No, it was in the US and Eskom pays for that so we paid for our board members to go on training. The training was done by MIT and it was through our membership of the IMPO- the World Association of Nuclear Operations in the US. Now I received the request late in 2013 from the head of Generation saying, that the board members now wants to have exposure not only to the US but also to the French. You know, this trip came to me, I said to him, he dealt with it, the trip came....

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[01h59:46]

The previous time I had a bit of a problem with part of the trip. I tell you why because some members wanted to do other things. So we, they went on the trip, it was paid for by Eskom, it should have been paid for by Eskom. And they wanted training now from the French perspective not just the American perspective. What happened on the trip, I didn't go on the trip, the head of Generation which was responsible went with the board members on the trip.

Honourable Gungubele -Who sponsored that trip finally?

Mr Brian Dames -We must check. Eskom was supposed to pay for the trip and sponsored by all costs.

Honourable Gungubele -You've got no memory of a trip sponsored by Areva?

Brian Dames -It should not have been sponsored by Areva. The training would have been done by Areva.

Honourable Gungubele -You have no knowledge of that?

Mr Brian Dames -The training would have been done by Areva. But the payment for executives or board member to go should've been done by Eskom.

Honourable Gungubele -[Mike off inaudible]... To the Minister intervening on steam generators...The process of bidding was done, recommendations being done, the board signs off, the Minister says 'no approval'. Was the Minister correct?

Mr Brian Dames -We have to go and check. We, I mean, I must go check... [Overtalking]....

Honourable Gungubele -[Overtalking]... Were you not there? When the.... [Off mike talking, inaudible]... The Minister said there was no approval and we should not go ahead. Is this the time when you were still a CEO?

Mr Brian Dames -No, it was prior to me being a CEO. When the process started I was the CEO, when we had the meeting with the Minister, the board would not have proceeded without a PFMA approval. So, you know, we have to, I must, like I said, we can go and recall. We have agreed and we have cancelled the tender and we started it all over again.

[02h01:26]

Honourable Gungubele- So the minister's intervention would it have been, I want to use your term now, would it be 'unusual' or irregular? Or if it's irregular, what clause in the treasury regulations could have been breached.

Mr Brian Dames- So like I said we will have to go and access exactly the approvals; it was certainly unusual.

Honourable Gungubele -This is my last question. Let me ask you this question Mr Dames; you are a CEO, you've been in this area; is it correct for the minister to intervene at that level of supply chain process... at that level of procurement, to take such decision of saying what the board has signed off should not go ahead.

Mr Brian Dames- If there's no proper approvals certainly the shareholder must take the correct action...must take the correct action. So, if there was no proper approval, no proper process, it is not correct for the shareholder just to sit back and do nothing.

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[02h02:37]

Honourable Gungubele - So were there proper processes in this instance?

Mr Brian Dames- That was my understanding of the process, yes.

Ms Daphne Rantho- Thank you very much let's go to Honourable Shivambu.

Honourable Shivambu- Thank you very much, Chair, I think I'm going to have very few questions maybe three maximum questions. I just want to confirm the time lines that you said you've been in the executive of Eskom since when? I want to be quick answers yes. When before you became chief executive you were an executive for how long?

Mr Brian Dames- From 2004

Honourable Shivambu- From 2004 and then you were appointed in July 2010 and that time the chairperson was Mpho Makwana and the minister was Barbara Hogan?

Mr Brian Dames- That's correct.

Honourable Shivambu- and then you characterized that the board at the time was well-defined and the governance structures was well documented and the board was competent and it was not conflicted as well.

Mr Brian Dames- Certainly had governance structures well-defined before and after that time and we had a very competent board.

[02h03:48]

Honourable Shivambu - And then Malusi Gigaba was appointed in November 2010 and then he then started to interfere from April 2011 with procurement processes. Had that happened before where a minister interferes with procurement processes.

Mr Brian Dames- I have no experience in engaging with ministers or the shareholder while I was an executive that was normally the domain of the Chairman the chief exec. The one engagement while I was chief Exec was particularly before the world cup with a particular challenge with all our unions striking and in that case because of the importance of it, the Minister worked with us. The minister at the time

was Minister Hogan around the relationship and the negotiations with unions; but that was the only matter to my knowledge that the Minister assisted us on.

Honourable Shivambu -I'm interested now in the meeting which you said was organised by a Mr Mahlangu, the advisor of the Minister Malusi Gigaba, what did he say when he called you to organise that meeting. You said one of the brothers was there. I don't know which brothers; are you referring to the Guptas? Gupta brothers.

Mr Brian Dames- I can't recall exactly the discussion. I think I can recall something to the effect that you would like you to meet some people that was prior. At the meeting there was one individual there; I think it was one of the brother's, the Gupta Brothers.

Honourable Shivambu - Does one of the individuals look like this?

Mr Brian Dames- I can't say.

Honourable Shivambu - You can't remember.

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[02h05:18]

Mr Brian Dames-I can't...

Honourable Shivambu - You don't remember the face. And then that person spoke as 'we', 'we' want to work with you and everything else there.

Mr Brian Dames- That's correct.

Honourable Shivambu - So you can't remember whether it was one of the Gupta brothers or not.

Mr Brian Dames- No, I mean I assumed that it was one. It was not somebody that was very public with pictures and things like that that I would immediately recognise the face.

Honourable Shivambu - And then, and then you then told that person Mahlangu, did you report that person to the Minister to say that your advisor is taking me to some meeting where he is discussing internal affairs of Eskom.

Mr Brian Dames- No, I have not.

Honourable Shivambu - And then the... I want... look your broad picture in terms of the financial state of Eskom when you arrived and when you left. Because you said that at some stage you borrowed R 1.7 billion and at some stage 1 billion without guarantees and everything else there. Can you just paint us that picture?

Mr Brian Dames- In about 2009 -2010 we needed to do a whole lot of work around how would you deal with Eskom's financial sustainability and we worked very closely with government, all departments around how this should be done. The end result of that is that we had a responsibility around the Build program, we had the capital, we had operating cost, we had the coal cost, all of that, so that's the one part of the equation. The second part of the equation is would we sell part out of Eskom and how would you fund that. The decision was that we would get guarantees and the guarantee would be increased and part of that would be Eskom's funding program. So the equation was this was the tariff path for Eskom going forward, this was a cost structures, the capital expenditure and this is the guarantees you have; this is then the funding program. That program said that we needed to raise 300 billion rand; that was the equation. By the time I left I think we raised 90 odd percent of that. Part of that funding was the funding drawing markets, particularly the markets in the US which Eskom never used before. So we raised funding

in the US. We had a 4 billion dollar program; medium term lending program and we started at the first fundraising which was 1.25 billion, 175 billion dollars that was oversubscribed and then later on another billion dollars. That was all part of the funding program. The World Bank loan is part of that and the South African domestic markets was part of that.

Honourable Shivambu - Why didn't you require government guarantees?

[02h08:38]

Mr Brian Dames- We had the guarantees, we had the guarantees. So it was a function of the pricing of the loans and both guaranteed and non-guaranteed. So if it's guaranteed certainly it is priced better. We believe that the fact that Eskom was supported by government who is well-recognised by the rating agencies that the guarantee was implicit not explicit. We were quite clear that the less of this we can burden the state with, the better. You know, use the Eskom balance sheet, the Eskom strength of its balance sheet to raise the funding, which we successfully did.

Honourable Shivambu - Then in your assessment when you left Eskom was it in a healthy financial status?

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[02h09:07]

Mr Brian Dames- When I left Eskom one of the parts of this equation did not work out, which was the price application. We raised very publicly and that this creates a massive concern. We had the power system that was very constrained, we needed to use more expensive sources of power. And one of the task I was given before I left, and we gave a little waterfall as to what we can do to close this gap, it was a massive gap of money, but one of the things we needed to do was to come up with a savings program inside of Eskom and I was asked before I left that I complete this and leave it with Eskom to implement, which I did. We got a team together, we worked a program of about 60 billion rand of saving opportunities, we had the board approve every step of it and by the time I left there was a program in place that needed to be implemented. Around how you then can... Eskom can bring its part in terms of savings.

Honourable Shivambu - Did I understand you to be saying that the major reason that lead you to leave Eskom was because the board was interfering with procurement, what otherwise could be management decisions and processes.

Mr Brian Dames- As I said, I think my words were, I could not vouch any more for the government looking up looking down, you know, having oversight of everything while leading a company. It just became quite difficult to manage all of this and that was... it's difficult to put in words. And there's a lot of examples that I gave to deal with that.

Honourable Shivambu -Chair, I think that the examples that you give the only instances where the board, chair or any member of board interfered with procurement or there are additional ones which you can look submissions on.

Mr Brian Dames- When I spoke to the advocate, you know, that's what I can recall. Those are the...there may well be others that I'm not even aware of and, you know, I can think through those, but these are the things that for me stood out to the issues of process being completely unusual that just never happened for the 27 Years I was there; or the twenty odd years.

Honourable Shivambu -No, thanks Chair I have no further questions but I wanted to request that perhaps we should ask Mr Brian Dames to remember the instances of procurement interferences and then make a

formal submission so that we are able to take note of the instances where the Zola Tsotsi lead board made wrongful interference in procurement and management processes of Eskom. Thank you.

Ms Daphne Rantho- Thank you very much Honourable Shivambu. I think that would be proper, it can be done. I think Mr Dames you don't have a problem in doing that; you can do that. Honourable Singh?

[02h12:21]

Honourable Singh- Thank you very much Chairperson. Just in connection with the last point, I think it would be appropriate for if all witnesses are invited to make written representations because of the time constraints they have here because there may be additional information that they may want to provide to the committee. But just to go to my questions and then you can answer all of them together Mr Dames, I think. Thank you very much for availing yourself to the committee. I think it will certainly help us in reaching conclusions which will benefit the majority of South Africans. But I asked this question yesterday and I just want to ask it of you in know accusatorial way; but just to ensure that the credibility of this process is above board and that critics out there don't feel well Mr Dames had an axe to grind against A or B or C and this is why he's here before this committee. Maybe you can speak to that in your response.

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[02h13:00]

My second question relates to load shedding and Honourable Mazzone asked you about it, but you know we've been told in our committee here by certain board members that the magic wand was in the hands of one 'Brian Molefe' and he's the one that cured load shedding. What would you say to that kind of statements that are made here to us in this committee; that he is... it's through him, his interventions that load shedding is a thing of the past. My third question is; during your time as CEO, and I know it may not have fallen directly under Eskom and public enterprises, but IPPs, what was your thinking with the relationship with IPPs. Because yesterday we heard that they can provide electricity at a cheaper price to the South African public. And lastly my question relates to the nuclear... proposed nuclear deal. Now you are a nuclear physicist and I'm sure your experience in that arena will be able to help us map out the future. What is your thinking on the proposed nuclear deals that are envisaged to be signed by this government. Thank you Chair. Just wanted to give you more time to respond.

Mr Brian Dames- On the first question; I was approached by the advocate; I'm a South African as much as all of us and if any small contribution can help, we should do that. This is our country; we're all passionate about this country. These organisations are usually important for our people not for people that work at them. We're all just... I used to say to Eskom people we're 'guardians', we called each other 'guardians'. What is a Guardian? You look after something for the time that you there, you leave it in the hands better for those who come behind you. And we look after this for our kids and the future. And to a great extent you asked me to help; I'm here to help. 'Load shedding and the magic wand', I can't... I don't know why Eskom load shed and I don't know how it stopped. I can't comment with a magic wand or not. We worked very hard from this position that we were in from 2007 and actually quite interesting, if I can give you advice, in 1998 you made a decision not to invest in power, takes 10 years to see the problem coming out. It takes you 10 years to solve it. We knew that we always knew that that is the cycle. By the last corporate plan we did at Eskom we knew South Africa was going to have excess capacity in 2007, we even identified the power stations that you would have to shut down. We knew that the economy was not growing. The fact that you don't have excess capacity today in South Africa is the fact that this economy is not growing. And that should be what...it's a good problem to have, you had the same problem in 1998 and you did nothing about it. So I don't know how load shedding got stopped or not but, you know, I wished I was at Eskom now. You know the last time that Eskom was in a position that I was in was most

probably in the late 70s when the country went through the same thing. So I can't really comment on the magic wand.

[02h16:37]

Honourable Singh- Sorry Chair one of my questions also in my time was, if you were appointed CEO of Eskom now what 3 or 4 things would you do to turn Eskom around. Thank you.

Mr Brian Dames- I would be quite presumptuous. Oh I don't know.

Ms Daphne Rantho- [Inaudible]....you can continue.

Mr Brian Dames- I think that you may need something that is completely unusual, that you may need to remove the board fully and the senior exec and get 2 or 3 people with full authority to deal with the entity. I think you know...let me... the value of governance, I would then proceed to break Eskom up. I've never really believed in restructuring Eskom. The restructure thing doesn't solve any problems and the privatisation word gets thrown around. But I would follow the Chinese model and break the generators up and the different parts of Eskom, and I would only do that for one single reason; the value of governance. You see all of us underestimate this issue of Leadership and Governance and just for having good governance, if that is what it takes to deal with it then that's what I would do.

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[02h18:20]

Because we have a company, you know,... I sat in front of investors in Los Angeles in Boston and we spoke about the governance and they trusted both the leadership and this governance structure. What happens today with that person who sits in New York, Boston or everywhere in the world looking at what we're doing. So that is being presumptuous. You asked me about IPPs. When we had choices, so we supported the program, I was there when the initial frameworks were done. No government in this continent nor in this the specific country can ensure its energy security on its own, it would need the private sector. We should be clear on that. You just need vast investments in energy. And the next thing that's happened, is IPPs, by the time that we did that they were more expensive than Eskom. Today, it's not the same thing; you not comparing apples with apples but we have seen significant improvements in cost, significant improvements in technology. I'm convinced that you will find solutions to storage of energy through batteries or other means, and therefore our future in choices we can make today are different to even what it was in 2010 or in 2012, that's how fast technology has improved. So, I would support the private sector, and I'm conflicted so I must be very clear, where I am currently at I'm totally conflicted. But we have a unique choice to make sure we invest in South Africa's energy future and keep on investing in it. Don't stop, keep on being ahead of the curve of electricity demand and electricity supply; but we now can do that with new technologies that's less capital intensive and that the private sector can take some of that risk. And we can use our government funding to focus on our people and deal with the issues of energy access and all of the social issues we have to do deal with. You then ask me about the nuclear deal given my background? Where we at today as a country and as a world; there is absolutely no need for nuclear in clear South Africa, we don't need it nor does Finland need it and they're still trying to build it, the French are still trying to build it, the Americans has just stopped it. We have no need for it and secondly I don't think we will ever afford it. And I have personally ran a nuclear procurement for ourselves for this country and for Eskom way back in 2007. And after we've seen the prices we made a recommendation not to proceed. Nor would I go and build big coal plants. We're in a unique position where technology that is new, that is clean with our existing installed capacity that has now ensured that we now have energy security as a country; it was very difficult to build these things. When we started this, the country had nothing. We haven't done it for 20; we've built it, we've built in this province gas-

fired stations, we built pump storage schemes. You have that now; keep it and add incrementally the new technologies over time.

Honourable Singh- Chairperson in the last minute 10 seconds of a question will be, that you said earlier on that it's... we are bit too late with this process, we should have started long ago. And I think many of us seated here as members of this committee were not there 5 years ago except for possibly one or two. What do you think are the consequences of this process having started this late, and I don't mean this late 3 months late but, you know, what are the consequences that, we can see the consequences, but what do you see as the consequences of this.

[02h22:16]

Mr Brian Dames- I would struggle to answer that, I can also see the consequences and I think through what is written in...and I must say what I see, I can't believe. It makes me truly sad having spent 27 years of my life and having seen colleagues that had spent most of their life. Recently, let me tell you a little story; recently somebody came to me and said I need advice on boiler combustion for some plant, and I said, you know, I know the right person. So I phoned the head of Eskom Research and said listen where is Dr Mark van Riet, best brains around boiler combustion ever in the country. This gentleman is suspended for some reason. I just could not believe it. You have this wealth of talent and experience and what is happening is absolutely... So I can't tell you the consequences of this process. We've seen what has happened and as much as you have I have, and it is sad.

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[02h23:24]

Honourable Singh- Thank you Chair, I suppose my time is up.

Ms Daphne Rantho- Your time is up Honourable Singh, can we go to Honourable Pravin...Honourable Gordhan.

Honourable Gordhan- Thank you Chair and thanks to Mr Dames for his active citizenship and being with us here today. A couple of questions and you can respond quickly and some of them will require some explanation. In terms of where you were, where your gradings were in investment-grade you were able to borrow without direct guarantees compared to today, what sort of premium is being paid on what was interest rates that you paid then compared to now?

Mr Brian Dames- I would have to recall...I know that above government bonds or South African bonds at the time guaranteed, unguaranteed, we may have had 250 basis points spread between those... I don't know what they currently...what... where Eskom gets it, but it would significantly put out the spreads above South African government bonds.

Honourable Gordhan-When you became CEO, Minister Hogan was in place she was then dismissed by the President. Did she ever share with you why she was dismissed and under what pressure she might have been at that point in time?

Mr Brian Dames- No.

Honourable Gordhan- Any speculation?

[02h24:55]

Mr Brian Dames- No, I mean she worked with me particularly on the World Cup. I remember the two of us going to the organising...the local organising committee to say, you know, we've got a deal with

Eskomunions, we're going to deal with this. She was...we had a huge amount of respect for her. So no, she did not take me into confidence, and I would be not qualified to speculate.

Honourable Gordhan- In 2013 August Mr Matjila...or slightly before that became head of the board tender committee and then seems to have gotten involved in the generators, in the New Age breakfast deal, in T-Systems, at least. What changed during that period from the previous period in terms of good governance, transparency, competitive processes, good pricing, and everything being above board?

Mr Brian Dames- The previous board never, I mean like I said, the Eskom procurement teams would engage with the board and this was a board of Mr Makwana and they were very experienced business people coming in very objectively, we look at things and we had these assessment processes. The sense I had afterwards is that this communication thing that you have procurement staff talking directly to board members and, you know, they just bypassed executives; and it was for me quite unhealthy. I never had specific proof of that but it became clear in terms of the questions that we got asked. So, you know that it was a sense, a tone, the way things were done. The governance was still there, procedures were still there; it was just the how and the people that then affected that that changed.

Honourable Gordhan- You mean the formal processes were there, but the content you couldn't account for. Now a similar question in relation to the chairperson of the board Mr Makwana vs Mr Tsotsi; what changes? And please try to help us by being a little bit more specific. What is a board chair supposed to do and not supposed to do.

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[02h27:22]

Mr Brian Dames- Mr Makwana obviously had extensive experience in the board, understands the role... the executive role, the non-executive role of the Chairman, the executive role of the chief exec. We had a particularly difficult period of Eskom just before Mr Makwana became the chairman, and out of that we actually had a specific board charter developed that spelled out these rules clearly, who communicates and how that gets done, the role of the chief exec and the role of the chairman. And so where the line stops between, you know. We here to approve strategy, we're not here to set strategy. We're here to approve strategy. We here to direct things, you know. The role of being a non-executive versus somebody that comes in that becomes a lot more executive. So one of the concerns I have raised. Towards the end of my tenure Minister Gigaba did ask the chairman and I to come to see about our relationship. And he asked the chairman what's your problem with Brian and he said Brian is arrogant; there was a bit of story around that. And he asked me what's your problem with the Chairman? I said the chairman is not an executive chairman; he should not involve himself in the operational part of Eskom, meeting with suppliers you know. That...he's a non-executive chairman and should not get...and I think that is the distinction around experienced members that understand the role as non-executives and, you know, people that become actively involved in the operational aspects.

Honourable Gordhan- But I mean is it just inexperience that got Mr Tsotsi to now deal with suppliers and the other things that you describe, or was it just... was it more than that?

[02h29:09]

Mr Brian Dames- I would have to speculate to answer the question and I guess it's a combination of both but I never had any specific proof as to what it is, you know, I...subsequent to me leaving I certainly had suppliers that said, you know, we were directly engaged and we felt it was not correct. So we now read what we all read. But at the time I must be honest, you know, I had no specific tangible thing that lead to something that... it's just something that I know was wrong, it was why I left.

Honourable Gordhan- So if you had to speculate, not even speculator, just connect the dots so to speak, between what you know now and what you saw then, what would that amount to?

Mr Brian Dames- I think there were influences outside of Eskom for specific purposes to specific individuals or multiple individuals, and it explains some of the behaviour. I once read an article and I must say the journalists have done a stunning job, I mean to, I must be honest I know many of them, but I once read an article after I left Eskom in the Mail and Guardian company about not Eskom, about another company. I think it was Transnet. And when I read the article about Transnet in procurement and whatever..., I think it was the chairman of the procurement committee, when I read the article and I reflected back on my experience I kinda like looked at it that...gee whiz this is actually what was happening while we were there. So, but only afterwards I could make some of those conclusions.

Honourable Gordhan- You must have dealt with a lot of international firms that come looking for business so to speak, amongst them would be McKinsey, SAP, KPMG and others that are in the news today. What would your advice be to them to correct their practices and operate with integrity, and what do they do wrong to get into the kind of trouble they've got into.

Mr Brian Dames- You know, companies have governance processes for a reason, I'm sure those have got world class governance processes, but the people that they have... you should be very careful about the people that engages. I used to and I know particularly and after I left Eskom I did spend time at McKinsey. McKinsey came to me and said we would... I actually had other job offers and they said to me, you know, why don't you come and spend some time with us to think through your options. And I did.

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[02h27:22]

I started my current employer that very same in 2014 and phased out at McKinsey by the end of the year. And I remember in one of the discussions; I used to say to them, even while they were at Eskom, don't get involved in the politics of my company, don't come and tell me what's happening with the executives. You're here for a specific task; focus on the task. And so my advice to them is; they've got risk functions, risk committees, you know, the people that you engage with you should do that with utmost care. We not here to, you know you should do it with utmost care and value. And I think... and then great transparency, you know there's no such thing as secrets; I mean you need to be... if you've got an audit process follow it absolutely and listen to the juniors. You know if people don't have a voice and they don't have a voice they can listen to, then you have a problem.

Honourable Gordhan- Just one last question. In the overall scheme of state capture it seems suspension and getting rid of key skilled and professional people is very much part of the scheme; what purpose does that serve from your experience in an entity like Eskom. You refer to a number of people who've been suspended or gotten rid of for one reason or another.

Mr Brian Dames- I don't know the reasons why they got suspended, certainly I read it afterward. But if I would take the head of coal at Eskom, I mean absolutely brilliant leader, somebody that I would have said if you look at Eskom's succession plans you would have seen her there and you would have seen her grow, I think she's outside of Eskom today. I think the chief information officer, the IT person, ended up being the best IT person in the country. We recruited him from... I don't know where, a very energetic..., you know, he's not there anymore. I don't know about the other people and it makes no sense, it absolutely makes zero sense for something like that to happen. If somebody has done something wrong then deal with it, fire the person and move on. But not just suspend them and ruin their careers and now this country has got all the skills but they just not where they should be.

[02h34:15]

Ms Daphne Rantho- Thank you very much Honourable Pravin you were just on time. I will now give over to Honourable Nobanda.

Honourable Nobanda- Thank you Chairperson. Mr Dames, when did you... can you give me the exact dates of your resignation; is it May 2013 or March 2014.

Mr Brian Dames- I left Eskom March; end of March 2014.

Honourable Nobanda- So what were your reasons you gave when you were resigning.

Mr Brian Dames- The reasons I gave when I was resigning? I specifically put emphasis on my family and the personal reasons.

Honourable Nobanda- And from your reasons when you're resigning and the reasons you just gave us now- that you were not happy, you couldn't vouch, what has changed in between?

Mr Brian Dames- Nothing.

Honourable Nobanda- Ok. Chair, Mr Dames was not able to specifically ...he was not able to tell us exactly if one of the people he met was the Gupta brothers and he left in 2014. So from 2014 until now he still cannot tell us if one of the men he met there was one of the Gupta brothers and I think that the Gupta brothers are in all media, TV stories, movies, everything. So please ask him to tell us if in that meeting exactly,...I want you to emphasize because Honourable Shivambu asked and he couldn't answer,

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[02h36:34]

so maybe he will rather answer if it comes from you, if one of those men he met was one of the Gupta brothers.

Ms Daphne Rantho- Can you respond to that Mr Dames.

Mr Brian Dames- Chair as I said earlier, you know, I can't recall and that's my honest view. I've not watched any movies.

Honourable Shivambu-.....[Overtalk] where was the meeting Chair, maybe we can just know.

Ms Daphne Rantho- He was told to go and meet some people, then when he met those people he can't recognise them now that it was one of the Gupta brothers because the Gupta Brothers maybe I take it at that time they were not in the media or in any movie so, that is why he could not put the pictures together that it's these three, one of these three that I met before. The question might be; how long have you stayed with these people when you were asked to meet them, because it depends on maybe on your interaction with them. The interaction with them, how long did it take? Maybe then the question might arise that you should have recognised them when they are put on publicly who they are.

Honourable Shivambu-.....[Overtalk] Or maybe Chair, just ask where?

[02h38:17]

Ms Daphne Rantho- Where did you meet, where was the meeting?

Honourable Nobanda- Chair I'm sure you're not eating at my 10 minutes with Honourable Shivambu. Thank you Chair. Chair, I'm having a problem with Mr Dames answer because I think if I were to meet or have met one of the Gupta Brothers in 2005, I'm sure today if I were to see a picture of one of them and I will be told that this is one of them even the name, there might be some sort of recollection that

somewhere somehow I've met this person or these people. I don't believe that today he cannot recall whether he met the Guptas or he didn't meet the Guptas. Mr Dames, what are your views on transformation, sorry, in Eskom and when did you get appointed at McKinsey and ... [inaudible]

Mr Brian Dames- Coming back to where? Midrand as I said, I think it was Sahara Computers, ya, Midrand. That's what I said earlier in Midrand. If you give me the pictures so I can say to you which person it wasn't, but I can't positively say to you which of the other brothers is it. It was certainly somebody that was not at the time very frequent in the media. So I would speculate if I give you the name. I can tell you which brothers it's not, the ones that were in the picture but other than that I can...

Honourable Swart -...[overtalk] He's asking to see the pictures, Chair?

Mr Brian Dames- So if you...that I can say to you which one it's not...

Ms Daphne Rantho- Honourable Swart, you are eating into Honourable Nobanda's time. Honourable Shivambu, you are wasting Honourable Nobanda's time.

Mr Brian Dames- It's not these two gentlemen that are quite frequently in the media, the first two, it's not them.

Ms Daphne Rantho- Honourable Shivambu, he said it's not, none of them. So you can't force him.

Honourable Shivambu - there's not two, it's three.

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[02h40:59]

Ms Daphne Rantho- No, no, don't make him to do what you want him to do, no. If he does not know, we will get to that, don't worry.

Mr Brian Dames- Transformation is usually important it's always been important in Eskom, and it still remains important today. This country cannot proceed without us making sure that all of our people participate in all aspects of our society, including in business, and that should never stop it should be continued and should be driven and it can be done. We've done many of that, it should be done correctly. On the last question; my engagement with McKinsey started after I left Eskom. I can't remember if it's April or May, but after I left Eskom and I phased out at McKinsey by December, January- December 2014- January 2015 that's when I finished. I started my current employ in August- September 2014.

Honourable Nobanda- What was your position at McKinsey when you left Eskom.

Mr Brian Dames- I was a senior advisor at McKinsey, worked mainly outside of South Africa, in the Middle East, Saudi, and Africa and Germany; I did absolutely no work at Eskom or any other state owned company.

Honourable Nobanda- Thank you Chair.

Ms Daphne Rantho- Thank you very much Honourable Nobanda. Honourable Tseli.

Honourable Tseli- Mr Dames, you know why the Gupta issue came several times here, is because in your presentation you indicated that this where the Guptas, but you can't identify them, even after you've met them you still can't report this controversial meeting that was convened by the advisor to the minister. And I want to remind you from what the Chairperson read earlier if some of the issues that you are raising here are found to be problematic they will create problems for you as well in the near future. So I must remind you of this; so you go to a meeting, a controversial meeting, you are not happy with what happened, you don't report it anywhere, you claim these were the Guptas, you can't identify them. I

think let's leave it there. But I must remind you this might create problems for you in the near future. The money that was due to you when you left Eskom what was the controversy around this money because from the portfolio point of view then, because seemingly even this money was not released immediately until such time that there were investigations. What was so controversial about this money?

Mr Brian Dames- Money due to me I assume you talk about the pension money? There was nothing...

Honourable Tseli-I'm talking about the pension yes.

[02h44:24]

Mr Brian Dames- There was nothing controversial about it.

Honourable Tseli-Was it not released immediately?

Mr Brian Dames- I was not aware that it was not released; the money was transferred from Eskom to a pension fund, what do they call it? Provident fund and that is it.

Honourable Tseli- The audited opinions what are some of the issues that kept on coming, despite the fact you, the company was not qualified? What are some of the matters of emphasis from the auditor point of view then which kept on coming while you were the CEO?

Mr Brian Dames- Like I said I can't recall those; we can go look at the Eskom annual reports they're all in Eskom annual reports; if they there they should be stated there.

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[02h45:12]

Honourable Tseli- The 1.7 billion that you spoke about earlier that you raised, where was this money raised from?

Mr Brian Dames- The 1.7 billion dollars; 1.75 if I can recall correctly, was raised from investors through a US dollar bond issue that was a 4 billion program and that was the first part of it.

Honourable Tseli- The 51% that was said to be a directive, when you started because there's a bit of a problem there that you said is supposed to be black owned, it came as a directive, you later said it was an agreement and upon your investigation you realised there's no agreement. Can you try and deal with this particular issue. Directive vis-à-vis agreement.

Mr Brian Dames- So the 51% ownership was the directive from the board as to the ownership of the new... I think you talk about New Largo...there was an engagement with the chairman of Eskom the chairman of the Eskom procurement committee, with the chairman of the specific company, it was reported back to me that there was an agreement, that that is the case, I asked for that to be confirmed in writing so that the teams can start work on it and engage with the company, and when the response came back the company clearly indicated that there was no such agreement.

Honourable Tseli -There's this issue of a directive to change a recommendation from the tender committee that you spoke about earlier, there was a cooling issue involved there, by the time you resigned or after you've resigned what happened to that particular aspect. Seemingly by the time you resigned this matter has not yet been concluded. Upon your investigation what ended up happening to this particular aspect.

[02h47:41]

Mr Brian Dames— I did not investigate anything so by the time I resigned the matter was not concluded, so you are absolutely correct. What we all read in the newspapers is; the matter went to court, numerous court cases including the Constitutional Court that found in favour of Eskom.

Honourable Tseli - What's your take on the massive electricity price increases, that yesterday we talked about 400% increase; what's your take on that one.

Mr Brian Dames- I've not looked at the actual application, so it is high. I have not looked at the data and the merits of the application, so it will be difficult for me to comment on that, but it does seem high.

Honourable Tseli -Some of the documents at our disposal have got about 20 billion maintenance budget the disappeared somewhere around 2010, I'm not sure whether it was after you have been appointed CEO or before, do you know anything about it?

Mr Brian Dames- Not to my knowledge. If that is the case then it should have been reported at Eskom, it should have been investigated, and if it is a case it should be investigated.

Honourable Tseli - I'm concluding Chair. What are the key issues that in your view you will say have changed after you have resigned from Eskom in terms of how...from the governance point of view. Key issues that have changed since you left Eskom from the governance point of view.

Mr Brian Dames- It's quite a difficult question because I can't comment as to what's been happening inside; I can just read like all of us as to what's happening. I think as I said earlier losing a large part of the executive with the experience would be one aspect that would impact it. I mean the rest is what all of us read in the newspapers. I think having a...

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[02h50:08]

Honourable Tseli - That's exactly what I'm interested in from what we're reading all of us, from your...ya that is exactly the point that I'm talking about. What are the key issues that you see to have changed from the governance point of view after you have left the company.

Mr Brian Dames- I think the stability around the executive is one specific issue. I think, you know, you really asking me to speculate from the newspapers. I mean it seems like the processes were there were not followed. The issue around suspension of executives; that would be unusual, different. So those are some of the things that I would say, but I meant for me it would be this changes in leadership that is not there.

Honourable Tseli - Chairperson, no further questions.

Ms Daphne Rantho- Thank you very much Honourable Tseli. Honourable Marais.

Honourable Marais- Thank you Chairperson. Good day Mr Dames. I want to start off just going back to one thing as in the office when you meet with the Minister together with a chairperson he made the remark that you arrogant. But between the CEO of such a big company and the chairman of the board there should be a good working relationship and it's very odd, it's quite odd to appoint two people in the chairman's office, and when you actually sometimes come back to your office as you described you received an envelope on your desk with lettering. Surely there should be an engaged between the chairman of the board and the CEO of such a big company, did you experience or feel that these two people that's been appointed in the office of the chairman in some way have to run this big company, Eskom, pass you as the CEO.

Mr Brian Dames- Certainly, you correct in terms of envelopes and such an important issue around succession. I would expect just decency and a discussion would be what you'd expect as a norm. I would, you know, the two individuals did start interacting with parts of the company and that's part of the communication that I'm talking about, you know that you have communication that flows not through the chief exec or the executives or for that matter the finance director but directly to the board. That does create a concern.

[02h52:44]

Honourable Marais-How would you describe your relationship with the minister of public enterprises?

Mr Brian Dames- As we engaged, we never had bad engagements; I was always clear about the issues that I needed to raise and deal with but I mean we never had a bad engagement. I'm not somebody that is, you know, to be described as arrogant, maybe it's correct and I've got a particular weakness in that regard, but I never had a bad particularly relationship.

Honourable Marais- Did you experience or have any interference of any other minister of the cabinet while you were CEO?

Mr Brian Dames- Not that I can recall, I mean we engaged with the minister of energy because it's a policy ministry. Like I said I used to send the power system status at least not twice a day but once a day to all of those individuals. But ministers not...The Minister of Finance was very important in our life, minister of energy was very important, the environmental issues was very important you know we engage with the minister of environmental affairs around the environmental issues that Eskom faced, you know, the investment to meet the environmental requirements.

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[02h54:09]

Honourable Marais-Now the erection of the two power plants, Medupi and Kusile that is I would say two of the biggest capital projects undertaken by Eskom in its history. In your view have the projects been manipulated to benefit certain specific companies?

Mr Brian Dames- Like I said, the procurement of Medupi went through some review, there was an investigation done around particular issues. I think the public protector did that at some stage. The issues that were raised with us; we've investigated as they arose and dealt with, you know, and those things are quite transparent as to how we've done the procurement of Medupi, Kusile from that perspective. You know, other than that within the projects there were certain issues that were of very grave concern to us particularly at Medupi around the welding issues that we found. There were issues as to how the contractors conducted themselves; those we dealt with, we reported them, they were investigated.

Honourable Marais - A follow up on that; the Hitachi contract and it is directly related to what you just have said, in your view that should never have been appointed to do that specific job?

Mr Brian Dames-The procurement of the power stations was done, the outcome of the procurement was a recommendation at the time that Alstom should do both the boilers and the turbines. And that is public knowledge, like I said this was very clear. We could not reach an agreement with Alstom around the boiler contract we could on the turbines and it meant that we had to reopen the tender process and re-evaluate both tenders. Out of the re-evaluation the appointment of Hitachi came about. And again that went through the proper governance within Eskom, we did the independent checks again, we did all that over again and that led to the appointment Hitachi.

Honourable Marais-Was there any interference from any person down the line while these two big capital projects are on the way, because the overrun time on these two projects is enormous and the capital and the budget related to it, I would say, you can't actually imagine from where it started as the budget for these two projects and where're we ending up now.

[02h56:55]

Mr Brian Dames-You know, in terms of your specific question, you know the issues as I said specifically to these projects were raised, were dealt with, and there may well be a lot more that needs to be dealt with and one should do that. The Medupi budget when we contracted Medupi fully, if that's the one I can recall, when all the contracts were put in place the budget was R92 billion; by the time I left Eskom I think it was R105 billion, so that was the difference. So, the projects are big, there were many delays; the committee were there, there were labour issues that ran for more than a year, there were particular contractor issues. It could have been done better, it should have been done better, it's not unique actually not unique. Large projects have these issues, but the issues that you raise if they are there they were dealt with, I think there are reports for that and if it's not been dealt with, it should be dealt with.

Honourable Marais-My last question is around the maintenance of the various power stations. When you were CEO did you actually have a strict hand on that that must be maintained because at the end of the day we were going to the 2010 soccer and all those, and it seems that the maintenance didn't actually fully been dealt with because we wouldn't end up in such a situation; because the economy didn't grow so the demand for more energy wasn't there, so that's the experience of some of he even said it that in some cases of your studies that some of these power stations could be closed, and when the demand was there was the maintenance in place for all these existing power plants?

Mr Brian Dames- I can take you back to the 2008 load shedding; we spoke about the coal and the actions taken. The one other action that we did take was review of all the power stations.

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[02h59:05]

It was done by an international company, the half of it. We had a huge maintenance program ahead of us. There were issues around the high pressure pipe work that needed to be addressed and many of the things that for many years as a station manager we used to do were not done, and we needed to put all of that in place. And those programs were returned. I also said to you that we've put in place specific governance around the maintenance; the technical part of Eskom. So we integrated, I think it was an engineering committee chaired by one of the Exco members, so that you know the choices around the maintenance to be done or not to be done and how you would deal with changes at Medupi or Kusile that's of a technical nature that you don't have just person making a decision. There was an Exco committee that did that and the colleagues dealt with that properly. So, we've done the maintenance. I think I would say that the effectiveness of the maintenance is an issue that I had a concern with that. You know, the plant got maintained; the plant got older, an outage sometimes at Kriel would take quite a long time and then to do six of them. And so we certainly had a clear program around how we would do the maintenance. The planning normally gets done between generation and system operations. We had an ERCC, an emergency control governance structure to look at that and we had a technical committee to then deal with the governance of Eskom. Sorry, of the technical part of Eskom, and the maintenance aspects of Eskom. So, certainly a lot of maintenance work was done, I think over that period we could have done more, but certainly the maintenance was done. I think the effectiveness of the maintenance was an issue. That's something that I personally had an issue with. But also maintenance has different aspects; the plants had to do their routine maintenance, you know you can't just...[?], and those are some of these issues that we've dealt with. So you're absolutely correct, we ran a constrained power

system for quite a long time, it was difficult, it was very difficult. And it was very important that we make sure that the country had the power. What happened afterwards I would not speculate as to what happened afterwards.

[03h01:25]

Honourable Marais -My last question is not directly related to you. You had a very good relationship with the CFO and you worked well together and he almost left the same time that you left; what was his reason for resigning or leaving the company, the CFO.

Mr Brian Dames-I would have to recall. I think the issues that Paul dealt with was very...you know there was a lot of pressure on him as well. In terms of just the work it was never... you felt that you were never good enough, you know, it was always an issue. There was also quite a lot of issues raised around his... some things he did and all of that was investigated and he... it was just not an environment that he wanted to continue on. We were both quite committed to finish particularly Medupi; to get Eskom through that phase of it being funded, it runs, we get through the power system, we get to a point where there's enough power, the thing is done funded...all of that. But the environment has just not allowed us to do that. You can go and look at his specific reasons in his letter.

Ms Daphne Rantho- Thank you very much Honourable Marais, just work on your time. I take it Honourable Kwankwa you don't have any questions because I did not see your hand up, so I'll just wrap the day then.

Honourable Kwankwa-No, no Chair it's because I caught the last part of the presentation, I was in the chief whips that's why, thank you.

Ms Daphne Rantho- Thank you very much. Mr Dames I am worried about the fact that you are saying we started this process very late. To me you are saying we have let down the country, we have let down the economy of South Africa to go down in front of our eyes.

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[03h03:30]

But there are people like you who were hands-on at Eskom who were part of the executive of Eskom, who knew what was happening within the utility itself and you never raised any alarm to this committee or to any authorities. Some of the things that have happened during your time that was asked by other members you never raised them with anyone, and that alone raised suspension what do you think should have been done during that time and during the start of what you saw happening and up to now.

Mr Brian Dames-Chair, I mean my comments are really just input for the committee. I'm not saying, placing blame on you as to what you should or should not have done. Things were certainly different at the time. We had as I said in the beginning, quite difficult to articulate these things very clearly as what we know now, as you see it now versus then. I did raise alarm, I did raise alarm. I remember around the reasons of me leaving and engaging with that, actually engaging with the former chair of this committee and the chair of the committee of energy; they asked me and I told that to them. And so, I may not have articulated it correctly, so that's as they say; at the time these things were not as either as clear or as the way we all see it now, but we have raised an alarm. You know, the engagement when I was asked by the Minister as to what is the problem and saying, you know, the problem is the governance and this role of executive versus non-executive is a problem.

Ms Daphne Rantho-You raised also 2010, that's if I heard you correctly you said, 2010 it's when the things were changing; if I heard you correctly. But I just wanted to check, during 2010 the role of Eskom had it changed because of the huge amounts of money that got into the country that Eskom might have

been part of the entities that would have received some of those monies, or is there a reason that you think that has changed the way Eskom operates or the executive and the board within Eskom are operating or were operating.

Mr Brian Dames-I think my reference to post the World cup is really the reference to the appointment of the new board. So, everybody was replaced when new board came. I can't recall exactly the date so, I always, for me there was a World Cup, it was a big issue and it was after the World Cup, so...

[03h06:53]

Ms Daphne Rantho-We are in this crisis now, I would say it's a crisis because we have experienced all these things. There is a lot of information out there that is a bad reflection on the entity or on our SOCs. When you look at what is happening now, somebody raised something that says it might not change, do you think do we have a chance within from now to the coming 10 years would we be able to change the direction that Eskom seems to have taken to get it in the correct direction where it should be and also how is this going to affect the people on the ground changing where Eskom is now and where Eskom should be in the near future.

Mr Brian Dames-I'm very optimistic, yes, this can be changed, it should be changed and I'm confident that you'll be able to do that. And, you know, we have...it's a big organisation, very good people still there and yes you can change it. And yes it should... it's got a unique and a very important role in developing the country, in transforming the country; and you can do that by running a very good operation that is commercially sound as well.

Ms Daphne Rantho-Thank you Mr Dames, I am not going to have further questions on it because some of my questions have been raised by members, but I'm not because of time I just want to thank you very much for availing yourself for the enquiry and I'm glad that you are saying you are safe, you know you did not get any threats for coming to this enquiry and you let us engage as much as we wanted with you.

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[03h09:08]

But I want to also say to you if there are any threats do not wait until it raises alarms that it is really a threat. Immediately if there is a threat go to the relevant authorities and report any threat that comes your way. Members still have one witness that we need to take. I am not sure if we should go on lunch break or we should continue and just have our lunch. Because, members, we did prepare lunch for members and then we will take it after we finish with the next witness. Anybody that can give us guidance or can suggest anything?

Honourable Singh - Chair shouldn't we have a 5 minutes break whilst the new presenter sets up and we should continue, I think we should continue because you've got a sitting at 2 o'clock. So we should try to... 3 o'clock, we should try to finish by the sitting. But we could and... We could have a working... I don't know... what are the lunch arrangements are, but for me it's more important to get the work done and to hear the witnesses, Chair.

Ms Daphne Rantho-We'll take a 5 minutes break then.

[03h10:40 - END OF MORNING SESSION]

[00h00:00 - START OF AFTERNOON SESSION]

Ms Daphne Rantho -To the representatives from OUTA because they were given 11 o'clock to come and present at 11 o'clock. And we were way over 11. It's getting to 1 o'clock now. We have to be out of this place at about 2:30 the latest, so that people can go and refresh and be prepared for the house sitting at 3. So I think because OUTA is a...are people that is an organisation that we have met before. They presented to us. But now what they are going to present to us now it's different to what they presented to us. It's not different in the fact that they have changed...they've changed what they have presented. Today they are unplugging the corruption in...at Eskom. They are going to focus on Eskom. If we remember well Members, when they presented to us, they took the State Capture process - all of it. But today they are going to focus on Eskom alone. So we will give them time to present to us and we will engage to them. I don't think they will take much of our time. They...I will give them only 45mins to present and then we engage. If the information...if they are not done they are going to continue but I'm giving them 45 minutes. Welcome to the enquiry of Eskom. I just want to say to you we welcome you. We have started the enquiry. People have been waiting for it. So we started it yesterday. We are continuing. We are going to take a break tomorrow and we will continue on Friday. Everybody else that is here should know that we will continue on Friday at 9:30. We will take half of the day and then we'll...we'll come back next week. I will now give over to the organisation to take us through their presentation. Thank you very much.

Mr Ted Blom - Madam Chair, Members of the House, good afternoon. It's my privilege to present this information to you, and given that there's a time restriction, let me go right ahead. The reason for this presentation over above the previous presentation is because we feel that the...some pertinent points need to be made. The objective of this presentation is to put the house in a position where they can see what needs to be done to get ESKOM back on a solid path one way or the other – whether it's in pieces or as a whole. The difference between this presentation and lot of speculation in the media and so on is, I'm trying to, in this presentation, differentiate between the cause of the rot and the symptoms. Everybody's got a story about the symptoms. Very few people understand where the thing started. I also want to discriminate between fact and hearsay.

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For the record, I was the consulting unit manager at Eskom from 1988 onwards till 1991 and in fact that's the unit that Mackenzie was prepared to charge Eskom 1.4 billion to reconstitute and I think I could do it for less than 10% of that cost. As far as my own profile is concerned, I have qualifications in commerce and law and a little bit in mining. And when we ran the consulting unit, ESKOM was one of the top utilities in the world. And I think we tried to do a good job and the world seemed to recognise that. I now take you to the next slide. For the record I want to state that pre 2000, Eskom ran for about 100 years as an entity governed by statute and had never had to call on any Government guarantees during that period of time. In 2001 the Eskom Conversion Act was passed and Eskom then converted from an entity guaranteed by State...statute, to a company under the Companies Act. At that time Eskom also abandoned its Electricity Council, which constituted users who gave direction to Eskom for all the years since the 1987 Act, and replaced that with a normal board, company board. And I think that's where things changed dramatically. That's when Eskom changed its engine from a tractor engine to a Formula 1 Ferrari engine and very few people seem to understand the differences between driving the tractor and driving Formula 1 racing car. Also in 2000, we had the passing of the Preferential Procurement Act - all the BEE actors we call it. And that opened the door for BEE preferential treatment. And as we go down the timeline we'll see why that is of importance. It is important to note at this stage that with the conversion of Eskom from a company organised by statute to a company under the Companies Act, Eskom's executives seemingly were not well-enough versed to understand the difference and didn't

revisit the business model. Also in 2001, Majuba colliery closed, and as the previous witness said, all Eskom's mines are supplied by a tied colliery, and this was the first one of the major new power stations where the colliery seemingly could not deliver the coal at the required price, and was summarily closed. That created the need to buy in coal. For the first time in Eskom's life it had to then sort of go to the open market and source coal for Majuba colliery, all 15 million tons a year of it. And certainty that created major new problems for Eskom and the issues for it to have to comply with. And so that ended up in it being over-stretched in terms of its governance and its compliance capabilities.

[00h07:24]

Eskom didn't have delivery mechanisms, didn't have proof of delivery mechanisms, didn't have weighbridges, didn't have labs to assess the stuff. So they immediately started buying stuff from the open market and they had no control mechanisms in place. Also in 2001 the Eskom Medium Term Coal Procurement was thus formulated and that was to give Eskom's Coal Division a mandate to go and buy coal on the open market on the emergency basis without tenders and as it eventuated, without even written documents. A lot of the stuff was just done verbally and that opened up the space for corruption. And...my estimate is that that's where the corruption started. It might have started at a small scale, but it certainly started at that stage and under those conditions. Of course that was also a breach of the PFMA and again the Eskom board and the governance structures did not pick that up. To this day, so it's now 17 years later or 16 years later, the PFMA is still being breached by Eskom, because they're still buying coal on the open market when there are other, more cost-effective alternatives available. It's also my contention that the breaching of the PFMA is the activity that allows all this corruption on the coal procurement side, certainly to fester and for coal prices to be two, three, four, five times higher than what they should have been. In 2004, after the failure of the implementation of the White Paper on the Privatisation Private Ownership of Power Stations, the Government ordered Eskom to build a new power station. And the reason that why it failed apparently was because the private investors felt that the returns that the Government was prepared to contemplate were too low for commercial operation. I then want to take this committee to the 2005 Annual Report where a review was done on the fact that Eskom was now going to build these power stations.

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And in the...in that report, under the Chairman's report as well as the Director's report, there's mention that a 5-year capital outlook for four power plants, amounted to 93 billion rand. And that's a very significant number. 93 billion for four power plants. What you saw eventuating over the next five years, was three of those power projects. I'm not sure what happened to the fourth. But certainly Medupi, we all know, Kusile we all know, and Ingula we all know. So in 2005, they estimated that the capex would be 93 billion in total and preparations for the rollout of this capex started. From 2005 onwards it's also significant to note that McKinsey was appointed as well as Accenture. And this is something that also needs to be noted that not only those two companies, but many other companies, thrive off continual renewal of the Eskom contracts. Everybody was crying about KPMG festering and having an incestuous relationship. This is pervasive in the SOE's. All the large auditing companies have lots of contact with Eskom. Even when they are not under tender to do the audits, all the large firms have lots of contact with Eskom. And in fact, I would like to put it on record that to the best of my knowledge, there's at least a hundred, one hundred forensic reviews and reports and investigations within Eskom every year. Those reports - a lot of them are hidden when they don't point out the right person that is on the witch hunt, they seem to disappear and get hidden. Or, if it's too politically sensitive, they get hidden. This committee needs to get access to all those reports, if either via Eskom or via the service providers who provided those. And it would be all the auditing companies and certainly all the law firms, or the top five law firms.

[00h11:39]

It's also significant that given that Mckinsey's been involved with Eskom, that 12 years later they still involved with Eskom. So it's a relationship that seems to be a marriage rather than a date because it just keeps on getting bigger and bigger and bigger and more incestuous and more incestuous. And I would have thought that if somebody is a turnaround specialist, it will take you a little bit shorter than 12 years to achieve your goal. So these end up as...from single contracts to multi-billion rand contract that just roll over and escalate every year. And in fact, at one stage when I was inside Eskom for my 3rd period, I noted that a lot of the work was being done by these companies and not Eskom staff. And these activities rated from procurement training, to coal-planning, to turn-arounds and everything in-between. I don't think it's a healthy situation. In 2006, despite what the previous witness indicated, as far as I could see, and I've documentation this regard, the first major fraud on buying in coal was detected. There's a Deloitte's report about this matter. The Deloitte's report totals up it up at about a 100 million. My private industry whistle-blowers indicated that the problem was as big as 450 million. It involved bribery of labs, which then resulted in fake results for the coal specifications. I have a letter in my possession, which is available to the Committee, and in fact is in the Committee's hands, where BHP offers to settle its portion of the bribery and corruption, for 80 million rand. That was given to Eskom. Eskom did not activate that. So the eighty-million rand didn't get to Eskom's pocket as compensation for the bribery and corruption, which penalised Eskom. That matter was also raised with Minister Hogan. It was tabled in Parliament but it seems to me Minister Hogan moved on before the matter was sorted out. So that was in 2006. I'm also aware that in 2007, Eskom had to write off more than 400000 tons of coal, which it had paid for, but they couldn't find. Now to give you an indication of 400000 tons of coal as the previous witness has indicated is a large stockpile of coal! It's about 7 rugby fields full, about the height of a tree. It's not easy to miss! Yet Eskom had to pay for coal, 400000 tons, which they couldn't find. And that was in 2007. So the current issues about fraud and corruption didn't start yesterday. They've been around for quite a while! Also in 2007, I'm aware of the appointment of HR, human resource partners or labour brokers, both local and overseas. Some of those issues have hit the papers, in terms of court cases, in terms of certain labour brokers where kickbacks were paid to Eskom staff. Others remain secret.

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[00h15:13]

This committee needs to investigate how many kickbacks Eskom executives took from labour brokers and HR firms to go and look for senior executives under the Ex-patriot Programme where they brought people back from around the world to boost Eskom skills and others. And this was the first time that I became aware, of the three times that I was at Eskom that kick...the kickback culture seem to have in...got indoctrinated into the system. And I'm certainly aware that it happened in the human resources division. The motivation for these recruitment of all these foreign people who were...locals who then had left South Africa was to help with the new build because as the previous witness indicated, they embarked on this new build with an Eskom that had had no experience for more than 20 years of building new power stations - and yet opted to do the contract management itself without any of the guarantees that were available in terms of costs and delays under a turnkey arrangement that Eskom would previously have tried to implement. So this put Eskom firmly at risk for these new-build projects. In December 2007, the Medium Term Coal Procurement Mandate that I alluded to earlier on, that was implemented in 2001 for 6 years to buy in coal for Majuba colliery, which was not functioning, expired. What had come to my attention at that time is besides the fact that no tendering was used under this Mandate, and a lot of coal was bought in without documentation, is that a lot of people were making a lot of money out of this flagrant disregard of proper governance and procedures. I did a book... 'back of the cigarette box' estimation because I was asked to do that and my quick calculation indicated that it amounted to billions

of rand that Eskom was unnecessarily spending on the coal account. And it involved fictitious coal purchases as well as fictitious transport arrangements. And certain people became very, very rich out of that. I'm also aware that Eskom has a forensic report on that. That forensic report was never tabled - it was hidden away! Also in my possession is a time...is a schedule which indicates and highlights, how prior to December 2007, when the Mandate was...had expired and there was argument between Eskom Generation and Eskom Finance as to whether that Mandate should be renewed, how the coal stockpiles dropped. So it didn't take a genius to see that we were heading for a load-shedding situation. And that was very clear even in December 2007, which is a month before the load-shedding of 2008 happened. That eventually led to the departure of the executive head of finance Mr Ngubaba because he couldn't contemplate having this Mandate rolled over or extended because of the excessive fraud and corruption that had been breeding under the guise of this Mandate. That Mandate was renewed in August 2008 for another 6 years.

[00h19:03]

I also discovered at that time, the east-west transport scam. That is where coal was allegedly purchased in the east near Majuba, but transport costs showed that it had to go to all the way to the west to Kendall. In the meantime that transport didn't take place. The coal was delivered at Majuba. But Eskom paid for the transport. It was part of the billions of rands that I picked up in wasteful and fraudulent expenditure. So come January 15th 2008 when I was shown the stock sheet, I wasn't shown this exact one that I have in my possession now, which I have made available to the committee. But I was shown a similar one and I saw that we were inches from a blackout. That was the Tuesday. I then wrote an email to my boss, Mr Ngubaba, who forwarded to Mr Dames and the executive, indicating that we were inches away from a national blackout because of coal shortages. The message I got back from the executive unfortunately was verbal - was that I should shut up and stop being an alarmist. I went from there to Makro and I went and purchased my generator. So I was one of the first person to buy a generator because I could see there was a problem coming. That email is available. On Friday the 18th, South Africa was bludgeoned into darkness. At that stage there was no Eskom remedy or recovery plan because the coal stockpiles had dropped.

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I believe that having known that information, even though as late as 4 days before, ancillary steps could have been taken to put teams of coal miners on overtime and try and boost the stockpiles, even on an emergency basis. As I alluded to you earlier, there had been a standoff between Generation and Finance and there is correspondence available and Eskom should have that correspondence. The rolling blackouts then carried on for months and a coal crisis committee was established. I was nominated to be a member of that coal crisis committing and all I can say about it is that at best, it started off as a very amateur effort. Because of my criticism of the committee, I was removed by management. What came apparent from the coal shortages during the 2008 blackouts, is that Eskom staff were involved with blatant front-running. Maybe I need to quickly explain that. I went out on a limb to try and get Eskom extra coal given that it was a national emergency. I was offered coal at for example 55 rand a ton. Eskom declined that coal. Behind my back they went to the coal supplier and offered to buy the coal at 110 rand a ton and pocketed the difference. Some Eskom staff got very rich during this period of time because it amounted to a doubling of the cost of coal. In August 2008 my supervisor and the person who are hired me, Mr Ngubaba, leaves. At that time we were talking about extending my contract for 10 years because I had background knowledge of what had happened or what should happen on the coal side. The night before my contract...new contract was supposed to commence, I got a phone call at 8 o'clock in the evening

cancelling my new contract for 10 years. No notice! And I was told that certain people including the executive at Eskom didn't want me around to expose more corruption. I also believe that I'm the grandfather of exposing corruption within Eskom and you can go and Google that because in January 2009 I went public with all the corruption that I uncovered at Eskom. I firmly believe that the corruption was done under the extension of the Medium-Term Coal Procurement Mandate, which was then extended for another 6 years. And incidentally that expired in 2014 when the country again had national blackouts. You need to tie the dots. So I believe that after the second mandate was put in place, the coal frauds hit what I call second gear or the second generation of fraud and corruption. The first guys were basically perhaps informed that they had made enough money I'm not sure, but there seemed to be a new generation that succeeded the first generation at the troughs.

[00h24:01]

I'm fully aware of Optimum Coal frauds where Optimum was complaining about its low price, sold coal to BEE's to double the price, because that was the prevailing pattern in Eskom. If you were BEE you were offered double the coal price of what the traditional mining houses were offered. And then what happened was that Optimum then arbitrated the difference in the extra profit. And that is why Optimum was, for the records that will be seen, short-supplying on coal. So we're short-supplying on coal under the contract, but over-supplying through the back door. And then ironically all the coal still stayed on the conveyor. So there were no extra transport costs. 2008 seemed to have been a very busy time in Eskom's life because at that time the Medupi quotes also came out. Correctly or incorrectly, I was asked, because of my previous involvement at Eskom as head of the consulting unit where we did tender evaluation at that time before it went to Treasury seemingly. I was asked for my input on the quotes. And I recall seeing a quote for Medupi, for the 'Powers Island' as they call it - in other words the turbines and the boilers - for roughly 32 billion rand. I thought I was mad when people kept on asking me whether I hadn't perhaps made a mistake. I've recently verified that number of 32 billion rand – plus or minus a couple of bob. For various reasons, that seemed to be a limited tender. I would also say that from the information that I have subsequently obtained past 2008, that I have no doubt in my mind that the Hitachi tender was rigged! You've heard this morning that the Hitachi was not the first winner of the tender. The tender content was rigged under the second exercise where Hitachi was then brought in to participate on the tender. We have documentary evidence of that.

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It's also pertinent to mention that Siemens had apparently, given the crisis of the roll-outs all over, Siemens had offered to immediately make available units off-the-shelf, to attend to the perceived crises but they were rejected. And that letter came via Minister Alec Irwin. The offer went to the Minister, Minister Alec Irwin, but for some or other reason it never saw the light of day and they were not invited to tender either. Needless to say I was totally gobsmacked when, at the end of December 2008, I saw that the Medupi tender, which I had previously seen at 32 billion for the 'Power Island', was confirmed that the Eskom board, what I thought was 91 billion, but we were told this morning was 92 billion, more than 3 times higher than what I had seen originally. This new tender or contract also included Chancellor House via Hitachi. I believe that there is clear prima facie evidence that this tender was manipulated. Ironically, at the same time, the Kusile contract was announced without a tender. It was also issued around about 91 billion rand if my memory serves me correct. It also seemingly involved Chancellor House if my memory serves me correct. And we were told that the reason that there was no tender was because Eskom had suddenly decided that they had a new fleet strategy of duplicating the same units and the same suppliers. Whereas previously, Eskom's fleet strategy was not to replicate the tenders on success of the bids, because if there was an inherent flaw in the tender or the design it would obviate

that being replicated. I've asked Eskom for a copy of the new fleet strategy to see when it originated. I have not been able to get that from them.

[00h28:22]

Ironically, as I said, 2008/2009 seems to be a very busy timeline in Eskom, because at that time there was also a nuclear bid, which the previous speaker alluded to. And that was by Areva. And that was cancelled after Polokwane. I don't know what the correlation is between Polokwane and the cancellation of the nuclear deal with Areva. My best information was that that was offered at a turnkey price of around 40 cents a kilowatt hour, which in today's money looks like it was very cheap. But you'll have to evaluate that. I was also subsequently informed by French television that members of the President's Council sold uranium reserves to Areva in the belief that they were going to get this bid for two-and-a-half billion dollars! That has never been publicly raised before. I have a document from the Canadian Parliament confirming their investigation into this two-and-a-half billion dollars wasteful expenditure by Areva. Areva is out-of-pocket after believing that it could recoup the money if the deal was clinched. That is currently an issue in the French parliament. In 2010 we had the World Cup as was previously mentioned this morning and I believe Eskom made a policy of 'lights on' at all costs. To maintain that, Eskom stopped maintenance of plant. And we heard from a previous CEO of Eskom, Mr Molefe, that when he got to Eskom the maintenance had still not been recovered. And he then involved or invited or discovered Tetris to sort out the maintenance backlog issue. The question I have to this committee is what happened to the maintenance budget of more than 10 billion rand a year between 2010 and 2014 for maintenance that didn't happen? Surely if you don't do the maintenance you should have that money spare somewhere in a provision account or in your bank account or something. Now one of the Members previously talked about the missing 20 billion on the maintenance account. Well it's probably closer to 40 billion if next-to-no maintenance was done, although I believe that some maintenance would have had to be done. So Mr Molefe and Co comes to...comes to Eskom roundabout 2014 and finds that the plants are all run down. And he starts his Tetris program of maintenance upgrades. During that time availability at Eskom's plant also fell dramatically and Eskom stopped publishing its availability of its plant. To this day we've not been able to get Eskom to tell us what the availability is on a month-to-month basis despite numerous requests. Lo and behold 2014 we have some more national rolling blackouts and this time the diesel units are ramped up with diesel's purchase at more than 16 rand a litre versus 5 rand a litre landed cost. So the gravy train is still running strongly at Eskom.

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As I alluded to earlier on, 2014 was also the year when the Medium Term Coal Procurement Mandate had expired. With a renewal of that for another 6 years, if I'm correctly informed, we saw the involvement of the Guptas as a third generation of benefactors from high coal prices. Maybe the blackouts were also meant to coincide with the signing of the nuclear deal, which we all read about in the court papers last year. At that time also Tegeta approached Eskom again and this time was successful in starting to sell coal to Eskom, or what they call 'coal' –it's not necessarily coal - at very high prices. I want to take the committee to 2017 and inform you that at the Eskom results there was no mention made of the 3 billion irregular expenditure. In fact a very rosy picture was painted by then new acting CEO Mr Dladla about Eskom's financial position and Mr Singh. I picked up and went on Carte Blanche I was invited to go onto Carte Blanche where I broke the news about the 3 billion irregular expenditure. I also accentuated that the profits were down for a reason - money was disappearing out the back door. We then proposed letter...questions to Mr Dladla as a CEO because they couldn't take them in the analysts meeting - they reckoned they were too complicated and too long. That letter was dated 1st of August. Today is the 18th of October and I'm still waiting for an answer from Eskom on the queries we had in terms of the cost of the power stations and coal costs. In 2017 NERSA held hearings about Eskom's application to keep its coal

costs secret. We believe we won that hearing when NERSA determined that Eskom must make the information available and Eskom was instructed to improve transparency and provide improved information on coal. It seems to me, unbeknown to you and me, and the public at large, that NERSA held another secret meeting on the 4th of September, where there's no minutes and seemingly no written decision, where they decided that Eskom should continue with the secrecy. Now that from a public point of view is totally, totally unacceptable. Against the background of all the corruption that's been exposed over the last three years, it's even more unacceptable! And we cannot allow this country to carry on this basis.

[00h34:26]

I'd like to draw the committee's attention to the other shortcomings. There's a big problem with the multi-year price-determination formulas that are applied by NERSA, because every year when Eskom...or every time Eskom formulates the target future price increase, they guesstimate future growth requirements. I suspect that Eskom works backwards. They work out how much profit they want to bag and then they temper the forecast sales accordingly. Because, even in this current NYPD Eskom forecasts are substantially higher than even National Treasury forecasts in terms of for future growth. And as soon as those are adopted Eskom is guarantee profits whether it delivers electricity or not. I believe there's a major problem with the structure of tariffs. The incline block tariffs are totally uncompetitive and I have lodged a complaint at the Competition Commission. They are penalizing large sectors of this economy including the agricultural sector who if pay exorbitant prices. Whether they take electricity or not they have to pay line fees. And the other thing is that these line fees, which are deadlines – there's nothing much going on with them - the increases on their cost increases the same as the coal cost increases, and that cannot be true. There's also a major problem with the other distribution cost increases that Eskom puts forward and we believe that a forensic investigations is necessary of that. As far as NERSA's behaviour, it saddens me to have to say: "Is NERSA captured?" Is NERSA captured? In 2013 they approved the price increase of roughly 25% for Eskom. Because it was an election year, after interference from the President, and that's documented in the papers, the price increase was dropped by more than 10%. Now how in heavens name do you drop a price by 10% after you've gone through this whole regulatory process of justifying the higher price? How can you overnight give a 10% discount? I would be ashamed if I was NERSA!

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2017 the lack of transparency continues and I believe under the NYPD currently being run, there is collusion between Eskom and NERSA! And our records prove it – we've got written proof of that! We believe the irregular expenditure of 3 billion is a drop in the ocean! There is more irregular expenditure. Something that's previously not been highlighted and I highlight it now for the first time ever, is that Eskom has been dabbling with derivatives – with our money, the public's money! And what they haven't told you is their losses to date, as at their financial year-end, was 27 billion rand! And I'm sure this committee's not aware of that. Who did they appoint? They appointed Trillion. So Trillion is taking our money inside Eskom's Treasury, and gambling with it on Forex and all sorts of things and making losses because it doesn't matter to them because they get commission. And the commission under the current financial year up to March this year was 4 billion rand! Not million...billion! And we have a forensic report to verify that. If you look at Eskom's performance, the previous incumbent talked about the fantastic ability to borrow more money. But if you look at the graph very closely you'll see that it comes on the back of major re-valuations and asset-base, which of course is inspired by the faulty NYPD methodology. So Eskom's asset-base goes from 200 billion, which I think is the more correct figure, to over 743 billion

without finishing any new projects other than Ingula. So how does the assets value go from 200 billion up to 700 billion when it's still the same assets that were worth 200 billion? And this was financially engineered by Eskom so that they can go and borrow more money against these so-called re-valued assets. So the debt in Eskom from 2005, remember we talked about 2005, was for a less than 14 billion. The total debt in Eskom now is closer to 480 billion including the 350 under Government guarantee! So what they've done is they've re-valued their assets and on the back of that they've gone and borrowed every single penny they could and that's why they can't even afford to service the debt and the interest at the moment. This is deliberate financial manipulation. In the industry they'd call it engineering, financial engineering, but this is nothing short of manipulation. Also at the time in 2005 Eskom said that because of the difficulties in the financial market they couldn't raise money for the new-build in terms of debt. So they said they would increase the tariff and that's where the first 35% tariff increase came. Well that was followed by further excessive increases and if I take you to this graph, you will see that over the period of time Eskom needs to account to us for a missing trillion rand! Where does a trillion rand come from? Roughly 800 billion is from excessive price increases. 83 billion is from conversion of the government debt or loan into equity. And another 480 billion is the borrowed money that they increase from for 2005-2017 - and they still want to borrow more.

[00h40:31]

So somewhere, somebody needs to explain to us why we paying so much money for electricity and what happened to the extra trillion rand that went through Eskom's Treasury without value. If we then correlate that to prices Madam Chair, we are currently paying a roughly 86 cents a kilowatt hour. With this new increase we'll go to about 1 rand and 7 cents a kilowatt hour. If we go back to 2005 and escalate the proper price of electricity without all this fictitious and fallacious and corrupt increases we get to no more than 30 cents a kilowatt hour. I would propose to this committee that if electricity today was 30 cents a kilowatt hour, we would have a booming economy with no unemployment or very little unemployment and lots of exports and a positive balance of payments! One company has been allowed to wreck the South African economy, create millions of people in the jobless sector, and an economic growth rate that splutters below 1% per annum. If Eskom's current application is accepted, they accept in their application that it's going to cost another 185000 jobs per year over the next five years, because they want another 20% a year for the next 5 years, on top of what they've already misappropriated. I don't think this country can afford it. I was then asked to indicate some of the key players that came out of our previous presentation.

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And it will take me one second – I'm going to run through them very quickly. People that need to be brought to book include Mr Anoj Singh. And we all know now from the newspapers what his record is so I want this to go into the record. Secondly, Mr Richard Seleke and his role in the Gupta mails and the Optimum transaction and the trips to Dubai. Thirdly, Mr Koko, who I believe is currently going through disciplinarys but that doesn't seem to be happen...happening. And Mr Koko also has a lot to be...to answer to, including the coal sale agreement or coal purchase agreement at exceptionally high prices, three times higher, 300% higher than what was previously the case at Optimum. Then I was also asked by the investigating legal team to put together a to-do-list and I would ask, and I really think that this committee's work will not be done, if they don't put together a Task Force to do divisional and corporate recommendations and analysis within Eskom. We can't allow this company to carry on and it's not capable of fixing itself. I think there needs to be a reassessment of the governance structure within Eskom, because clearly, since 2001 as I've indicated when they changed the company from a statute company to a company under the Companies Act, the governance flew out of the window. I would urge this committee to consider granting amnesty to those people who are implicated because I am aware of

another thousand frauds within Eskom which have not been highlighted in this presentation. And those people will not come forward if they are going to implicate themselves. So I would plead for an amnesty so that we can get to the bottom of this and clean up Eskom! Without getting all the dirt we not going to be able to clean up the organisation. I believe that this approach for Amnesty and for investigation should happen in waves. We need to start at the Executive, the Board. Then go to the next layer and then down the next layer. Because the corruption goes right down to project management level at the power plants where tenders are being given for...for instance at Medupi there's a food tender that a certain member of the ANC executive NEC's family supplies the food for more than 1.4 billion rand a year. Now if that's not a conflict of interest then I don't know what is, because that Medupi will never be finished building as long as that food tender is still in place. And I think, ultimately, this Committee needs to resolve to bring the crooks to book. Thank you very much.

[00h45:11]

Ms Daphne Rantho - Thank you... very much Mr Bloom... that's the presentation that we get today with all timelines. I am now expecting hands, Mr Singh your hand was up... Mr Swart, Mr Luyenge, Ms Mazzone, Ms Shivambu... all of you? Alright, all of you. One line, Mr Singh could you start.

Honourable Singh - Thank you very much Chair. Quick questions and unfortunately I'll have to leave at 2 o'clock for another meeting I did indicate to earlier on. So thank you for giving me the first one. First of all Mr Bloom thank you for a presentation, previously and now, and I asked this question of everybody else because we'd like to ascertain the credibility of witnesses not only for their sake but for the credibility of our process. Do you have any axe to grind against anybody within Eskom or in government? You were employed by Eskom and can you just briefly give us the circumstances why you were removed from there? This morning you had Mr Dames do a presentation. I take it that you were dismissed during, if that's the word, during his time. Can you just speak to what he had to say, firstly? Secondly I take it you were in charge of facilitating contracts, you know, for coal contracts and other contracts during your term of office. Were you called by anybody other than the tender committee, the legitimate tender committee, to talk about contracts... to favour certain person or persons? The forensic report that you referred to in your presentation, can we request that that be made available to the committee with regard to the 4 billion rand commission, the losses on the derivatives? You said there is a report that will help us. You also said that Nersa, is Nersa captured? And you haven't given us an answer. But if there's any evidence that you have which would suggest that Nersa because we are, well I certainly as a member of this committee, place a lot of emphasis on the role that Nersa performs especially in bringing down the

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proposed tariff increases that are requested by Eskom. So I'll be very disappointed if there's any evidence to suggest that Nersa have been captured but if you can please hand that over to us. Then you spoke about Areva and members of the president's council sold uranium reserves in your presentation, who is this president's council? Do you know who makes up the president's council? And my last question, so that I give you a time to respond, I think I know you're referring to when you talk about the tender food tender because that was public knowledge. The Medupi 32 billion to 92 billion manipulated, by whom and how? Thank you Chairperson.

Ms Daphne Rantho - [Off mike, inaudible]

Mr Ted Blom - Can we do them one at a time please Madam because I'm a bit slow in my writing... Thank you... Thank you very much for those questions Honourable member. I was a two year contract, so the contract terminated because of time from 2006 to 2008. However Eskom has asked me to and the finance directorate had asked me to extend my contract but 10 years so that they could implement some

of the recommendations that I've made in order to stamp- stomp out the corruption that I had become aware of. And that is- so I have no axe to grind with Eskom, in fact if I had an axe to grind I would've taken them to court because I had lots of evidence of the extension of the contract. But I believe that the- if you're not wanted at the place, as this previous witnesses this morning also said, then it's best to take your leave and to move on. However I couldn't take leave of the corruption I had witnessed and so that's why I went public. I went so public that eventually the current president, when he was out of parliament, made himself available for a meeting because he made notes at that time that he was going to be corruption fighter number one and I went to a meeting at his house in Forest Town at 11 o'clock at night, you know...

Honourable Singh -It's current President Zuma?

[00h49:50]

Mr Ted Blom - ... That's right.

Honourable Singh -Ok...

Mr Ted Blom - ... Where we indicated to Mr Zuma a brief report on what corruption we were aware of within Eskom and he undertook to stomp out that corruption because he was going to be corruption fighter number one. Weeks after that, I was invited to a secret meeting in Midrand, also incidentally but not at Sahara Computers, where I met a so-called 'fix it team'. There were 6 people in this meeting who were so-called Mr Zuma's 'fix it team' and this was as you were meeting the lower lights went out and the 'fix it team' the first question to me was, 'given my extensive experience of Eskom how could they also join', if I do use my own words the gravy train. I was totally shocked by this because I was introduced to this team as a group of very eminent people. Highly qualified and some were professors, some were doctors, some were legal people and I don't know what all. Unfortunately I didn't take note of that meeting because it didn't last for very long. I was...

Honourable Singh -Can we show you some pictures... [Overtalking and inaudible]

Mr Ted Blom - ... No that's not any of those pictures... [Overtalking and inaudible]

Honourable Singh -[Inaudible]... do you have names

Mr Ted Blom - ... no it's not those people... So that meeting didn't last very long because I was so disgusted that I said to the people, 'my mission was to fix up Eskom, not to mess it up further'

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and I took my leave after I insulted the people and as I was driving away my cell phone rang and I was told, 'these are such senior people how dare you insult them?' And I said to the person who had organised the meeting, 'my parents told me I don't have to tolerate scum' and I never had anything further to do with that meeting.

Honourable Singh -You don't have names of any of them?

Mr Ted Blom - No I only have the name of the coordinator.

Honourable Singh -Can you put it onto the record?

Mr Ted Blom - The person who organised that meeting was the former Chairman of the JSE, Mr Norman Lowenthal...

Ms Daphne Rantho - Honourable Swart?...[Off mike talking, inaudible]

Honourable Singh -I don't think he's finished answer- [Overtalking and inaudible]... No I don't think he's finished answering Chairperson.

Ms Daphne Rantho - Sorry?

Honourable Singh -I don't think he's finished answering the questions.

Ms Daphne Rantho - Oh ok.

[00h52:10]

Mr Ted Blom - Ok, so the next part of the questions I've got here is the payment of Two and a Half billion dollars to persons connected with the Areva bid... The person that was on the president's council that was allegedly involved with mining and mineral affairs at the time was Mr Sam Jonah. Then in terms of the price increase of Medupi, the price increase of Medupi from 32 odd billion and I say odd because it's in that ballpark... to 92 billion or 91 billion that was, that was, orchestrated by Eskom... That was orchestrated by Eskom and we've subsequently got documents which we've- it's over 100 000 documents which we've got access to. We've had a look at that and we believe we can build a strong case around that. Sorry is there any, some more?

Honourable Singh -Nersa, you've made some assertions about Nersa.

Mr Ted Blom - Sorry, ok, absolutely... [Overtaking and inaudible] it hurts me, it breaks my heart to have to make these assertions about Nersa but the fact of the matter is, we, they agree that we were correct to you ask for transparency, they made a decision, that decision is public knowledge, that they, it said to Eskom that they need to increase the transparency. Then on the 4th of September... they then, when we, sorry, we then got the NYPD document which that last page is blocked out, when I approach them and said, 'this isn't in accordance with the decision' where I had testified that, there, they told me that they'd subsequently taken a decision for commercial reasons to carry on blocking out the so-called sensitive information. And when I asked them, 'on what basis they were blocking this out further?' They then alluded to an intro meeting which we found out was on the 4th of September for which there seems to be no minutes. And we then asked for a copy of Eskom's request for the secrecy or all the written copy of the decision and none of those documentations been forthcoming to my email.

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Honourable Singh -And Chair finally if we can be presented with the forensic on the 4 billion rand commission on the derivatives that you spoke about shortly.

Mr Ted Blom - Certainly, that's available.

Ms Daphne Rantho - Honourable Swart.

Honourable Swart -Thank you Chair. I don't have a long history with the committee but I do remember your previous presentation and thank you for that lengthy documentation that you provided us. Now you've given us some reason, a lot of what you've said is to me starting and shocking. But clearly it would be helpful for you to present a lengthy document with an annexure as far as possible similar to the other outed document that you provided because you've referred to, we've got documents, we've got documents' and so as far as you are able to maybe provide us with a more lengthy statement on the

slides that you've provided because the slides are very brief and we'd like to obviously interrogate these issues. For me it's historical and you've gone back to show that corruption at Eskom has been around a long time it just seems to have reached a third level or even a higher level now and we need to be aware of that. So we need to obtain that information. I'd like you also just to unpack, how is it possible that 400 000 tons of coal disappears? You know, that's, it must be there somewhere? Is it being stolen? And that just seems to indicate a lack of due process in this goes back to a period when we thought Eskimos been properly run. Now you're also obviously aware that there's been a number of investigations, there's so many different investigations and one of the most pertinent is the SIU investigation into coal procurement from up to 2012 and that investigation is finalised.

[00h56:22]

So to what degree have you cooperated with various of these investigations by providing information to them and also of course to parliament. Is this the first time this information has been provided to parliament? To help exercise it's over cycle? I don't know, I was, I'm not in this committee. But obviously a lot of what you're saying is startling when you, when the, and I'm sure that parties that you've mentioned will want to respond to the allegations that you made, such as the Optimum Mines, the front running you referred to, that you've referred to front in as well and then of course you've also referred to the diesel purchases. Which to me is astounding if it's five rand landed costs and we've been charged, and that, was it 8 billion for that year or something ridiculous for that figure?

Mr Ted Blom - Over 10.

Honourable Swart -So we, so we need more information so that we can interrogate that. We've got lots of reports, it might be a, but from your perspective of presenting this you've got the inside knowledge you were there and it's very helpful to us as we engage in looking at this. But clearly as you look at the situation now, the Chairman indicated it's a crisis, it's a financial crisis. You've indicated a few aspects of looking into some of that and one of the suggestions is a, is an amnesty. But I've got a major concern with that because you've got corruption that has taken place. How do you decide who you gonna give amnesty to? Yes at some stage the criminal investigation authorities are going to approach some people and state turned state witness but you yourself as OUTA are engaged in a case against the police and the Hawks for not doing their work. So how do you assist us in 'who do we grant amnesty to?' If a person comes to parliament and gives evidence under oath and they are truthful there is a possibility but this broad corruption please unpack that a little bit for us. Then just on the financials that you unpack now, the situation now. One of our mandates is to look into the financial sustainability of Eskom and I'd like you to unpack that a little bit more of what you've said.

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Where you've said the acid-base is too low but going forward we need to bring out a report on where is this, where is Eskom going to? So you'd like to possibly, our time is limited now, but more documentation as to where you are thinking the financial model should be going. Thank you Chair.

Mr Ted Blom - Thank you very much Honourable member. The good is in your email there should be a 90 page document supporting some of the stuff that is discussed this morning. But obviously with the evidence leader there's more work to be done. Some of the emails are on file, some of the incriminating documents are on file either with OUTA or with the evidence leader. So some of the documentation will eventually arrive, we're talking about 17 years' worth of documentation so it's not going to be that easy. Secondly..... 400 000 tons of coal are roughly 7 soccer fields or rugby field full of coal. It's a pity he didn't ask that question to the previous witness because it was during his tenure and him as a scientist and a specialist and a CEO of the organisation might have been able to give you a better answer than I can. All I

know is that Eskom paid for the coal and wrote the coal off because they couldn't find it. And that is I think due to either corruption or bad management practices that they were paying proof of deliveries where coal was not delivered and I'm aware of instances where people were in the queue delivering coal by road, paying the Eskom official 50 bucks, didn't deliver the coal then went back into the queuing, in other words, got about three or four times paid for the, for one delivery of coal. That was quite rampant at that stage or not even coal but stone because a lot of the stuff doesn't qualify as coal. I've never been approached by any of the investigative units to testify or offer my evidence. I offered my evidence to Nersa on several occasions, they've not made use of that. I would've thought that Nersa as a regulator should have the capacity to in fact just at least have a look at some of the evidence, that never happened.

[01h00:49]

Honourable Swart -[Off mike and inaudible]

Mr Ted Blom - Neither of the [overtalking and inaudible]... SIUs

Honourable Swart –So nothing, SIU?

Mr Ted Blom - No..... In terms of the amnesty proposal, my problem is and the reason why I propose that is that there... Eskom's corruption is now so widespread if I had to make an estimate right now as to how many incidences of corruption are, have happened this year Eskom I would say at least 1000. And I say that from a educated point of view because I'm aware of corruption with brown envelopes going on every single week at some of the Eskom offices. And the corruption as I said isn't happening only at head office, it's happening at Medupi, it's happening at Kusile, it's happening at the other power stations, it's happening with laundry services, happening with guard services, where people are nominated by third force agents as to who should win these tenders. If we open up a whistle blowing thing and I've already got some whistle blows coming through to me my inbox will just overflow because there are literally thousands of transgressions every year of what would be considered reasonable or good governance. So that's why I'm asking for amnesty because only then will we get exposed to the full size of the- at the moment it's all hidden, you hear a bit here you hear a bit there because you've got excellent journalists that hide behind corners and under tables and so on to spy on these Eskom people doing corrupt businesses. But the- believe you me there is far more, only the sensational stuff is getting to the press at the moment. There's far more and it's the hundreds of millions of rands. In terms of the financials, certainly I don't think that Eskom is financially sustainable. It's certainly not without guarantees and that's a fact because without the government guarantees Eskom wouldn't go to raise one penny. In terms of Eskom having to... and Eskom burns about 7 billion rand a month, that's roughly what they're burning at the moment, over and above what they are getting in from income.

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[01h02:56]

So to the extent that Eskom is not able to fund that billion, 7 billion, which is about 60, 70 billion a year, off the market. And nobody wants to invest in the Eskom at the moment and I think the PIC will stop investing in Eskom very soon as well. Correctly so because Eskom has no prospect of paying back that money. So I think the situation financially in essence is precarious and when the evidence leader approaches me again I'll certainly provide the best of my information to corroborate that.

Ms Daphne Rantho - Thank you, Mr Swart. Honourable Luyenge.

Honourable Luyenge -Thank you, thank you Chairperson. Seemingly Mr Blom, you've long been at Eskom and with special reference to the period you started to talk about say from 2000 you have mentioned a lot of instances of this nature maybe do you think even before 2000s there were other activities, corrupt activities that were taking place at Eskom and I want to maybe understand you, as you have actually

suggested an amnesty it is because of the volume of the type of work that relates to this corruption that you is actually unearthing itself because this is a manifestation of what is happening at Eskom in as far as what you are saying. Now where do you think this money is going to? By the look of things there's billions in circulation in this country. And then can you, can you, maybe make a suggestion as to how best can we know the individuals? Is the majority locals or international peoples that are coming from the globe milking the billions from our country? So if the rot that exists in Eskom even in other entities? There is. It means we have a problem. And the open mechanism that you are using to provide this information requires maybe a little bit more of evidence but that evidence might not necessarily..... does not necessarily may be equal an amnesty?

[01h06:13]

The level of it maybe the majority of those people are wealthy people? Because I don't think poor, at home, the poor masses of our country are actually benefiting out of this. How do you then think this affected the poorest of the poor? What level do you think this affect the poor masses of our country? Because this entity, is the entity that we actually wanted to see it being a tool of a democratic..... of a developmental state that we want, where the entities are supposed to be. Then is there... what is the level of effect of this to the poor?

Mr Ted Blom - Thank you very much Honourable member, I'll try my best to answer. If I could start at the end? If the poor benefiting from all this corruption I guess they'd no longer be poor. But the cost to the economy is between 2 and 6% a year in growth. If Eskom is allowed to carry on its current NYPD they admit their numbers, not my numbers their numbers, an extra 185 000 jobs lost every year for the next five years. That's on top of the millions of jobs lost since 2007 when this stupid excessive resume of pricing took place for the first time. This means that there would be some hope for the 70% unemployed under 35 year olds in this country, who've never had the honour of getting a salary at the end of the month, ever in their lives. Which I think is a gross human violation. So certainly this corruption is having a massive impact on this economy and I believe there's not one person this house who doesn't know of somebody, a family member who hasn't struggled to find a job because of the lack of growth in this economy, the joblessness because the money is not going into the investment, it's going out the back door. You asking me where the money goes, well I think we all know that some of the large money is going through offshore, through various bank accounts whether it's Bank of Baroda or other banks or how it's going or through fictitious invoicing or whatever. So I think the large money is going offshore. But there's still millions, it's going into it local corrupt practices. I mean places like Witbank, Middelburg, where the regional operations of Eskom are.

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Even on the transmission and distribution we have evidence of corruption taking place in tender allocations and so on happening at bosberaads and so forth and so on, that's why I say it's widespread. And you asked me why, how would a amnesty work, isn't it too wide? Well then maybe it's a conditional amnesty? I'm not an expert on amnesties and maybe this house needs to think and apply its mind as to how selective amnesty or maybe you do it in tiers, like the tax people do? You say all those people are aware of corruption. If you want amnesty, you've got 60 days to come and declared to the house. And then you go from, you know, smaller amounts and smaller amounts until you get at least the 80% percent of the corruption exposed. And I agree that it's painful even to me to have a corrupt person have for amnesty but unless you get some of them, if you get half of the corrupt people at least you're winning half of the game where at the moment you're not willing the game at all. So.... my conscious is that I'm

also not mad about amnesties because it benefits some of the corruptors but the end of the day you're not gonna get to the bottom of this if you don't create an incentive for people to come forward and blow the whistle on their own conduct and their colleagues.

Honourable Luyenge -Does that include the price fixing or by the service providers of Eskom?

Mr Ted Blom - Oh certainly, I mean, the way that the pricing structure works it's affecting everybody. Firstly the fact that the prices are three times higher than what it should be, affects everybody. You and I could be consuming and buying three times more electricity for the money that it cost us. But that's what we see at a basic level. If you go to incline block 1 and 2 and 3, to the higher incline blocks, you are probably paying five times higher for your electricity than what the base tariff is, so that's about 15 times higher than what the electricity price should be.

[01h10:53]

So yes the poor are also affected because they can't afford electricity so their children can't study by electricity light they have to study by candlelight. They suffer in winter the cold, the water, they're not living a decent standard of living because they can't afford and as the previous Witness said electricity forms more than 90% of your life if you take electricity out now 90% of your life will not carry on the same as what it did yesterday. So it's really critically important to the economy for jobs, for the standards of living, for education, for economic growth, for everything. It's a core part of our livelihoods.

Honourable Luyenge –When... last did you talk to the indebtedness of Eskom? That's my last...Thank you, Chair.

Mr Ted Blom - Ok so Eskom's debt has gone from roughly 14 billion in 2005 to 480 odd billion of which 350 odds guaranteed by the government. The fact of the matter is they've borrowed 480 billion rand or 470 billion rand more than what they had in 2005. And remember right when we started the slides I said to you the capex estimate in 2005 was 93 billion so why have they raised 480 billion rand to pay for 93 billion rands worth of assets? That's over and above the price increases, over and above the conversion of death of 83 billion which they sold shares in telecoms or whatever to lend Eskom the money and then later on give it to them. The extent of the inefficiency is mind-boggling, it's absolutely, why would you.... why would you spend 14 times more or raise 14 times more money than what you need to pay for the assets if they were and that's at the inflated price... Why would you pay, if you buy a car why would you pay 14 times more than the market value for the car? Because you'll never recover that money. So the Eskom acid-base is standing at 743 odd billion rand. Nobody will give them more than 200 billion rand for those assets. So even if you had to privatise Eskom today you will not get more than 200 billion, 200 billion doesn't even pay half of the debt never mind the excess tariffs that they've stolen out of our pockets.

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So it's really, I really don't think it takes the scientist or a genius to understand that we're in, we are facing a massive problem and absolutely massive problem. A problem that's big enough to collapse this economy.

Ms Daphne Rantho - Thank you very much Honourable Luyenge, Honourable Mazzone.

Honourable Mazzone - Thanks Chairperson and...

Ms Daphne Rantho-...the 10 minutes is still standing.

Honourable Mazzone- Chair I understood that, I thought you'd forgotten it just now, but I certainly do know that. Chair, to Mr Blom, you know the scale of corruption that we dealing with here and the amounts of money are sometimes they just hard to comprehend because, I mean, and I say this all the time, we are desensitized from using the word million because we are so used to using the word billion. Now when we try and unearth this corruption, obviously I mean, you're in a fortunate position where your full-time job now is, you know, you look at how you gonna unearth corruption in Eskom and you focus specifically on that. But I'm quite interested in how you gather some of your information, because some of the information that you've got here today certainly our prosecuting authorities, our SUIs, our committees, they should have that information and they don't and that worries me tremendously, because that means that there is a deliberate effort by someone and perhaps you can enlighten us as to who is keeping that information secret. Now, Mr Blom, as I know you, you're a true patriot and what I can't understand is when you became aware of this massive amount of corruption, did you report it to someone who then refused to assist you in a further investigations? Or, did you just not know who to report it to when you were working? Like that secret meeting that you went to at Eskom, where I am very proud that you turn around and said your mother told you not to speak to scum, if I remember your term correctly; did you report that to anyone? Because, I mean, you said that you'd met with Jacob Zuma, the President, and I suppose, I mean, if you've met with him and he tells you a team is being put together, you assume that they're answering to the President. So is that perhaps, because at some point you just don't know where to turn next, is that the position that you find yourself in. Because I know that your association with OUTA is relatively new; so I just want to understand, previous to your association with OUTA who you tried to contact to alert. Look it's a lot easier for us because if we're alerted to corruption we go straight down the road to the police station and we lay charges. And, I mean, you know that the amount of charges that we've laid in association with Eskom and Trillian and Anoj Singh and, and, and, and, it's ludicrous in actual fact how many charges we've had to lay.

[01h16:20]

But, Chair, it concerns me greatly and I'd like some clarity from Mr Blom; did the ministers know, and you worked under Minister Hogan, Minister Gigaba... not Minister Gigaba...so just Minister Hogan, did she know what was coming and is that why, I mean you know, she's basically come out on record to say she was pushed out, is from your observations is that what happened, was she pushed out because she was asking too many difficult questions? Would Minister Gigaba have known about this? You know, we had Brian Dames sit here this morning, you know, at first he said he made the Gupta's, then he couldn't really confirm if it was one of the Gupta's. You know, these things are very up in the air. I find it difficult to believe that things can be so up in the air. For me things are very black and white; you either met with the Gupta's or you didn't. I mean I would never go to a meeting and sit and talk to people who I didn't know who I was talking to. Perhaps that's just me. But, certainly, high-level officials must have known what was going on. You know, when you tell us the story now about the coal trucks going down the road, paying off an Eskom official, turning around, and joining the back of the queue. Now, I know in this committee,

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I've sat on this committee since 2011; one of the things that this committee interrogated fully was why was coal taking so long to get to the power stations? And we were told there were these infinite lines of coal trucks waiting to go in. I mean, at that time certainly that the officials coming to report this to the committee knew that the coal trucks were arriving, paying off, and then going back to the back of the line. It is impossible quite frankly; that anyone didn't know what was going on. That's my take on it and I'd like to get your opinion on whether or not anyone can claim they just didn't know. Because, I'm sure like many South Africans and like me you're also bit sick of this 'I didn't know it was happening' scenario in story.

Mr Ted Blom- Thank you very much Honourable member. Let's talk about the last issue first. When I did my initial reports and found out that Eskom was buying in all this coal from third-party contractors which was different to the previous model prior to 2000, I wrote several reports on the deficiencies in Eskom's procurement on an ad hoc basis. At that stage I wasn't aware that it was been done under the medium term coal mandate. I'd just been reemployed by Eskom, and, but I was aware that the practices certainly weren't regular. I then wrote in the report and those reports I believe were forwarded to the head of Generation and the previous witness who was here was certainly made aware of that. I was requested by the head of finance Mr Ngubaba to keep myself available to be transferred to the coal procurement division directly, so that I can have a greater access to what was going on there. In fact, that coal procurement department was overnight moved out Megawatt Park into a rented building with special security access where I couldn't get access to it. So I believe you're right when you say that there were people in the know. The Organised Crime Unit, of which there is a forensic report, which I haven't seen but I heard it was paid for, involved apparently I'm told 54 people.

[01h20:03]

That's Organised Crime. So, was my immediate superior aware of it? As a contractor, yes, most certainly, and I've got copies of those e-mails which I've made available to the investigating officer, which obviously some of the needed a bit of explanation. But those emails are there including the double pricing issues, including the stock... the pending blackout issues; there's written proof of all that stuff. In terms of meeting the "fix it" team; well I didn't know who to go to after that, because I'm already dealing at the senior-level of the country and somebody who had convinced me his mission was to clean up corruption. He went public with that, we can have a look at TV records. And, post that I also had a midnight visit to my house where people tried to get through my roof, unknown people; that was reported to the police, I've never heard anything further about that. My security watchman who I had employed privately was rummaged in that whole process in the middle of the night and he left my employ shortly thereafter, because he didn't think he was being paid enough for the risk. I've also when I was invited to address an international speakers group involving investors and hedge fund managers where it was shortly after I'd blown internally the corruption at Eskom, I received a letter of demand from the previous witness's legal advisor telling me to shut up and that I was not to speak and address this conference talking about the inadequacies within Eskom. That is written; I've got a written copy of that and in fact OUTA has got that on their computers as well. For my own safety I've made copies of all the stuff available to OUTA.

Ms Daphne Rantho -Thank you. [Non-English] Honourable Gungubele.

Honourable Gungubele- Yoh, you see the kind of presentation is so scary, and at times you're not sure if you're listening to a normal presentation; you're not sleeping, is this dream that somebody has got the kind of facts that you're presenting. Where I'm sitting, Chair, I think we... our enquiry on the state of governance in Eskom, surely the kind of presentation that are put across by Mr Ted they relate to a state

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of governance but in a more narrow-focused, specific, factualised manner. As a result I don't want to spend [unintelligible]...of time with him as far as I'm concerned. I think the biggest challenge we have is; with the bigger picture of Eskom enquiry that we are doing, we need a way forward with regard to a process that helps to verify, affirm. In the process of doing so you know who...for instance let me give you an example, let me say Mr Blom would demonstrate that I sent an email to Minister so and so on this particular date, we may want to know what did the minister do about that. I submitted to the police ABCD on this date, we may want to know what did the police do about that; hawks and whoever else. You know I'm trying to say there are various ways forward that can emanate out of getting close to that

information. So, there's that section that says to-do list or something like that. I think in my view the committee needs to zoom in in that to-do. We don't want to spend a lot of time with what looks as facts, because it might end up making a story out of facts. When facts are put before you all that you need, you need them subjected to some credible scrutiny because to be honest with you, if you've got such information in this country and it has become normal to have information of this kind and nothing is being done; actually it means even the exercise we are involved in is not worth going. So I'm saying Chair, all I'm proposing is that our technical guys; let's find a way forward with this work and check for the purpose of our period of investigation where does our systems and in as far as other institutions are concerned what does the committee do to make sure that everything reaches a conclusive phase. I don't even want to stress Mr Blom to say you must respond. The things that he is doing if they are as truthful as presented, are scary. You not supposed to sleep without reaching a conclusion when you've got information like that. Especially if it comes before yourself as government. That's just me general comment.

Ms Daphne Rantho -Than you very much, I don't think you need to respond to the comment but just take into consideration what has been raised. Honourable Tseli.

Honourable Tseli- Thanks Chair, just two quick issues. I think Honourable Gungubele is right because over and above what we agreed upon earlier cause that at some stage even those who are implicated we'll have to give them an opportunity to try and come up with their own side of the story, so that we are then we are able to chart the will forward in terms of how best can we deal with these issues. Two issues; one is what you call the coal procurement mandate, because from what you have been saying in terms of that mandate some of the things have to be handled without any normal tender process; so I'll appreciate if you can just briefly talk to that particular aspect. Maybe let's start with that one...I'll come to the other last...

[01h27:24]

Mr Ted Blom- Thank you very much Honourable member. Ok, so that's why I had to start in 2000-2001. The origin of the medium-term coal procurement emergency mandate was because Majuba colliery was closed after weeks of production because there were technical problems with the coal field. And not only technical problems with the coal field but there was also a problem with the mining plan. So Eskom had spent a lot of money investing into Majuba colliery. It built Majuba Power Station for about 13 billion rand at the time, and when it came to producing coal they couldn't produce coal at the right price and at the right quantity. So immediately they closed that power station... that colliery in 2001 and immediately they had to find additional coal to keep the power station going. And that's when they devolved this emergency mandate thing which allowed them to buy coal from all the other players. And that was supposed to last for 6 years, in that's six years Eskom should have had enough time to find either revisit that mine and change the mining method, which is possible. That would be my recommendation today to stop all this transporting of coal to Majuba and to reopen the mine but to use conventional mining technology as opposed to long haul mining. So that's where it originated.

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After 6 years Eskom still hadn't found a long-term supplier for Majuba and the reason why was because of all the stealing and corruption; it wasn't worth their while to find a long-term; another Anglo or Billiton or Xstrata to mine this coal because then there wouldn't you be the opportunities in transport and all the other arbitraging.

Honourable Tseli- Ok, Mr Ted, I understand. So in essence what you're saying is that all these things were done according to the procurement mandate just that the difficulty was that it was not in accordance

with the PFMA but it was in accordance with the procurement mandate; I think let's leave it like that. The last one is on the crisis committee; you were part of the crisis committee, from what you were saying you were removed, who was part of that committee maybe. That will be the very last one, Chair.

Mr Ted Blom- Ok, so there were quite a number of people on that coal crisis committee, some of them were present at Eskom's offices; we met like 6 o'clock in the morning every day, some of them were on the committee with the power station managers and they were joined via teleconferencing, so it was quite a big committee. I think we're about probably 25 to 30 people on that committee. And if my memory serves me correctly that the meeting was chaired by Kiran Maharaj. But I have minutes and I have emails from those which I can make available immediately after this session so that you can have immediate access to the constituency of the coal crisis committee. I was told that I had to withdraw because given that I was an observer on behalf of the finance division of Eskom and I was critical of some of what I said was the amateur methods being deployed in sourcing coal given it was a crisis. I can understand that from a political point of view they don't want somebody from another department meddling in the coal procurement department.

Honourable Tseli- Thanks, thanks Chairperson.

Ms Daphne Rantho - Thank you, Honourable Nobanda.

Honourable Nobanda- Thank you Chairperson. I don't have much, Mr Blom, can you forward to the Chairperson's office the names of the fix it team; I'm very interested in that, the people who constituted the fix it team.

Mr Ted Blom- I believe that those people are identifiable; I wasn't at that meeting for long enough to actually get their names or business cards; but the channels are there for those people to be identified. They were six people if my memory serves me correctly and they were all eminent people; they all had titles doctor and professor and certainly I will speak to the Chairperson and make it available immediately after this meeting. Thank you.

Honourable Nobanda - Thank you.

[01h31:59]

Honourable Shivambu- No, thanks Chair. Can I get this clear in terms of the process; you said you met Mr Jacob Zuma and then what happened in that meeting.

Mr Ted Blom- Ok, so that's correct. We had a meeting for I think it was a dinner meeting, were supposed to meet at 5 o'clock in the afternoon, we were held in abeyance and abeyance and abeyance and eventually we were told it's no longer a dinner meeting but we need to go to Mr Zuma's house in Forest Town. We got there and we found out that we were part of the queue of people waiting to see him. We signed the police register because there were policemen guarding the house and we eventually got to see Mr Zuma between 10 and 11 o'clock in the evening after queuing for I don't know how many hours like

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voters in the road just about. At that meeting I handed over what I had perceived was irregularities on the coal account. It was a document, a presentation of about maybe 10 or 20 pages long. Mr Zuma categorically said that he would have a look into this matter and he took the document, I still remember, he put it on the side board inside the house. And I thought to myself when I left there well that's the last of that document. But obviously it wasn't.

Honourable Shivambu- And then what happened? When you say 'we', who were you with?

Mr Ted Blom- So, ok, I was with a person who coordinated that meeting and his son.

Honourable Shivambu – What is his name?

Mr Ted Blom- Mr Norman Lowenthal.

Honourable Shivambu- Ok, the one of the JSE?

Mr Ted Blom- That's it.

Honourable Shivambu- And then after you met with him he referred you to the fix it team.

Mr Ted Blom- No, I was informed a few weeks later that the fix it team were ready to meet with me and I was invited to a meeting in Midrand in The Boulders Shopping Centre where I was introduced...

Honourable Shivambu- So, the fix it team meeting was a result of the meeting with Mr Jacob Zuma.

[01h33:24]

Mr Ted Blom- Yes, he said he would get his fix it team to meet me.

Honourable Shivambu- And, instead of fighting corruption, the fix it team said that they want to eat with you.

Mr Ted Blom- Say that again, sorry.

Honourable Shivambu- So, instead of fighting corruption, the fix it team said that they want to eat in Eskom.

Mr Ted Blom- Yes, they want to eat Eskom, but they didn't want to eat me. They wanted me to help them to eat.

Honourable Shivambu- You must help them to eat there.

Mr Ted Blom- Yes, because I've got so much experience and I would be able to maybe guide them to an easy meal.

Honourable Shivambu- And then you then said no, I'm not part of that and then left the meeting.

Mr Ted Blom- My departure was more violent than that.

Honourable Shivambu- No, that's fine. I think it would be helpful to get the names of the fix it team later on, so that we know to keep this trail of the people who come as a result of a Presidential referral, and then instead of fighting corruption they then say they want to eat; they want to loot at an industrial scale. Because I think what is happening at Eskom is looting at an industrial scale, which we'll deal with at the end of this process. And then in this there's a slide there that says that members of the Presidential

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council sold uranium reserves at 2.5 billion US dollars to AREVA. What is the context of that and who are the members of the Presidential council?

Ted Blom- The context of that, is that to put it bluntly, I think the same thing is happening with Shiva Uranium where Areva believed that they had a contract or would win a tender; the payoff I believe was \$2.5 billion dollars on the basis that they would recover the two and a half million dollars through the tender with Eskom.

Honourable Shivambu- So who are those people of the Presidential council, do they have names and surnames?

Mr Ted Blom- Certainly, there's a document, a full document available on that.

Honourable Shivambu- You'll give us that. And the information that you're giving about NERSA, is it just speculative information or is it concrete information? Because I think that is the most important thing where the looting in Eskom later on gets to be corroborated by NERSA and then people end up paying high cost for electricity because people are stealing Eskom and everything else there. Is there concrete information around NERSA which you can make follow up on?

Mr Ted Blom- Up to about a month ago I wouldn't have believed that that was that bad, I've got correspondence... it's less than a month old that makes me very very concerned about NERSA.

Honourable Shivambu - And can you just quickly two issues you wanted to take us through; what you said is boosting balance sheet to raise more debt? And, the missing trillion; what is the context of that. Like just these two aspects before I come to my last issue.

[01h37:17]

Mr Ted Blom- Ok, so when you deal with bankers, they always want collateral. You'll know that if you want to go and buy a house or take a loan; they always want collateral so to the extent that you can revalue your assets and make them look as if they're gold when they're not gold or valuable when they not valuable, you can borrow against those inflated values. So realistically I believe the market value of Eskom's assets is around about 200 billion maximum to the extent that they up it 700 billion, that's because Eskom borrows against those so-called assets, fictitious in this case. They got away with borrowing 480 billion of which only three hundred and something is guaranteed by the government. Those bankers that lent them the money look at the assets and said well there's a lot of assets here, there's a lot of collateral; so we can give them more loans. Ok, so that's the one aspect. In terms of the trillion; I'm saying that more than a trillion rand in excess money has moved through Eskom's Treasury in three components. The one is the excess tariff above 30 cents a kilowatt hour, ok, and that number I'm happy to prove, it's a benchmark independent number which I've had checked. The second part is borrowings going from 14 billion to 480 billion, ok, so you add that up, and the third amount is the 60 and the 23 billion that government sold shares in Vodacom or one of the Telkom companies and then lent the money to Eskom and then because Eskom can't pay it back converted that into equity. So if you had those numbers up you come to well over a trillion rand. In fact, I mean, if I'm given the benefit of the doubt, I mean, I could probably indicate at least 40% more than the trillion rand.

Honourable Shivambu- I get the 29 billion because I know that we passed a special appropriation bill that was asking for 29 billion which would result as a disposal of Vodacom shares and from and...that was sold to PIC and then that money was then utilised to bail out Eskom. What about the 60 billion, what is it about, where does it come from?

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Mr Ted Blom- It was a similar loan from the government to Eskom.

Honourable Shivambu- Oh, yes.

Mr Ted Blom- And that was eventually Eskom couldn't pay that back either that was also converted to equity.

Honourable Shivambu- No, that's fine. I know maybe you don't come from a legal background and everything else there, but what becomes the legal basis of your proposal that we must grant amnesty to people who are corrupt.

Mr Ted Blom- Ok so that's probably the weakest part of my armour and it's not something I would contemplate in the normal course of events. But given that we sitting with a shortage of evidence and my believe and I've been tipped off that there is far more, far more than I even have time to read through my inbox. The only way to fathom how deep and how wide this corruption is to sort of at least offer some sort of amnesty and get the people. Because people are incriminated, because you gonna ask those same people why didn't you blow the whistle, you have been aware of something for more than 10 years and because you didn't blow the whistle you're incriminated as well.

[01h39:55]

And if people feel that threat, they're not going to come forward and offer their testimony or their witness or their stories. And also if you don't get amnesty and whistleblower protection, they stand getting fired. I mean this previous witness this morning talked about Dr Mark van der Riet; I know Mark van der Riet and he is a super guy, and Mark has been on suspension for more than 3 years or 2 years because he wouldn't sign off on the Gupta coals. I mean that's what happens, people get bullied, people get abused. So unless there is some sort of amnesty and I really think this committee needs to apply its professional mind and maybe get professional legal input on that, but even if it's a proportional amnesty or some type of amnesty. Because, yes, I can see that you and I feel the same that we don't want to just allow the people who are cooks just to walk away free, so maybe there's a...one does it in waves or something, but I'm sure with the experience and the collective intellect of this committee we can come up with some sort of program that might be suited.

Honourable Shivambu- That's fine, thank you. Chair, I'm done and I won't agree later on when we then some up the discussions that you must grant amnesty to criminals who are stealing from state owned companies. I think we must take decisive action because it will not be sustainable. I don't think also it will be legally sound to just let people go. It might take time. I think when the politics stabilise, we will reach them; the law...the hand of the law...the arm of the law is very long, it will reach all of them and we'll pin them down and they'll be held accountable, all of them.

Ms Daphne Rantho- Thank you very much. Honourable Kwankwa, you will be the last in my roll.

Honourable Kwankwa- Thank you Chair. You know, the comment about NERSA, I think sent chills down my spine because it means then there is a coalition as I said to the professor that presented yesterday, of rent-seekers and corrupt people who are living off the backs of the poor. Because we go around as politicians trying to campaign for the electricity price to come down but they do the opposite. But I think your input helped us to a large extent where you are saying what effect that has on the electricity price per kilowatt hour. I think we need to have more of those discussions because then it's based on figures and facts and figures and calculations that you've done, maybe we need to get that from you as well as the professor yesterday also promised to do the same thing.

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[01h42:40]

The coal crisis committee, you say in your presentation here that the effort to try and address the challenge that faced Eskom at the time was amateurish at best I think you said so. In what way was it amateurish in your view, because my view is that remember Eskom still uses coal and some of the key elements of what they need to do properly would be gained from people of experience like yourselves in that industry in guiding such initiatives and going forward in the future. That might also advise and guide

us for example when we decide and recommend around issues of coal as a committee and how it manages it. But there is a very important point that you also made earlier, you said they have breached the PFMA by buying coal on the open market when there are more cost effective ways of buying coal. What did you mean by that, what are the more cost effective ways so that we are of them, and that we can also apply our minds to them as proposals. You also said that there was 400 000 tons of coal that was written off; do you know what the financial value of that and who benefited from that in the main from those write offs? You also spoke about kickbacks from labour brokers and is this fact or is this speculation, suspicion? Right, but what sort of kickbacks, in what amounts and who benefited. I suppose that some of the answers to the questions may be things that you'd have to do in writing as you are assist this committee in its first fact finding mission in trying to drill down to some of the problems that face Eskom at the moment. But just a quick question right at the beginning, you said that pre 1994 Eskom ran about 100 years and never had to need a guarantee per se, is it from where I'm sitting politically a neat comparison to compare what happened before 1994 at Eskom, considering that for an example it had to supply electricity to a small sector of the community as opposed to the demand that it had later on for example when it had to supplier to everyone in South Africa for instance. The other important issue which I want to ask you is that I think right at the beginning when you were still giving your problem statement, you spoke about the number of procurement... preferential procurement legislations which is centred around empowerment mainly, and because they're a problem statement when you saying those exact problem in their own or are you saying the manner in how they are abused and hijacked was the problem on its own. And I didn't get, even though you included in the problem statement per se, you just lumped it together with some of the problems at Eskom without distinguishing between issues to say that our politicians were abusing acts that are intended and laws that are intended to transform the economy transform society from an economic perspective for their own narrow ends. Thank you very much.

[01h45:49]

Ms Daphne Rantho - Thank you, Mr Blom.

Mr Ted Blom - Thank you very much Honourable member. Can I just correct the member if I may? My scenario was before 2000 not before 1994. And I'm not trying to score political points I don't believe.... The governance of Eskom changed in 2000, it was a change of the legislation. So prior to that there wasn't a board in charge of directing and governing Eskom, it was an electricity council which was made up of electricity users. So the large electricity users were guaranteed a seat on that council and there's a good reason for that because they're the ones who paying for this electricity and I don't believe any large company or consumer of electricity wants to pay more for electricity than he needs to. There were also representatives of the public on that committee. So instead of being a politically appointed ball as you see currently with Eskom, that was a representative board under the electricity council. So I don't think it's got anything to do with race, I think it's got more to do with politics and the post '94 politics where the board has been captured by the current regime for nefarious reasons. But certainly prior to 2000.... the rationale behind appointing in the electricity council was very clear. These were the people who were going to pay for this electricity and if it was expensive, they would be the first to complain about it. So if I may just correct you about the dates and the constituency of that governance structure. Secondly in terms of the BBBEE issues, I think at the unfortunately has a lot of these other things involving BBBEE,

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there's people that are just so greedy that under the guise of BBEEE they start milking the cow and the excessively milking the cow. And I think this is what happened at Eskom is that the people under the guise of BBBEE and this new preferred procurement legislation, manipulated those rules and regulations and started doing the nefarious joint ventures to screw the system. And at Optimum certainly, the price of

coal was much lower because of the long term contract then what the going rate is in the, lack of a better word, the black market. So what happened is because the BBBEE guys were being offered a premium of up to 200% of what the going rate was, Optimum deliberately withheld coal from Eskom and sent it on the same conveyor invoiced under BBBEE at 200% higher money. And I don't think this committee has the checks and balances in place to firstly spot that and secondly to stop it from happening. If I then go to the labour brokers issues that matters been extensively reported by Pieter Louis Myburgh, one of the journalist, and the company, the one company that was involved, but there's more, was BIE Labour Brokers, they were-got into a dispute and that matter has certainly been through the courts. And but what hasn't been through the courts the fact that there was quite a lot of kickbacks and all I'm saying is at that time kickbacks became the norm within Eskom, I'm aware of many more kickbacks. Other than that one instance, but that's where it became public and I think that this committee needs to put a taskforce together to have a look at the culture of kickbacks. Maybe it was there before then but certainly that was when it surfaced. And it's still there to this day, the kickback culture and really you can't operate with a kickback culture because it doesn't make for transparent pricing. In terms of the 400000 tons of coal, that the ruling prices in those days that is at least, at least, 40 million rands worth of loss if not more. And as we've said it's 7 rugby fields treetop height or what 20 metres high or 10 metres high? It's not something that you're gonna miss but Eskom wrote it off and that wasn't the only coal that Eskom had written off. They have written, if we go, if we get the Eskom to come and testify and ask them to show you year by year, there will be some write offs and they would be justified because some coal falls off the truck, or falls off the road- thing, or isn't usable, or gets pulverised in handling and so on. But certainly not one shot a 400000 tons at one Power Station and that's not acceptable. So I think that the Eskom must be called to account to explained that and that happened under the previous witness's regime.....Then in terms of... no, I think I've answered no, no..... Ok you asked me then, in terms of the coal procurement the mismanagement.

[01h50:45]

The other amateur issues. Well it was actually reported in the press if you can just stretch your memory back far enough. This previous witness who sat in this chair earlier on today, was boasting about paying 500 rand a ton for export coal which he directed towards this coal shortage. Now that was amateur because you can't use export coal in Eskom power stations. The grade is far too hot, the boilers will melt but the that's the type of nonsense that was going on, is that.....you go and buy export to coal because you're now saving country it's absolute nonsense. And then most of the salvage operations were put in the hands of one person and given that Eskom is supposed to have a team of buyers, that wasn't a healthy situation. In fact and I can mention it now it's not in my testimony and there's thousands of other issues but the there was one particular coal buyer from Eskom who reportedly drove around in his bakkie with 80 000 rand in brown envelopes behind his seat. I mean this is the level of corruption that is going on and I've got people who can, I mean, we can virtually phone them now and put them on the phone and they will corroborate that. Because they sold something to this person and took out this envelop from his car and paid them in cash. So yes, I mean, that was ongoing.....Sorry there was one more question? it was around the Gupta coal.

Ms Daphne Rantho - Your questions all responded to?

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[01h52:19]

Honourable Kwankwa - No, no he has, he has. You combined the one about the effective ways of buying coal together with the amateurish issues in the committee that you picked up in your response.

Mr Ted Blom - Yes, yes.

Honourable Kwankwa - You combined the two.

Mr Ted Blom - [Overtalking]... There is lots of that, ja.

Ms Daphne Rantho - So your questions are answered?

Honourable Kwankwa - My questions are answered, I just want to make...

Ms Daphne Rantho - Thank you.

Honourable Kwankwa -... one quick comment Chairperson. No, my 10 minutes are not up. I'm still left with a minute Chair. There's this issue [non-English] you lumped your pre 1994 story together with your 100 year history of Eskom that is where...

Mr Ted Blom - Pre 2000.

Honourable Kwankwa -... no, no, I'm saying your pre 2000 history you lumped it together when you're talking about the 100years of Eskom not needing a guarantee and so on and so on. That's what clouded the issue...

Mr Ted Blom - That's a fact.

Honourable Kwankwa -... yes, no, I'm saying that's what clouded the issues even though it's a fact. But it clouded the issues a bit. Alright, thank you.

Ms Daphne Rantho - Thank you very much... Mr Blom I'm not, I don't have any questions for you just want to remind you that you owe us some information that the members have asked for. So I just want to remind you that you don't forget. I hope you have recorded everything that they asked for?

[01h53:32]

But anyway I want to say thank you very much for your, for your indulgence thank you very much for availing yourself for the second time in this committee. We know you have a lot of work, this committee has taken this initiative to make South Africa know and understand why certain things are happening. So but also to let people know who are outside there, if there is anything that they think they can help in reigniting the economy of South Africa, they can come and help us in reigniting the economy and come up with solutions because we are in this together. We need to pull each other up out of where we are now to get out at a level where the level that is acceptable worldwide of this SOEs. Especially those that are under public enterprises, I am speaking about them only, because I have to look at them. And thank you very much members, thank you very much for sitting in the in the committee up to so long. There is lunch available but it's only members because of the budget constraints it is only meant for members of parliament. Ja, we need to look at i-budget constraints because we have a former Minister of Finance who introduced those budget constraints. Thank you very much, thank you for, thank you to the people that came to listen and thank you to do the media too.

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Mr Ted Blom - Thank you Ma'am and thank you to Outa as well. But the documents should be in your email, it was just too voluminous to bring it along this morning. There's a 90 page document, there will be more documents and I think the bottom line is that the price of electricity needs to fall by the least 40% and that will reignite the economy, thank you Ma'am.

Ms Daphne Rantho - Thank you very much Mr Blom. The meeting is adjourned. We'll meet on Friday at 9:30... [Off mike question and inaudible]... Yes.

[01h56:03 - END OF AUDIO]

