



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



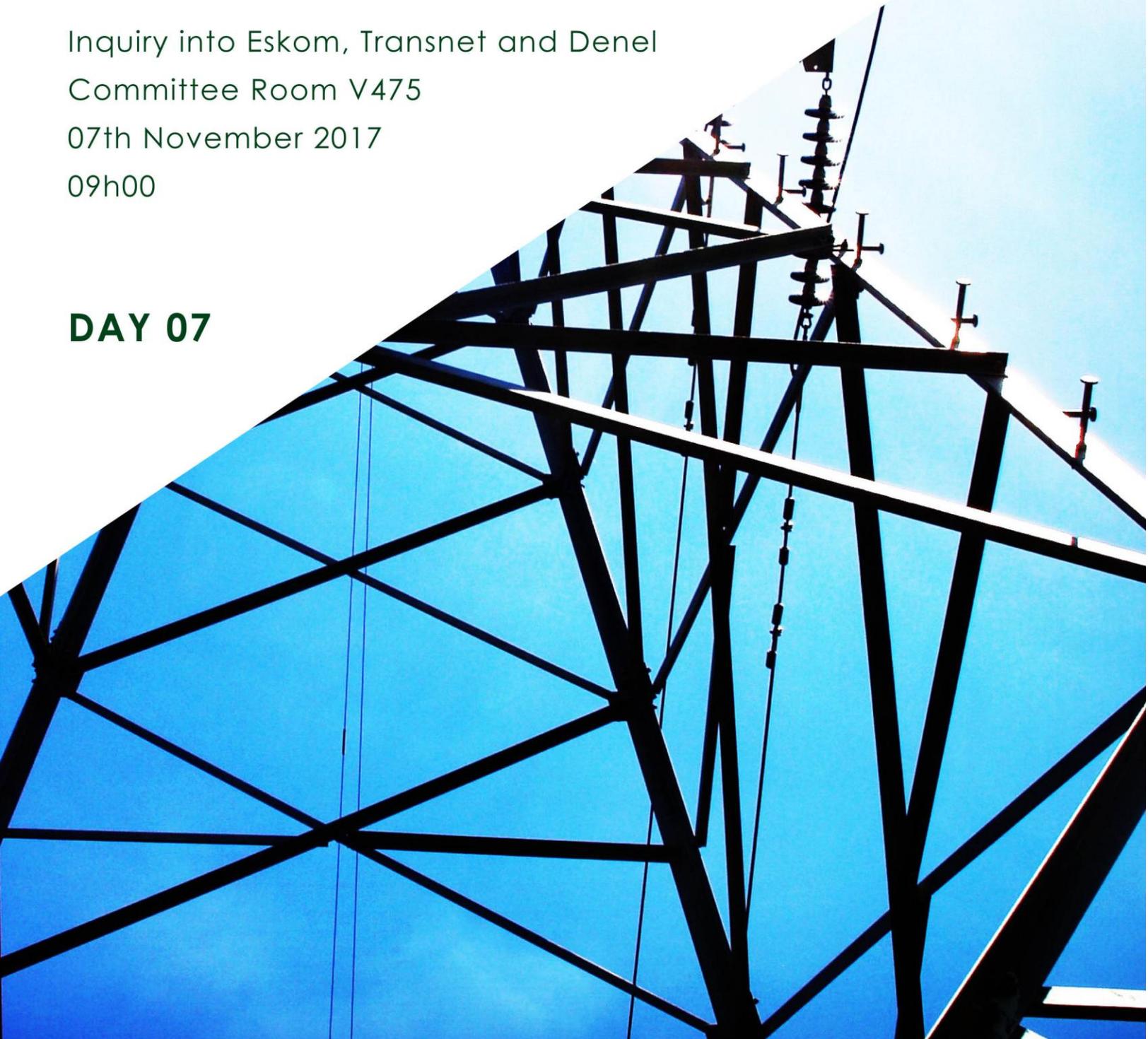
public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES

Inquiry into Eskom, Transnet and Denel
Committee Room V475
07th November 2017
09h00

DAY 07



Ms L Mnganga-Gcabashe - [Standing in for Acting Chair Ms Daphne Rantho] Good morning Honourable Members, our guest, you are all welcome. The committee secretary earlier on indicated that there were delays of some Members of this committee due to accident in one of our roads. I experienced that as well, but at least I was here in time. But some people who were behind us I think they were even further delayed. So I think for now we can start, but let me extend apology from the chairperson, the acting chairperson of the enquiry, Honourable Rantho. I'm standing in for her; my name is Lungi Mnganga-Gcabashe. Any more apologies that you recorded?

Committee Secretary - The apologies I received is from Mr Kwankwa, he is attended another portfolio committee, and Mr Singh I think he's abroad. And Dr Luyenge... another committee meeting.

Ms L Mnganga-Gcabashe - Thank you very much. We today, as I think Members have in their packages; we have a witness interaction with Mr Matona. Mr Matona...I believe he is already here. Welcome Sir. I believe that you said that you'd like to take an oath. Thank you, I'll read the oath to you and you will respond at the end. In accordance with section 16 of the Powers 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 satisfactory 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 or expose you to criminal or civil proceedings or damages. You are, however, protected in that evidence given under oath before a house or committee may not be used against you in any Court or place outside parliament, except in a criminal proceeding concerning a charge of perjury or a charge relating to the evidence or documents required in these proceedings. Please be aware that in terms of section 17 sub section 2 of the Powers Privileges and Immunities of Parliament and Provincial Legislatures Act, a person who wilfully furnishes a house or a committee with information or makes a statement before it which is false or misleading commits an offence and is liable to a fine or imprisonment for a period not exceeding 2 years. You are required to take an oath or affirm that the evidence you are about to give is truthful, you may choose to take the oath or affirmation, but you've already chosen the oath. Which do you prefer...I think you've already answered the question. Now we are getting to the oath. You will say, "I swear that the evidence I shall give shall be the truth, the whole truth, and nothing but the truth. You may respond Sir.

[00h07:43]

Mr Tshediso Matona - [off mike] [inaudible]... so help me God.

Ms L Mnganga-Gcabashe - Thank you very much. Advocate you may lead us, thank you.

Advocate Vanara - Thank you Chair, good morning to yourself the Honourable Members and the guests of the committee and colleagues. But I must also apologise, I was one of the victims of the accident, but that is not an excuse. Mr Matona can you please for the record state your full names.

Mr Tshediso Matona - Tshediso Matona.

Advocate Vanara - Can you give the committee your experience in the public sector, particularly your role as DG in the two departments you occupied before joining Eskom Group CEO.

Mr Tshediso Matona - Thank you, thank you Advocate. I joined public service right from the onset of our democracy in the Department of Trade and Industry. I was responsible at the time for international trade policy, international trade negotiations. I rose through the ranks of that department. I held various other senior positions including as a trade representative of the Department of Trading Industry, the government of South Africa to the World Trade Organisation. I then in 2005 was appointed Director General of the Department of Trade and Industry. I served in that position for the entire first term, 5 years, until about the end of 2010. I then moved from the DTI to department of Public Enterprises. Shortly after Minister Malusi Gigaba was appointed the Minister there, I moved there to head up that department. That department at that stage did not have a Director General, so I went in to fill that position and I was with the department until 2014; so beginning of 2011 until about August / September 2014.

[00h11:03]

So a brief high-level sense that's really been my career in the public service. So I've been in the service for now that is easily 20...23 years.

Advocate Vanara - We would focus ideally during your tenure partly as a DG of DPE, Department of Public Enterprises, and mainly in your short stint at Eskom. During your tenure as the DG at DPE, amongst the other responsibilities you would have had is the support of the office of the Minister; is it correct?

Mr Tshediso Matona - Correct, that's what Directors General are there for, they support Ministers.

Advocate Vanara - Let's then zoom to the appointments of board, the non executive directors to boards at the SOEs within that portfolio. Can you share with the committee the process of appointing non-executive directors to these various boards?

[00h12:50]

Mr Tshediso Matona - Thank you. The Department of Public Enterprises is probably a unique department relative to other government departments in that it has as the exclusive, perhaps only mandate of that Department; the exercise of shareholder oversight on behalf of the State over, I think at the time there were about 9 companies, 9 State-owned companies. It had been a fairly recent department; it is in fact a post 1994 department. It started initially the time the intention was to actually privatize some of the companies that were put under the Department of Public Enterprises. The largest one of course being, you know, Eskom, Transnet, Denel, South African Airways, South African Express, the South African Forestry Company – SAFCOL, the diamond mining company- Alexkor, and then a recent company that was established during our democracy an infrastructure broadband company called Infracomm. Of course the mandate changed so there was no intention any longer to privatise these companies, which meant that the department had to develop a system and a regime through which the shareholder will exercise oversight. So by the time I arrived there 2011, I found that the department had established systems, policies, procedures for many of the requirements of shareholder oversight. Largely to do with, you know, call it governance, but I think also to provide strategic direction to those companies. That system at its foundation at a basic level took the cue from the Companies Act; because these are companies they're also governed by a general legislation with regards to companies, which is that the Companies Act. They are of course a special category of companies within the Companies Act, but they're governed by that. Because our state-owned companies they also governed by the Public Finance Management Act, 'PFMA.' So that was that system and then beyond that the department had developed tools through which, for example, companies could be assisted with compiling what are called 'Memorandum of Incorporation', and those well basically set out the procedures and rules

through which the company will be managed, the appointment of officials of the company regulating various things relating to finances and regulating governance within the company. The MOU clearly had to be consistent with the foundation laws which I've just referred to. So that was the system that existed at the time. You will know that in terms of the PFMA these companies are required to report on a quarterly basis. In terms of the Companies Act they're required to hold an Annual General Meeting and typically, you know, an Annual General Meeting is the opportunity that from time to time becomes available for the board to be rotated. If a board has completed its term of office it's rotated at the Annual General Meeting, or as a case may be, you know, the board may be extended or reappointed for another term. So those were the kind of systems that were in place, but was also a database. The department kept a database of possible candidates to boards based on particular skills that are required across the sectors in which these companies under the department operated. So for example there would be the people with aviation skills, people with manufacturing skills for Denel, people with the skills in the energy sector, and so on. And of course other disciplines, you know financial management skills, accounting skills and that type of thing. So there would be a database. This database gets updated from time to time as warranted by circumstances. So that's in a sense the system that governed DPE.

[00:19:26]

Advocate Vanara - We'll get back to the shareholder oversight over these companies. But at the moment I want us to focus on the appointment of board members, specifically, the non-executive directors. You referring to a database with the potential candidates to serve in various boards, how is this database developed and compiled?

Mr Tshediso Matona - So during the time I was there, there was an opportunity to actually update that database, and what we did was to put out in media in the newspapers a call for nominations. A call for nominations of people who are suitably qualified to service as directors and non executive directors of companies under the portfolio of the Department. Usually in the past, I was told, they would do it per sector. But at the time we did a broad call indicating the sectors in which we were requiring skills. So, and then of course people respond ...responded to that to that call for nominations and therefore their names are then included in the database. And as and when the opportunity arises for the board to be appointed, we draw from that list of names.

Advocate Vanara - The Integrity of individuals serving at these various boards is critical, I'm sure you'll agree?

Mr Tshediso Matona - Absolutely.

Advocate Vanara - In the compiling of this database with potential candidates to serve in these various boards, what was a safety net, if any, that was built into the system to ensure that people with questionable characters do not find their ways to serve in this different boards?

[00h22:12]

Mr Tshediso Matona - So if a name was pulled out of the database as a potential candidate for a board, then there is a requirement, I think it's actually a statutory requirement in terms of also the Companies Act, that that person be of impeccable standing, impeccable integrity. And so of necessity, therefore, it is...we are required to conduct a probity, what is called a probity check. Then that's a check confirming, for example, the person's qualifications, whether a person has a criminal record, or has any judgements against them for

tax purposes and things like that. So that test is conducted for each and every one of the individuals who could potentially be appointed into a board. So that is a system that applied at the time I was there.

Advocate Vanara - Would potential conflict of interest be one of the criterias to be applied in this probity check?

Mr Tshediso Matona - It would be hard on the face of it to identify the potential conflict. However, let's say for example we pull out a name and it so happens that my brother is the CEO of the company, I think in that instance that's a clear conflict. But the most of these conflicts, you know, you couldn't pick them up at that level at least, you know, in terms of conflict of interest. What we did do was to require the persons to disclose which other boards they sat on. And the purpose of that was to ensure that we did not appoint people that were over extended and that would not have the time to devote to the company to which they were being the appointed. So, yeah, at that stage in the process it's not possible to always pick up conflicts...issues conflict.

[00h25:11]

Advocate Vanara - I accept your response to certain extent, perhaps let me zoom specifically. Eskom in particular we know now had long contracts, long coal supply agreements with various service providers. You served at Eskom, you should be aware of that by now.

Mr Tshediso Matona - Yes.

Advocate Vanara - Therefore, someone who is applying to serve in the board of Eskom who owns a mine supplying coal to Eskom, would sadly be a red flag, isn't that so?

Mr Tshediso Matona - I think so.

Advocate Vanara - And your probity check should be able to pick up on those kinds of individuals?

Mr Tshediso Matona - Yes, it should.

Advocate Vanara - The appointment of executive directors, including yourself, at Eskom what was the process followed in terms of the MOI?

[00h26:48]

Mr Tshediso Matona - So that the process, for example, for the appointment of the CEO and the Chief Financial Officer who are as you are aware, Directors, prescribed officers as they are referred to; that process is conducted by the company and it is conducted by the board. So one of the responsibilities that a board has is whenever there is a vacancy or there's a need to appoint a CEO or CFO to commence the process. And in doing this because the process ultimately will include the shareholder, it will include concurrence of the shareholder, so they are required to notify the shareholder representative of their intention to fill any of those vacancies. And typically the shareholder will give the board the go-ahead to conduct the process. And that process usually entails advertising the position and then conducting interviews and then making the appointment. So there are guidelines about that process. So for each of those positions the board is required to identify three names, possible names, and this is because sometimes if you go with one name, then the person may sometimes change their mind and say 'I'm not available'. So, typically, the recommendation is that: supply three names with an indication of your preferred candidate to the shareholder. The shareholder will then consider that recommendation and more often than not unless there's something really

unbecoming, the shareholder gives the go-ahead. And of course that process concludes with that name being submitted to cabinet for cabinet to endorse that appointment. So typically all of these appointments to boards of both executive and non executive directors are also considered and approved by cabinet.

[00h29:51]

Advocate Vanara - If I follow your testimony, is that there's a recommendation from the board with at least 3 names for the Minister's consideration. The Minister then makes a decision, that decision gets to be considered by cabinet. Correct?

Mr Tshediso Matona - Correct.

Advocate Vanara - So if the Minister appoints number three instead of number one, that would be within his or her right to do so?

Mr Tshediso Matona - Yes, so theoretically if three names are provided, then any one of those names. You know, of course those three names would have to meet the minimum requirements of the position, number one. Number two, the Minister is required to advise the board and motivate, you know, why he or she doesn't go along with the preferred candidate that the board may have identified. They have to furnish an explanation in an argument for that sort of decision. But usually in most cases the shareholder will go along with the recommendation of the board.

Advocate Vanara - And what happens if the Minister turns down all three names recommended to him or her?

Mr Tshediso Matona - That would be an extreme circumstance which I have not encountered, at least in the time that I was at the Department. So typically the Minister will go along. In the event that the Minister does not agree with any of the three names, they have to be good reasons, you know, the Minister I will have to furnish good reasons why. Because by the time it gets to the Minister, all the requirements, interview requirements, statutory requirements, probity checks are done so, you know, all the boxes are ticked by the time it gets to the Minister. So it would be very exceptional that the Minister would not go along with any of the three names, and as I said, I have not encountered that scenario.

Advocate Vanara - The rationale for my questions, I'm probing the competency of the Minister in this regard. Is he or she the appointing authority in respect of these two executive directors; the group chief executive and the finance director?

[00h33:16]

Mr Tshediso Matona - It's an interesting legal question that we grappled with because up to the point where the board has completed the process and came to a decision then in a private sector company, the private company, the process would be complete, the board has that authority. In the case of State- owned companies, however, there is this other requirement that the shareholder needs to concur and that is the exercise of the shareholder rights. It's a fairly recognised practice, it's a fairly common practice; all appointments of that nature serving cabinet. So, you know, it's a moot point, you know, who actually is appointing authority in that instance. My sense is that the more important process, I think, is a process that the board conducts, as it were.

Advocate Vanara - In 2016 you'd already left Eskom, there has been an amendment to the MOI. They don't want to assume the reasons for the amendment, but it would seem that this issue was clarified once and for all. Have you ever had sight of this MOI 2016?

Mr Tshediso Matona - No, I'm not aware of that.

[00h35:32]

Advocate Vanara - Let's get back to the shareholder oversight. Whilst you were at DPE, how did the then Minister of Public Enterprises, correct me if I'm wrong, Honourable Malusi Gigaba, whom you served...with whom you served; how did the Minister, as a shareholder, with the assistance of the Department headed by yourself, exercise the shareholder oversight over these SOEs, more specifically I'd like you to zoom to the issues at Eskom.

Mr Tshediso Matona - Sorry I didn't I don't understand what you mean when you say the issues at Eskom?

Advocate Vanara - The Minister has shareholder exercise oversight responsibilities over the State- owned entities falling within his or her portfolio, which you have enlisted. I would like you to share with the committee how the Minister, duly supported by the Department which you headed at the time, discharged that responsibility in general to the SOEs, but more specifically to Eskom. And I want you to highlight what were the pertinent issues at Eskom that you had to deal with.

Mr Tshediso Matona - So, I think the first order of business in the Minister's exercise of oversight is with regard to the appointment of a board. Or the establishment of the fact that is there a board, is it a competent board, is it doing well, and if not how does the Minister then intervene in that instance. So, the establishment of an appropriate governance structure centred on the board, I think, is a primary responsibility of the Minister. Beyond that, as I indicated, there are a number of instruments through which the Minister exercises oversight, so the company has to conclude a shareholder compact which sets out the deliverables that the Minister as the shareholder representative expects of the company. That compact is negotiated between the Minister as a shareholder representative and the board. Typically that's where we as a department we support the Minister in scrutinizing the shareholder compact and to make sure that the provisions therein are sufficient and they help the Minister and government realise whatever objective, strategic objectives, that are set for that particular company. And then on a quarterly basis the company reports against the commitments that it has made in terms of the shareholder compact. It'll...the company will elaborate the contents of the shareholder compact in a corporate plan, which actually is an implementation plan for commitments made in a shareholder compact.

[00h40:14]

So we, so on a quarterly basis the company reports to the Department and the Department officials who incidentally are also persons with the requisite skills, so you would have people with financial management skills, financial analysts, you'd have sector experts, you know, in for example, aviation who will scrutinise these reports and advise the Minister accordingly. And sometimes if we feel that there's insufficient information, you know, we can require additional information, so there's backwards and forwards between officials of the Department and Executives of the company until we get to a point where we then say, 'well actually, you know, we are happy,' then we submit the report to the Minister for the Minister to take note or direct as the Minister deems fit. So typically that's the business of oversight. All of this culminates into an Annual General Meeting where the annual performance and the annual results of the company are then

presented. In that context there may be new strategic decisions that are taken by the direction of the company. So that's more or less what actually applies.

[00h42:00]

Advocate Vanara - Let's zoom then to Eskom. The, this evidence before the committee that the finances of Eskom around 2014 were not at the best position, we know there were...there was load shedding. Can you share with the committee what was Eskom's plan to deal with those challenges? Remember you're still DG of Public Enterprises.

Mr Tshediso Matona - Certainly, the main thing in the course of 2014 that confronted Eskom and therefore confronted the shareholder was the financial performance of the company. So the books were not balancing, so to speak, the books were not balancing and there are a number of letters in that regard. I think that the revenues, Eskom revenues were under pressure partly due to early signs of economic slowdown at the time. I think we...the economic slowdown was starting to become apparent in the course of that year. There was the issue around the tariff whether the tariff was sufficient to sustain Eskom's balance sheet. There were issues around debt, the debt that Eskom had with largely the municipalities, which was rising quite rapidly at the time and there were challenges of collection of that debt. The long and short is that Eskom was in serious financial constraints and so the shareholder became involved directly with that issue, dealing with that issue, trying to establish specific details around that issue. And I remember that I was, as a director general, I interacted quite a lot with the National Treasury at the time, so we were both the Department of Public Enterprises and National Treasury jointly looking at this, jointly looking at this problem. We also interacted with NERSA as the regulator who provided very valuable advice and information about Eskom to us. The long and short of it is that in the course of that year there was a decision to provide Eskom an injection, a financial injection to the tune of, I think it was 23 billion rand that was decided. That was a package which had other things for example; the conversion of the loan, national treasury's loan to Eskom into equity. So that seem to be, that seemed to deal with the financial challenges of Eskom. What had in parallel emerged were operational challenges; the ability to supply electricity without interruption. So in the course of 2014 there were incidence of load shedding were starting to occur, you know, they were a bit isolated. I think they accelerated towards the end of that year and that's when I had just arrived at Eskom in October; I think it was, when I arrived there. As soon as I arrived there load shedding accelerated and as it, as it turns out load that the load shedding is primarily or performance, generation performance, let me put it that way, is the responsibility of the company. The company needed to sort that problem out and we embarked on a number of strategies to deal with that problem. I can go into what I established to be some of the factors that accounted for that problem.

[00h49:05]

Advocate Vanara - Ok, we will get to how you perceived and how you dealt with the problems on your arrival at Eskom, but at the moment I want us just to deal with the challenges that were there and how the shareholder ably assisted by the department which you headed, assisted the company to weather the storm. If you're done you'll just give an indication so that we proceed.

Mr Tshediso Matona - No I am done.

Advocate Vanara - You then leave the department the 1st of October 2014, you join Eskom as group chief executive. What do you find on joining the company? Remember you were looking at these problems from

an external point of view, now they become your problem; they're primarily your responsibilities. What do you find? And how do you deal with these problems?

Mr Tshediso Matona - So on the financials, we had a, through the financial injection, the financial package, we had a handle a bit on the finances of the company. I think the main issue was going to be what the, what the tariff trajectory for Eskom was going to be that would ensure that the company has some measure of financial stability. And that was an issue that was in a sense beyond the company; I think it was an issue that involved policy, governed policy, electricity pricing policy. There had already been at a certain stage in the past a decision to allow Eskom a cost reflective tariff, a tariff that enabled the company to recoup all of its cost, but that policy had not quite been implemented, as it were.

[00h50:43]

So there were policy issues which, as far as I can see, have not fully been bedded down as it were. So, but by and large we could see some direction about where the financial issues of the company were going. Operationally, the problem was this supply interruptions, load shedding and that was the, really the burning platform upon which I arrived at Eskom and that was a thing that I put my head down to work upon day and night trying to resolve that problem. It eventually started to impact on the finances of the company, to the extent for example; that at the time for peaking power Eskom relied to a very great degree on diesel, you (00h52:26) know, to supply from the peaking plants, here in the Western Cape, at the two peaking plants here in the Western Cape. That created massive pressure on the financing, the finances of the company. I can't remember the numbers but that diesel cost... was fairly, fairly large. That was a stopgap, so it was clear that that sort of performance could not be sustained but it was, it was, a stopgap to create a room that was required for Eskom to conduct maintenance. Because the big problem, underlying problem, that accounted for the interruptions in supply were the breakdown in the generating units of Eskom and these units were breaking down because they were simply tired. They had, maintenance had been deferred for too long a period. The story which I had when I got there was that, in 2010 for purposes of the World Cup a decision had been taken to defer maintenance of these generation plants, and then I think a few years thereafter where elections, I think, I think local elections, again a decision had been taken to defer maintenance. And so, you know, there had been a culture that had set it of deferring maintenance, simply because the executives at Eskom feared load shedding and resisted having to load shed for as long as it was possible. But of course by the time I got there it was not possible anymore to avoid load-shedding because these units were just, you know, packing up, you know, one after the other. So that was a period of troubleshooting to a very large extent. So we did the troubleshooting but the main thing was to actually reinstate a discipline of maintenance then, and I believe that, you know, Eskom fell in line. So the plans that we put in place started to, the rewards of those plans started to show soon after I had left but the actual programme of recovering on the maintenance had started in that, during a short few months when I was, when I was there.

[00h55:30]

Advocate Vanara - In December of that year the board got to be overhauled with only two non-executive directors remaining from the previous board. And you testify that the normal sequencing of events which seems to be in line with the shareholder impact, the corporate plan, the quarterly reports, ending up with the AGM, which I'm advised is around July/August, beginning July/ August. In this instance and it is your testimony that that would be the normal time to change the board. In this instance it got to be changed in December of 2014, are you aware of any reasons why this board was changed in December? During a relatively quiet period as opposed to the normal period which is immediately after the AGM?

Mr Tshediso Matona - At the time when that change of board occurred, I must say I could not align it with a cycle, you know, the governance cycle as you just described, so that was not really a, an issue that I focused on. The thing which I recall at the time was the main thing was that the chairperson of the board at the time was an outgoing chairperson. So there was an issue that the chairperson of the board would be changed. So I can't quite, the work, that was not really a big issue for me because as you now recall I'm now on the other side, so I'm not really part of the departments calendar and cycles about how things are done. So unfortunately I can't, I can't help you there.

[00h58:24]

Advocate Vanara - The, the chairperson of the previous board what by previous board, I mean a board before the December 2014, was Mr Zola Tsotsi. Is that correct?

Mr Tshediso Matona - Correct and that's the person I'm referring to here.

Advocate Vanara - When you say he was to be changed, well what do you mean? Was he going to be removed as a chair of the board? Or was he going to be taken out of the board?

Mr Tshediso Matona - He was going to, he was going to be rotated; that's the language. So he, I remember having a conversation with him where he indicated that there are signs that he is going to be removed as chairperson of the board, so and that's really the extent of my engagement with that process of the change of board at the time. And there was no indication as to when that was going to happen because I don't think in that instant the shareholder required to inform, you know, for example; me as a CEO that I'm by the way I'm going to change your board, that wasn't done. So when that change happened I experienced it pretty much like everybody else.

Advocate Vanara - But the chair, Mr Tsotsi, remained as the chair of the board that was subsequently appointed?

Mr Tshediso Matona – Yes, he did.

Ms L Mnganga-Gcabashe - Advocate remaining 5 minutes, I have to manage time this side because there's a second witness that is coming. Thank you.

Advocate Vanara - That's fine Chair. Just tie this up. You've been with the board for at least 2 full months before the new board was elected. You'd now worked with board members, non-executive directors, were you exposed to any tensions in that board? If so, can you explain what those tensions related to?

[01h01:10]

Mr Tshediso Matona - Certainly. So by the time I arrived at Eskom, there was significant tension you could call it, you could call it turmoil, but there was serious in fighting within the...within the board. It was in fighting over a range of issues likely to do with procurement, so, so there were all these fights about various procurements and then I think there was also the issue of the 43 million that the acting CEO, who I took over, had signed off to The New Age. So there were a few of these things that, you know, divided the board and almost rendered that that board dysfunctional in many ways and I think therefore that could have been one of the reasons why the shareholder, you know, chose to rotate that board. Ja, so I am aware about some of those things that, they were brewing already by the time I got there.

Advocate Vanara - My last question. You'd only been 5 months into the job when you got to be suspended and you never returned to Eskom. Can you share the circumstances surrounding your suspension and eventual departure at Eskom?

[01h03:24]

Mr Tshediso Matona - Yes, well the suspension came as a complete shock to me. Particularly, suspension by a board that had just only taken office, a board that still needed to familiarise itself with the business and the issues of the company. And when...I call it a pretext of an investigation of call it, 'the state of affairs,' of the company was given, I could not buy that because I believe that the problems of the company had been well established at the time. So we knew where the problems were financially, we knew where the problems were operationally, and in fact we were working on resolving those problems. So I could not see how and a new investigation could shed any light. So I expressed my disagreement with the initiation of a new report, least of all an investigation that required my removal from the company without any basis whatsoever as to why I should... I needed to be removed. And of course at the time I didn't know that, you know, that the same thing was being proposed for the other executives, that, you know, the four of us should move away from the company to allow this investigation to proceed. So, I nevertheless was handed a letter of suspension. I believed that action was wrong, I challenged it. I went to the Labour Court and sort an urgent relief. I said to the judge that she must find that that suspension was unfair, which she did, and that she should reinstate me back at Eskom; that was my...the relief I sought. She did not go that far, she did not reinstate me, instead she referred the matter to CCMA and said CCMA with must deal with the merits and demerits of the issue. Suffice to say that in the CCMA process when things got there, I found that Eskom had no... or at least the board, this very board excluded any possibility of my return as an outcome of that arbitration, call it arbitration. So in fact I was made an offer to leave the company. I could have fought further the issue, I could have challenged further, except that I realised that I would have bankrupted myself because I would have had to pay out of my pocket. So, I chose to walk away. I chose to leave that sorry and sordid episode behind me and move on with my life and that's what I did.

Advocate Vanara - Before I hand over to the Chair, just one follow up to that. You parted ways with Eskom without you having been found guilty of any wrongdoing and that you were paid whatever was due to you, and one thing that was made clear to you is that you are not coming back to Eskom ; is that correct?

[01h08:26]

Mr Tshediso Matona –Yes, yes, so it was that even if I were to go back, it was clear that it wouldn't work. It wouldn't work, by the suspension I think the trust, the relationship of trust between myself and the board had been dealt a mortal blow. So it wouldn't work. I was just pleased that out of principle, that out of principle I challenged that, because I believe it was wrong, because it was wrong, very wrong.

Advocate Vanara - Thank you for your indulgence Chair.

Ms L Mnganga-Gcabashe - Thank you Advocate. I'm taking hands, Honourable Gordhan, Honourable Mazzone, Honourable Swart, Honourable Marais, Honourable Rawula. I'm taking the last hand now, after this I'm not going to take any hands. Honourable Shivambu, Honourable Gungubele; in that order. In that order Members, thank you. You can take a sip of water, eh.

Honourable Gordhan - Thank you Chair and welcome to Mr Matona who I've known for a very, very long time, so it's good to have him here. In the board meeting of the 11th of March 2015 according to the

documents before us, which is the minutes of a board meeting, there's an intriguing reference here to a bugging device that the Minister was complaining about. Who was bugging whom?

Mr Tshediso Matona - So let me talk about bugs at Eskom. At a certain stage it became clear that developments within the company deliberations of the board were leaking to the media. And so there was a decision that periodically the boardroom would be swept of devices, and so in the time I was there I instituted to such sweeping of the boardroom. On that day I don't know where the Minister was coming from as she walked into that board meeting because she raised the issue of a bug and almost in an accusatory manner, kind of told me that I'm aware of bugs in the boardroom, to which I said 'by the way Minister I periodically sweep these boardrooms,' and I could not quite make sense of that. Of course she didn't...that interaction did not go as far as establishing who was bugging who, but it was...it was an issue about bugs, and she raised that issue.

Honourable Gordhan - You have any speculation to share with us?

Mr Tshediso Matona - No, I couldn't, I couldn't speculate, unfortunately.

Honourable Gordhan - Or do you want to write your own book about this matter before you share it with us? [Laughter]...

Mr Tshediso Matona - There is a mystery of the bug as it relates to that meeting; Honourable Gordhan I can't shed any more light on that.

Honourable Gordhan - No, that's fine. In the period 2011 to 2014 you were DG as you pointed out at DPE. Now it's during this period that Minister Gigaba was given that job and it's also during this period that according to the academics the process of state capture began when he first, let's call it radically changed the Eskom board. You described earlier on the process that is normally followed, how did Gupta connected people get onto the board if there was such rigour in the Department in the appointment or identification of potential directors.

[01h14:24]

Mr Tshediso Matona - I don't know whether the probity checks that had been done for that for that process, in fact I think, I can't be sure Honourable Gordhan. One of the boards had already been appointed when I got there. It could be the Eskom, could be Transnet, but I know that by the time I got there, some of these board had been appointed. So, you say 'Gupta connected'...the probity check would not pick up those sorts of associations of an individual to those sorts of interests or other interests for that matter not just Gupta interests. I don't think those probity checks are designed to pick that sort of thing up.

[01h15:24]

Honourable Gordhan – At that time.

Mr Tshediso Matona - At that time, certainly at that time. I must hasten to also add that the Minister has the prerogative of the final list that the Minister takes to cabinet. So typically sometimes you find that the Department would make a particular set of recommendations for particular names, you know, that this is our recommendation to the Minister. The Minister may, in some instances Minister may not, in some instances the Minister may take some of the names that we propose and any others, you know, find names from whatever consultations that the Minister undertakes.

Honourable Gordhan - With your experience in the bureaucracy or in the public sector, how would this committee establish whether what you have just described had in fact happened i.e. that officials had proposed list 'A' and what went to cabinet was in fact list 'B'. How do we establish that? Which documents do we ask for?

Mr Tshediso Matona - You would need to ask for the submissions of the Department to the Minister; you would need to ask for those documents.

Honourable Gordhan - So Chair, can the secretary of the committee note that and ask for those documents please, so that we can figure out what's going on. Let's move quickly to the load shedding period. The War Room as you described it that was set up and I just want you to confirm that in your view what led to the eventual load shedding in 2014 was in fact what you call the deferring of maintenance for too long a period.

Mr Tshediso Matona - Certainly.

Honourable Gordhan - And that what you did was put a discipline in place that began to overcome that problem.

Mr Tshediso Matona - Certainly. Honourable Gordhan you remember that there were weekly War Room meetings and I was reporting on an ongoing basis about what the maintenance plan was, and we had also resolved to maintain a posture of transparency by announcing and informing the public about the state of Generation so that people could plan their lives, businesses could plan their lives.

[01h18:17]

Honourable Gordhan - Ok, I want to come back to transparency in a moment, but you also said that by the time you were forced to leave in March 2014, a) the discipline had been implanted and b) the period subsequent to that saw the benefits of the discipline that you put in place. For which now Mr Molefe takes a lot of credit.

Mr Tshediso Matona - Certainly, that is my belief and it's a belief of the fellow executives who've worked very, very hard on recovering Generation performance.

[01h18:50]

Honourable Gordhan - Now, you recall that in the War Room period the issue of diesel supply and diesel usage became a big issue; both for the reason that large amounts of money was spent on diesel, but secondly the mystery that surrounded the suppliers of diesel and the contracts that were awarded to them. And one of the most intriguing things at the time, Chair, it was very hard to find out who were the suppliers of diesel and at what price; am I right?

Mr Tshediso Matona - You are right, you are right. That was a very, very contentious and contested issue at the time.

Honourable Gordhan - Why?

Mr Tshediso Matona - I think that issue illustrated some of the basic flaws of procurement at Eskom. And what do I mean by that? It seems that emergency situations had been used as a reason to deviate from what normal procurement would, you know. I have some understanding for it because you needed quick turnaround to procure the fuel so you can keep the lights on, but I think it created a major risk in regard to

who were given these contracts and why they were...why those particular individuals and not others. A normal procurement would create a level playing field so that anybody could compete. So yeah, that was a big problem at the time.

Honourable Gordhan - Is it possible that during that period either board members themselves or families of board members or people connected to board members received contracts to supply diesel?

Mr Tshediso Matona - I can't be absolutely certain. I know that those were some of the allegations that were being made at the time. I remember reading some of these things in the newspapers.

Honourable Gordhan - Ok let's go back to your points about the appointment of the CEO, and you describe the process; three names, the suggested or preferred candidate and so on and so on. When you were forced to leave Mr Molefe came on as an acting CEO and later confirmed as a CEO, are you aware of the process that was followed for Mr Molefe's appointment. Would the same process as you described have taken place?

[01h14:24]

Mr Tshediso Matona - To the best of my recollection I could not ...I don't recall that position being advertised as would have been the requirement in law. I am not too certain as to whether the shareholder has the prerogative to install a CEO in that manner. It's unprecedented, so I am not familiar with what actually happened, whether that went to cabinet or not. So I wouldn't be able to assist you there because I was not there at the time and I wasn't looking for that particular job anyway.

Honourable Gordhan - [Laughter]... you wouldn't get it even if you were looking for it. So Chair this is another area where Mr Vanara and his team should look into it. Let's move quickly, before the Chair stops me, to the financial status of Eskom. This is all very interesting stuff, Chair. In your affidavit that's been supplied to us in relation to your suspension, so-called, on page 13 you said that your suspension could lead to a downgrade and that in fact Standard and Poor did downgrade Eskom to junk status on the 19th of March 2015. You also express the view and that at the time S&P did say that this downgrade to junk status was linked to your suspension. Well, what lessons are we learning about the recklessness of some of the decisions made both by politicians and by boards, and the kind of financial impact that it has on big entities like Eskom, and perhaps in today's context the country itself.

Mr Tshediso Matona - Well, I think I don't know of any other incident in the past where a...and I'm going to call this one a 'misgovernance', event triggered a downgrade in the manner that it happened at Eskom. Because remember this is the time when we also talking to investors and we also giving investors this assurance that we got a handle on the company. So investors when they give you money they want to know, you know; do you have a plan, do you know what you're going to do, and can you give them any confidence of stability. So we had done that, so it is natural therefore that when a traumatic event of that nature happens that investors would take fright. So investors took fright at the time and that's why they did the downgrade. I should think that to the extent that some of these things are happening and have been happening since then. We saw for example how some of the investors, PIC for example insisting on certain governance changes. So there is a relationship and I think they're important lessons in that regard.

[01h25:44]

Honourable Gordhan – Chair, last point and I hope you might allow me to come back a little later if there is time, is on page 11 of your doc- of your affidavit, you make reference to a particular board member Ms Klein and how she... according to your assertion, turned the whole question of your recusal /suspension your

problem by just asking you to justify why you should not recuse yourself, and eventually why you should not be suspended. What does this tell you about Ms Klein and her approach as a board member? And then with that, I mean, can you share with us on reflection, why that, why did the board do what it did, i.e. take such extraordinary measures to suspend and eventually ask you to leave your position as CEO?

Mr Tshediso Matona - In retrospect my sense is that whole interaction was being managed in a manner that would create a defence for the board that they gave me an opportunity to make representations, but it was a farce in my view and I could see at the time that, you know, the outcome is pretty much predetermined. And I saw this because when I came back into the meeting there was a letter of suspension already in front of the chairperson. So that was, you know, a matter of course that I was then suspended in that, in that, manner. I was a bit dazed and confused by that so I, you know, all kinds of things were playing themselves in my head because also some of the information started to surface. You recall that the chair Mr Zola Tsotsi made certain pronouncements about those events at Eskom at the time. I read an article that made reference to the fact that I was suspended because I had refused to do certain things, I had refused for example to keep Collin in the company beyond the agreed time because there was a overlap, there was a month to say, you know, "You're acting, outgoing acting overlap with me." but the proposal had been made that I should keep him on in some capacity which I simply refused. And my reasoning at the time was the fact that there were all of these allegations in the media about Collin, the 33 billion TNA thing and something to do with Cosatu and I was, you know, I did not feel comfortable to make that sort of extension of his stay in the overlap which I also couldn't understand. The board couldn't resolve it because I'd say well if the board so decides, you know, the board must take a decision, but clearly it was... it was a matter that the board could not, if you like impose on me. So there was a newspaper story that made reference to that. I think in the final analysis I concluded that this coming board did not see me fitting into whatever, whatever its plans are, you know. Typically when a new Minister joins a department I ask the Minister, "Minister, do you see me as part of the future?" So I can then be able to make my decisions. I recall an episode like that in the past so in the sense therefore I kind of concluded that this board did not see me as part of its plans going forward. Beyond that I can't, I'm as curious to establish as much information as could be established and I wouldn't want to enter into any speculations as it were, except what I've just referred to. Thank you.

[01h31:12]

Honourable Gordhan - Thank you Chair.

Ms L Mnganga-Gcabashe - Honourable Mazzone.

Honourable Mazzone - Thank you, thank you Chairperson. Chairperson Mr Matona and I go back to you when I first joined this committee in 2011 so I too have known him for, for, sometime... [Off mike conversation inaudible]... more as, sorry what was that?... Oh a joke, ok. Sometimes you need a bit of a joke when you, when you, see what we're dealing with Mr Matona. Mr Matona, I don't, you know, whenever we know witnesses coming I always go back and I check things that I made in the past and I noted with almost a little bit of a giggle that when you were appointed CEO one of the lines in my statement was; "He'd certainly had been a good director general. So let's hope he carries on..." you know, this sort of, I think I said "...Independence that he shown against the board when you're CEO." And from what I can see there, there is a certain independent rebellion that you were trying to lead in certain things that resulted in in your what is very clear your unpopularity amongst certain members of the, of the board. And certainly a lack of maybe the word popularity isn't good but perhaps the word favourability in terms of extending your contracted CEO with the Minister.

[01h32:45]

In your opinion, I mean, I don't think that it's coincidental but that might be my opinion, do you think it's coincidental that that the time that you were appointed and the time that you were suspended, so basically we're looking at a period of roughly 4 years because you started in 2010 as DG then you, then you, move into your space as CEO. At that same time Brian Dames works in a particular period of time, he works from a period of 2010 to 2014 very similar to you and Paul O'Flaherty and financial directors Caroline Henry and to certain extent Tsholofelo Molefe they also work it in that time period. Did you think it's simply coincidental that they too resigned? And we've had testimony from Mr Dames who said that it simply became an untenable situation at Eskom for which he was not willing to operate in anymore. Do you think it's coincidental that that your suspension and your time period at Eskom relates to their time period at Eskom?

Mr Tshediso Matona - In all fairness I haven't created that link between my arrival then and events surrounding my departure. I had I hadn't really me the link between that and the circumstances in which those executives left. Except to say that something I established upon my arrival at Eskom was precisely the fact that governance was strained, governance was under strain for a variety of reasons and that, in that environment some of those executives perhaps chose to leave but I, but I don't have facts.

Honourable Mazzone - Now, what you said has led me very much into what my second question was. I imagine that when you take over an entity such, well as the CEO position of an entity the size of Eskom, you have almost an exit interview with a previous CEO and, you know, those that have served before you. Now we've also been told that a variety of governance issues were leading to people feeling very uncomfortable and and very unwilling to carry on working at Eskom. Could you give us a few examples of the governance issues that you were aware of that were making things difficult to work at Eskom?

[01h35:38]

Mr Tshediso Matona - I've already referred to the state of infighting within the board when I arrived there and then as I said it was over procurement matters as it were. You know, I remember the, I remember the T-Systems tender, there was also the Areva / Westinghouse steam generator, also bitter fights there and of course The New Age thing, also the bitter fights there. But the general sense that I had there was that the moral and ethical fabric of the company is something that really needed attention. I recall an engagement ahead with the head of internal audit who also expressed similar concerns, you know. There were several officials on suspension and the number was increasing for various misdemeanours, so to speak. And we had then resolved at the time to say we will engage the services of forensic auditors just so that they are on hand to tap into, in trying to...if you like diagnose the governance environment and perhaps recommend, make recommendations about interventions. So clearly that, the governance area required attention, required intervention.

Honourable Mazzone - And when you say the... that auditors were called in, are you referring to the PwC audit that was done? Or do you know which audit was...were any audits done, and did you know of any audit outcomes?

Mr Tshediso Matona - There were specific audits at the time. I mean one of them was around the 43 million TNA payment where there was an audit that actually found wrong doing in that instance and a few specific isolated ones. What we were doing in this instance was not because there was any specific enquiry; just to have on the panel of service providers, I think it was Ernst & Young at the time that we were targeting to

have to assist us with kind of diagnosis of the ethical and governance environment and then making recommendations as to how to respond.

[01h38:45]

Honourable Mazzone - Ok. Now Mr Matona I remember you appearing before this committee and it was around the time that Eskom had agreed to pay 12 million rand for The New Age breakfasts; you were DG at the time. Did you have concerns at the time of regarding, you know, 12 million rand being paid for business breakfasts when it was quite obvious that the company was in in financial distress? And to link my two questions together, were you ever put in a position where you had no choice but to agree to certain things for example this 12 million rand being used to pay for business breakfasts? Because later it was found that that the CEO Collin Matjila, he actually, he overextended his reach by agreeing to extend that by three years, so clearly there was a problem there. Were you aware of the problem with this New Age breakfast while you were DG?

Ms L Mnganga-Gcabashe - Before you answer. Mr Matona there is a request that you don't come too close to the mike...

Mr Tshediso Matona - Oh.

Ms L Mnganga-Gcabashe - ... because it affects the recording.

Mr Tshediso Matona - Ok.

Ms L Mnganga-Gcabashe - Thank you. And you may proceed.

Mr Tshediso Matona - Ok. The decisions about sponsorships are entirely the derivative of the company. So, you know, all of the state-owned companies, you know, have one cause or another that they sponsor. In the case of Eskom, obviously the extent to which they can, to which they could still sponsor or provide sponsorship was a problem. And so I think our posture in the department of the time was, and I think the same thing to SAA, that you cannot afford, you cannot afford these sponsorships. So you have to manage your finances prudently because sponsorships are discretionary spending. If you are in financial difficulties, you know, your room for discretion of that nature is completely eroded. So that would be, that would've been the policy posture that we had hoped in that regard.

[01h41:10]

Honourable Mazzone - And then the T-Systems, that, that scandal broke around the time that you were working at Eskom too. Could you just very briefly explain to us what your involvement, if any, there was with T-Systems? At the time we know that, you know, and there's been evidence showing that many people showed a serious amount of concern about the T-Systems, can you, can you just brief us as to what your particular feelings were regarding the T-Systems? And linked in that clearly there was a lack of adherence to what should have been prudent and transparent procurement issues.

Mr Tshediso Matona - I think some of it, some of those things will need to be judged on facts. What I remember was that that issue had already...was already serving at board, the outgoing board had already and in fact I think a decision was eminent. So I didn't feel that it was something that I needed to involve myself with because the board was already dealing with it, they were considering various recommendations that have been made, so to a very large extent I had absolutely nothing to do with it. I did however, upon

request of the T-Systems, I did meet up with them but it was after because I didn't want to expose myself to being lobbied, you know, it was only after a decision had been made that I granted them a meeting. But they had been requesting a meeting with me for a while. And I think that all they wanted to do was to express their concern about the process, the way they had been dealt with and so in that, in that instance, you know, I advised them that, you know, they could exercise their legal rights. I mean if you, if you think you have been unfairly in the procurement process and as we've seen for example with the Areva matter, you know, exercise your rights, you know, so there was nothing I could do to influence any, what was decisions at that stage.

[01h43:35]

Honourable Mazzone - Chair then my final question for now, if you'll allow me. Very straight forward and blatant for lack of a better word; were you ever requested by anybody, be it the Minister, be it by a CEO under whom you served, be it by any of your board members, were you ever requested to meet anybody like Salim Essa, Duduzane Zuma, any of the Gupta family, or anyone high in government who tried to influence you in decision-making, regarding any kind of decisions you took during your time as CEO or your time as DG at Eskom?

Mr Tshediso Matona - No, no.

Ms L Mnganga-Gcabashe - Mr Matona do you need a few seconds to stretch? You've been sitting for almost 2 hours now. Just to stretch, 2 seconds. Just to stand and stretch.

Honourable Member - 2 seconds?

Ms L Mnganga-Gcabashe - [Laughter]... 2 seconds. Just to stand and stretch, stretch... [Laughter] Just walk a little bit... [Laughter]... We are not taking a break, we are just stretching.

[Off mike until 01h47:55]

Honourable Swart - [Off mike inaudible]... that meeting of the 11th of March 2015, the board meeting, where you indicated in your papers in the Labour Court that there was a prime meeting that was postponed the day before and when you arrived you presented your chief executive's report but little, if any, discussion ensued therein. Then the Minister arrived and told you to excuse yourself and the financial director. Did you find that strange? And why would you be asked and the financial director to leave a board meeting? And does that not impact on your fiduciary duties as well? Thank you.

Mr Tshediso Matona - This, certainly, I think that that request for me and the financial director to recuse ourselves kind of started to say to me that something was amiss, something was, something was wrong. It is not unusual, however, that a director, or in our case executive director, asked to recuse ourselves in board meetings, it is not unusual because this is when the board wants to meet in what is called 'in committee', when the board wants to meet in committee. Executives are often recused. So the principle of being asked to be recuse is not an issue. It was, it was, the fact that it just came from the blue, it just came from the blue, I had no sense whatsoever that, I knew the Minister was coming but I had no sense that she would arrive and to ask us to recuse ourselves. And of course in that instance we, we duly complied with her.

Honourable Swart - And you were then later in that day issued the letter of suspension?

Mr Tshediso Matona - Correct.

[01h50:06]

Honourable Swart - With the view that you'd interfere with an enquiry or something that was going to take place? And was that the reasoning? And that enquiry, was that the Dentons enquiry? Are you aware... I'm just trying to pick up is that the Dentons enquiry that was then instituted?

Mr Tshediso Matona - Yes. That was, what eventually became the Dentons enquiry. I remember that was, that the chair had to in fact appoint another party to conduct the enquiry but had not followed procedure, procurement procedure, so that fell through and then Dentons were then appointed. And by the way, one of the things which was indicated was that we would be interviewed for that, for that enquiry. I was actually never afforded an opportunity to speak to the investigators. Of course as you may recall when they first released one of the versions of that report, they issued a media statement indicating that there had not been any wrongdoing that had been found against me and the other, the other executives. But I don't, I was not even given prev... favoured with a copy of the report. I still have not seen the Dentons report.

[01h51:39]

Honourable Swart - Thank you. But they were appointed on the 20th of April to the 18th of June, which was in that period. And we now know, the Committee members have got a copy of that report and it's quite a scathing and damning indication of Eskom at the time and their procurement, and it deals with a number of issues and yes it does...it did indicate that there's no wrongdoing on your part, mainly because you were there for such a short period. But what it does it indicate, for example, is significant breaches of the Public Finance Management Act in procurement. And that's what you raised as well in your earlier evidence, that there were significant issues relating to procurement. And if you take just one example, the diesel purchases, which seems to have been closed with secrecy - where they indicate significant breaches of the Public Finance Management Act as well as, page 97: "A potential wastage due to not arranging discounts with ad hoc suppliers, which may be in the order of 200 million rand over the past 2 years." Now that is significant and it does raise a lot of questions. And it also mentions in its reports: "The diesel costs may have been a result of Eskom having to mitigate load shedding but it does not make commercial sense to not seek to renegotiate the legacy contracts of diesel. And it is also concerning that 30 months can pass without a meaningful approach to drive down the cost of ad-hoc diesel supplies." We know diesel was a big issue. And it says: "Taken together with the proliferation of red flags over the bona fides of the diesel procurement process, Eskom's management of this expenditure requires closer scrutiny." We now know that nothing was done with that report under the subsequent board and then it was, in fact, their next chairman, and it will be good for him to explain why he sat on that report. And when it did eventually come out, a lot of the issues came out. But I think I just wanted to put that part on record and that it appears that that was the enquiry that was then instituted. What I'd like to just quickly with you in the limited time, I'd like to just raise the issue of your involvement and your knowledge of the Glencore-Oakbay purchase of Optimum Mines and that Tegeta issue. Because we know in July already of 2013, Glencore issued their hardship clause on their Optimum mine and then price negotiations began. And they were still on-going with your previous CEO. Mr Matjila. And when you were appointed then in October of 2014, they seem to have been progressing well. Now the next CEO that is then appointment after you, Mr Brian Molefe, immediately stops what seem to have been, and evidence is that from the business rescue practitioner, that the negotiations with Eskom were on-going and were progressing well with a re-negotiated price. But then, when Mr Molefe was appointed, he refused to sign a new agreement with Glencore, which forced Optimum into business rescue and that was in May of 2015, which was shortly...you were there until March 2015. What was your role as CEO in overseeing

that process of the Optimum negotiations on price and were you satisfied with the progress that had been made?

[01h55:16]

Tshediso Matona – Yes, I did deal with that matter and at the time I dealt with it, already the negotiations had been underway between Glencore and Eskom. So to a large extent, I was only just familiarising myself with the issues at the time. It was a complex matter. So I had given an audience to the Glencore executives who were responsible and obviously they were lobbying. Obviously they were lobbying! The Eskom negotiators on the other hand felt that they were willing to consider at different price, it was just a matter of where that threshold should be that would deliver a win-win. So I was quite eager for a solution to be found because what Glencore was saying to us at the time that: “Well if you can't find joy, you know, or an outcome, you know, that is reasonable,” they would have to shut down and that would obviously affect, you know, security of supply, you know, to that...the plant...I think it was Hendrina, the station that they supplied. So it was in our interests that a solution be found but a solution that was not at the expense of Eskom. So the Eskom negotiators felt that Glencore wanted Eskom to pay a disproportionate amount of the risk and the pain that was necessitated by the circumstances in which Glencore found themselves. I left the matter in that space. There was not...no conclusion yet by the time I left.

Honourable Swart - Were you surprised when you subsequently heard of the steps that Mr Molefe took, as your successor, to immediate cut-off all negotiations with Optimum, with Glencore, impose a penalty and put other pressure that we now have evidence of, which you might not have had? Were you quite surprised about that and what do you think was the motivation for that?

Tshediso Matona - I couldn't speculate about motivation. Certainly, and of course, you know, what I do know is what I read in the newspapers. I do recognise, however, that it was a shift. It was a shift in terms of approach from where I left the matter and what my successor actually, eventually, you know...the posture and the direction in which the he managed the issue. Clearly there was a significant shift. The reasoning for it, what information was before him that led him in that direction, I couldn't quite tell and I couldn't pre-judge.

Honourable Swart - Have you been following in the media the subsequent developments around the Tegeta and the purchase of Optimum where we've heard of the evidence of the business rescue practitioner, who indicated that had they been offered those same terms at the beginning, as the business rescue practitioner, with a reduced penalty - 2 billion penalty down to 500, with being able to sell coal not to Hendrina, but to Arnot, which was the export coal at a significant increased price, that that would have resolved the issue from the word go. And that was that the negotiation and the resulting deal with Tegeta, which we know is Oakbay, which we know is Gupta-related. Would...is that...was that a surprise to you?

[01h59:46]

Tshediso Matona - I followed all of those...I mean I followed the story. I followed the story in the Public Protector's report and I've been following all of those...all of those things. As I said, in relation to where I left the matter and what subsequently happened, clearly there's significant shift. And, on the face of it, I...and without actually delving into the details of this - I did not know what information was in front of my successor in adopting the position that he did. I couldn't, you know, and it seems to me that it's a matter that requires probing. I can hear what you're saying about, you know, what the rescue practitioner said, you know. It seems to tie-in with where the matter was when I left it, because we were negotiating for a price. A price...a win-win price for Eskom and for Glencore.

Honourable Swart - So you've read the Public Protector's report and only a small part of that has been taken on review relating to the Presidential powers. The factual findings have not been taken on review by Eskom or anyone else! And the Public Protector found that the board substantially benefited the Tegeta Mines in this whole process - that the whole process was to benefit Tegeta Mines. Would you have any reason to disagree with that finding?

Tshediso Matona - No. I mean, it is what it is. It is in the...until... [Overtalk]

Honourable Swart - [Overtalk] ...it's taken on review...

Tshediso Matona - ...Yes until somebody comes with a different version of events [Overtalk]...

Honourable Swart - [Overtalk]... Correct.... [Overtalk]... sorry to interrupt - our time is limited. But the more significant issue also found serious breaches of the Public Finance Management Act in this whole process as well. And you've already alluded to issues surrounding that as well. So I'm sure you'd agree that this is a matter that should be dealt with urgently and one can't necessarily wait for a Commission of Enquiry. If there is findings of breaches of the Public Finance Management Act, then surely criminal investigation should be taking place at this stage or at the time when that report, a year ago was forwarded to both the Hawks and the NPA, in terms of the Public Protector's Act. And a year later we see no action in that regard. Is that a concern to you?

[02h02:24]

Tshediso Matona - Look...obviously any misdemeanour or allegations of the sort that we have seen, deserve action. They deserve to be taken up. I'm still hopeful that we will get to that point as it were. But you're right, I mean you know...I could not as a practitioner of governance accept that misdemeanour, or allegations of that nature can simply just, you know, be circulated in the way that they are without any consequence. So hopefully there will be consequence.

Honourable Swart - One last small question and that is the meeting that Minister Zwane participated in in Switzerland. Now your experience as a Director General - would you find that extraordinary for a Minister to go and visit and negotiate coal mining contracts overseas? Would that be something that would be against the norm of a Cabinet Minister engaging in that practice?

Tshediso Matona - I wouldn't necessarily say so. And this is not a comment on the merits and the facts as they pertain to that particular instance, because I think what really matters is what has gone down in that instance. But Ministers interact with all kinds of stakeholders. So Ministers, when they travel, they'll interact with business people, they'll interact with government, their counterparts. So the fact that a Minister has met a particular company, in and of itself, is not an issue. The issue is - what was that meeting about? And I have always taken that issue to be really about what was that meeting about?

[02:04:30]

Honourable Swart - [Overtalk]... Sure and if the prima facie evidence is that it is about finalizing the sale of Glencore's Optimum to Tegeta then it could be a concern obviously?

Tshediso Matona - I noticed that it has been...I noticed that it has been flagged as a concern. I don't think I'm in a position to judge without full access to the facts.

Honourable Swart - [Overtalk]... Okay. Thank you very much Chair. Thank you.

Ms L Mnganga-Gcabashe - [Off-mike]... Honourable Marais.

Honourable Marais - Thank you Chair. I see we running out of time but I will do a very short thank you very much. I just want to do a straight question Mr Matona and ask you were you at any stage under pressure to approve decisions that you feel uncomfortable as from the board's side?

Tshediso Matona – Yes, I've indicated that there was an instance in which the situation had been made for me to retain Collins Matjila in the company and I refused. I refused that situation.

Honourable Marais - Is that the only one that you can recall or was there a second one?

[02h05:49]

Tshediso Matona - I...no...that's the only one. That's the only one I can recall.

Honourable Marais - Do you at any stage in your time as running the leadership of Eskom take any instructions from a third party?

Tshediso Matona - No.

Honourable Marais - What was your relationship with the Minister itself?

Tshediso Matona - The Minister of Public Enterprises?

Honourable Marais - Yes.

Tshediso Matona - Oh yes I overlapped with the Minister for a few months, so she was my Minister. So I had a relationship with her.

Honourable Marais - [Overtalk]... No... But what was...Was it fine, did you have any trouble with the Minister, or did you get on well?

[02h06:35]

Tshediso Matona - Ja I got on well with Minister.

Honourable Marais - And the chairman of the board?

Tshediso Matona - I got on well with Zola Tsotsi...if you're talking about Zola Tsotsi?

Honourable Marais - Yes.

Tshediso Matona - Yes. I got on well with Zola Tsotsi.

Honourable Marais - The most serious thing always with being a CEO and running such a large company, is the issue of tenders and procurement. That is very contentious. Did you in your period running as the CEO feel that you being pressurised in any direction, a certain direction when it comes to tenders?

Tshediso Matona - Fortunately in the five months that I was there I did not have to deal with any specific procurement. The procurements that were underway had already been started by the time I arrived there. And if anything they were...they were reaching closure so to speak. I have of course referred to what I saw as contestations and in-fighting about those tenders. So I did not have to deal with any procurement in my personal capacity as the...as the CEO of the company.

Honourable Marais - Thank you.

Ms L Mnganga-Gcabashe - You're welcome. Honourable Rawula it's your turn.

[02h08:00]

Honourable Rawula - Thanks Chair. [Off-mike] Thank you Chair. Chair let me also appreciate Mr Matona for coming to the enquiry. One...standing from a distance, Mr Matoma you've indicated that you were Director General of Public Enterprise. And one will think that Eskom is an entity like other entities that falls under Public Enterprise. Now my curiosity will be like I'm saying that I could be saying this from standing from a distance will be that of being a Director General of the Public Enterprise, is far more senior than any leadership in the entity. I want to check what has been their interest and also if in your response you can also indicate from the time you were the Director General up to the time you were the CEO, what has been your experience on the interaction with the Gupta family?

Tshediso Matona - I have had no interactions with the Gupta family that had anything to do with my position as a Director General. So I can't...unless you are referring to anything specific, I can't help you there. But I've had no dealings with the Guptas in relation to my position as a Director General.

Honourable Rawula - I'm saying being the Director-General, now your interest going to see...to be the CEO of Eskom as an entity - what could have informed that interests? Because one assumes that from a distance, being Director General, you are far more senior than the entity leadership?

Tshediso Matona - So the opportunity to become the CEO of Eskom was a purely career issue on my part. You know I have...I have spent all my working life in the public sector. Needless to say I have a history of political activism so I'm very committed to our country; I'm very committed to the development and progress of our country. I've had a fairly successful, enriching career in departments that I have served under. The DTI gave me enormous exposure to our economy, to business, to what we should do, you know, what solutions we should deploy for various problems – unemployment, growth. And so going to Eskom was an extension of that career. I understood the company, I understood the challenges of the company. I thought that I could actually make a difference, I could actually assist with dealing with the issues, the challenges that confronted Eskom. I was, as it turns out, approached by the company that Eskom had appointed to run this, you know, this recruitment. I thought about it. I went through the motions. I applied, I was interviewed, I was...and of course I was appointed. And that was the process that I've described, you know, all the way to cabinet. I must add, you know, that my tenure as Director General in all the departments, has been associated with clean audits. I have had clean audits in every one of the years that I've been a Director General! And I'm very proud of that! So I'm a stickler when it comes to matters of governance. But that's really the career, you know, to go into another area, tackle a new challenge and make a difference. That's really what my motivation was in ending up at Eskom.

[02h13:13]

Honourable Rawula - Now during the enquiry, one of the revelations that has come through is that there was a lot of monies that were used by Eskom through consultancies, which were management consulting. I think one of those entity... one of those companies was Trillian, which was...which was subcontracted for management services, basically as a consultant. And I'm noting that on your appointment one of the discoveries that you have pointed out, were issues of leadership instability. And if you look at page 6, you are saying that you had your meeting where, to stabilize the executives. Now I want to check if that meeting

where you were looking at stabilizing the executives, has that yielded any fruits and those fruits, what was their relation in terms of the fact that Eskom has been contracting Trillian Management Services? Because one assumes that if you've got competent management, you'll then relieve the company from the consultant services of...in particular in management. Now I just want to check whether the instability that you are referring to in terms of leadership, was it the source of the consultants that we had and as a result of your arrival has that then yielded any results, which then relieve Eskom from the consultancies?

[02h14:52]

Tshediso Matona - So I think there are two issues in relation to your question. I think the issue of management and leadership stability as an issue, I think it was something that I had to deal with, something that I needed to do. By the time I arrived at Eskom, a few people are acting in their positions. So I had to actually confirm them in their positions. I'm thinking, for example, of your Dan Marokane, Matshello Koko was acting as well in that...in his position, and maybe one or two others. So there had to be stability of management and so that's an issue on its own, you know, that we can engage with. Any organisation that...going, dealing with the challenges that Eskom was dealing with, needed to have a stable leadership and stable management. The issue of consultants is a separate issue, in that, yes, one of the things I found was that Eskom had...within it actually embedded consultants – what I call embedded consultants. Just about every one of the major consultancies were at Eskom. And they were each producing report after report after report, which is why I said earlier on that there was no shortage of, you know, information about the problems of the company. The issue of curtailing consultants and consultant spend had come up. So part of the financial turnaround of the company involved cost-cutting, identifying areas where to cut costs. And the consultants...the use of consultants was one such area. So there had already in fact been decisions and that they were starting to be implemented at the time when I was there. Obviously, as you know, the engagement of Trillian, are matters that happened after I'd left, so I can't quite comment on the rationale and the wisdom of those appointments.

Honourable Rawula - Chair I'm trying to couple my question to save time. My next question would be - I see under your suspension where you indicate the events that led to...I just want to check, because there's inconsistency in terms of the calling of meetings. There's one meeting that has been called by the Board, I think starting from 26th even up to the 29th one. And then there's one meeting where you were request...given a notice to convene the meeting. I just want to check what...who is legitimately charged to convene meeting. The second other question that I want to ask in relation to that - the meeting was to deal, amongst other issues, which was additionally, which was the resolution that relates to the enquiry, you see, which you were not privy to. Did you find...did you perhaps later find that the terms of reference of the enquiry? I hear now from the question that it was to deal with Denton. But I just want to check at what stage did you then find out the terms of reference for the enquiry?

[02h19:00]

Tshediso Matona - So the meeting that was called Sunday evening, I think it was through the Company Secretary. So usually board meetings are called by the company secretary. The company secretary's the one who will send out notices. So there was this notice that I picked up Sunday evening of that week, and attached to it was some kind of a resolution, a proposed resolution talking about an enquiry. So the idea of an enquiry emerged at that time. So the meeting was...was a fairly urgent meeting for the next morning. In that meeting of the next morning, the chairperson, Zola Tsotsi, had a hard time explaining the rationale for that enquiry. And I think eventually...eventually he made reference to the Minister, saying that this was

some...the Minister supported this. To which other board members said: "Well in that case then the Minister must come and address us directly!" And that's how the meeting concluded. A day or so passes and then another meeting is called, and it is in that meeting that the Minister arrived. And of course the events that I have subsequently spoken to and that are in my affidavit, the affidavit I filed in my action against Eskom.

Honourable Rawula - Now that considering that the Board had a difficulty with the meeting and the meeting only proceeded after the meeting...the Minister attended. So the meeting could only take the decision on the presence of the Minister. Now from your own experience as a DG and as a person that has been a practitioner, would you consider that the Minister had acted arbitrary or has she abused her own power with the intention to push the Gupta-linked people? Or what has been then your view after you've realised that, the Minister despite the resistance of the Board, but the Minister had insisted that the meeting must sit and the enquiry must be passed? Would you consider that the Minister had abused her power or acted arbitrary to favour the people that he had interest with?

[02h22:01]

Tshediso Matona - No there was...There was nothing unusual in the Minister requesting a meeting with the Board or the Minister being part of a board meeting. In an instance where the Minister wants to convey a particular message to the Board, the Minister would duly call a meeting of the board to convey the particular message. So there was nothing unusual about...at least as far as I was concerned about the Minister calling a board...or attending a board meeting as such. What was actually discussed in that meeting, the...and what the Minister said, what were the nature of those deliberations of that meeting, I'm not privy to, because remember that I was...I had been asked to recuse myself. So I don't know what the Minister actually said to the Board. I discovered that the Minister did leave the meeting at some point in the course of the morning, so I can't quite tell how long the Minister was there for and what was actually the substance of the discussions between the Minister and the Board.

Honourable Rawula - My last question Chair. It's my last one. Mr Tsotsi you have indicated during the... [Laughter off-mike] Yoh...sorry! Mr Matoma... yoh my apologies. You have indicated that there was no wrongdoing proven on your side. So that means your labour rights were infringed, because you've taken the matter to Labour Court and the Labour Court then referred the matter to CCMA just to establish the merits. And during that space of time Eskom then offered a hand-shake. Now what would you attribute the pressure to, to a point that even your own labour rights could be contravened? What would you attribute...because it means you were an obstruction to whatever project that was sought to be achieved? So would you then attribute such a pressure to the influence of outside forces such as the Guptas, where you had to even have your rights being contravened just because of you were obstructing whatever project that the Minister and whoever that she was linked with, which in the main, which is proven now, that it was the Guptas. What would you attribute your removal, even to a point of being given money just to walk out even though you have not done any wrongdoing? What has been your own view?

[02h25:06]

Tshediso Matona - I couldn't without any factual information blame it upon the Guptas and say, you know, it is the Guptas. Obviously the name of the Guptas in relation to Eskom is out there. It's possible that that was the source of all of those things that happened. I can't be sure. I am equally interested in what this enquiry will establish as anybody else. What I can point to is matters of, if you like inconsistency or curious...curious events, such as, you know, the fact that the new board arrives and the first order of business of the board is to suspend me and 3 other executives! That much I'm aware of! I have not been able to interrogate or

question any of those board members as to exactly where this came from. You will recall that the chairperson of the Board at the time, who you unfortunately mistaken me for, and I forgive you (laughter off-mike) , Mr Tsotsi, made pronouncements - made pronouncements in the media. So a lot of these things are things, which I would know in the media. I read in the media, you know. Why he did that and I'm sure you're aware of that, I'm sure the Committee is aware of that? So I would hesitate to make any speculation whatsoever about exactly what the motives, it might have been. Thank you.

Ms L Mnganga-Gcabashe - You're welcome. Honourable Shivambu, it's your turn now.

[02h27:25]

Honourable Shivambu - Thank you very much Chair. I think before I come to the questions we should as a committee resolve to communicate to the people whose names are being mentioned here that a time will come for them to come and give their side of the story, I think that is the principal agreement that we had when we started with the inquiry. Cause I noticed in some of the newspaper reports that Brian Molefe, Matshela Koko are saying this process is not fair because they're being mentioned and all of those things, and they do not have an opportunity to present their side of the story. I think we should stick category as the committee that a time will come for them to come and explain their side of the story in terms of the issues that arise her. We are not that stupid as the committee to just write reports without giving them an opportunity to present their side of the story. I think that is one of the things we must clarify up front, so that people drive an unnecessary, wasteful public campaign against this process that we are engaged in now. Now you are appointed in 2014 as the GCEO of Eskom. And then in December a new board is appointed by Minister Lynne Brown. And you said earlier that the manner in which the Department of Public Enterprises appoint board members was that you've got a database of those people who get appointed into boards. Are you aware if any of those new board members that were appointed by Mr Brown were in the database of the Department of Public Enterprises?

[02h29:18]

Mr Tshediso Matona - No, I'm not aware.

Honourable Shivambu - I think that as part of this process Chair we should go and check if the Department of Public Enterprises had the names of the people who were appointed in December. And in which meeting suspended you; is the first meeting of the new board that they suspended you upon their arrival, or they had other engagements before they suspended you?

Mr Tshediso Matona - Yes, so they were going through interactions largely so. So they were appointed December. January, February they were getting inducted into the business. They hadn't necessarily held a full board...they hadn't really held a full board meeting, a normal board meeting except for the one that... the two close meetings that I referred to in my affidavit. Those in a sense are the first formal board meetings you could argue.

Honourable Shivambu - So the process is that people get appointed in December and when they're being inducted in terms of what is Eskom, where does it come from, what are the challenges, then they decide to suspend you and other executives in Eskom, is that what happened?

Mr Tshediso Matona - Yes.

Honourable Shivambu - And then after that then they start the process, what did the letter that suspended do you say? What was the reason, like who signed it, and what did it say you're suspended for?

Mr Tshediso Matona - I actually have a copy of the letter, but it referred to the need for an enquiry and the fact that whilst the enquiry is underway... so it says that I was advised on the nature and extent of the enquiry and that I was afforded an opportunity to make representations to report subcommittee, which I obviously contested, I mean, it was an ambush so to speak. So I couldn't have made reasonable representations for the board to eventually come to a conclusion that justified in suspending me. And that in view of the serious nature of the concerns, the challenges facing the company, the company regrets to inform you that it is decided to suspend me on full pay without any loss of benefits to be calculated from today pending the completion of the enquiry. In order for the investigation to proceed, as expeditiously as possible it would not be appropriate for you to remain at work while such an investigation is in place. You will be advised of the outcome of the enquiry as soon as possible. So it was all about this enquiry. Yup.

[02h32:41]

Honourable Shivambu - That's fine. And then you said there were in fights with regards to procurement in boards. Which board meetings had these in fights, and you specifically said that they were in fights around procurement on AREVA, on T-Systems, and The New Age breakfast. What was the nature of the fight, who was saying what there, what was the bone of contention, what were the issues that were being raised in the process of fighting around that particular procurement?

Mr Tshediso Matona - So there is a board tender committee to which the CEO is not a member. So that was an arrangement, you know, the Eskom governance structures are such that there is a body at executive level where senior executives they constitute the procurement. And so they will deal with technical...all technical issues with regard to procurement. Then they feed into a board tender committee, I think that's what it's called. So these matters were already at that board tender committee level and the issues in contestations, in debate were the merits upon which one or the other recommendation or award, or who should be awarded tender, those are the issues, you know, in the case of T- Systems, you know, whether it should be T-Systems or somebody else, in the case of the AREVA distinction, the nuclear issue, whether it should be AREVA or Westinghouse. So typically those would be the sort of issues, but I, you know, I can't be completely precise because I wasn't sitting in those things. But, you know, I could pick up, you know, via some of the officials who were present in those meetings, in those debates that those are the issues. And so some of them were getting drawn out, so there was no...there could never be any confusion, so those processes they were just going on and on because of this, these sort of differences and in fights within the board.

Honourable Shivambu - Did you confirm earlier that the letter was signed by Mr Zola Tsotsi

Mr Tshediso Matona - Yes.

Honourable Shivambu - Because he ultimately left and then Mr Ben Ngubane came into Eskom as Chair. And the dominant narrative which he had always presented when he came to this committee was that the load shedding which has started in November 2014 was ended by Brian Molefe. Is that the case, like you think that Brian Molefe, if you had remained there yourself as Eskom GCEO, you going to fail to stabilise Eskom and end the load shedding.

[02h36:20]

Mr Tshediso Matona - If I never thought that I couldn't achieve the objective of ending load shedding, I would have left Eskom on my own. I'm not the one to take on impossible jobs. It was a difficult job, it was challenging, but the solutions were there. We could see the light as to where we should be going in resolving that issue. And we were making gains, we were making steady gains by the time I left by the way, we had commissioned the first unit of Medupi Power Station. It had been commissioned because we had applied pressure to the contractors that were building that station to say we are no longer going to entertain any delays whatsoever. And so we put them really on terms, and so we were able to deliver that. So I'm confident that I would have turned around the situation at Eskom, it was only a matter of time. Unfortunately, I was not given that opportunity.

[02h37:34]

Honourable Shivambu - So this narrative that load shedding could only be ended by Brian Molefe is nonsense. It's...is that the case because every time we saw was that this Golden Boy of the Guptas who's going to stop...stabilise Eskom. So you're saying that you could have done it even if there was no Brian Molefe there?

Mr Tshediso Matona - I repeat myself; I was confident that I would overcome that problem. Remember, Brian Molefe, and I don't want to take anything away from Brian, you know, Brian and I are colleagues, we all grew up in the public service, we joined more or less at the same time, so I...someone that I do and I have regard to; but he could not have done that alone. He arrived there, found a team, found plans, found the team fighting this war and as sure, you know, he achieved the objective. So I don't think Brian would himself claim to have any exceptional capabilities, you know. Someone told me actually Brian acknowledged the work that had been done before he arrived. So there's no issue there. And I don't want this to come on the wrong way, I'm not...this is not a competition between myself and Brian, I think he arrived at his...[overtalking inaudible]...he arrived at a particular point in time and dealt with the issue that he dealt with at that point in time. I was there during my own time and I dealt with the issues that I dealt with in my time and I don't think that there is any basis for comparison.

Honourable Shivambu - And then you said that your reasons for departure was because you did not want to be bankrupted by huge legal cost fighting Eskom people who had that mind to get rid of you and everything else there. Are you able to disclose the amount of the settlement that you had with Eskom?

Mr Tshediso Matona - It was never a secret, as a matter of fact because it was actually not a golden handshake; it was a handshake, but there was no gold in it. I got equivalent of 12 months of my salary, so just about a year. I tried to negotiate for better and sometimes when I saw some of the numbers coming after I'd left, I feel like maybe I should have fought a little bit harder for more.

[02h40:51]

Honourable Shivambu - I saw a news report that says that Mr Jacob Zuma later on apologised to you, is that the case, did he apologize what did he say happened and what were the circumstances in terms of the whole developments around Eskom?

Mr Tshediso Matona - That's what a newspaper wrote that the President apologised, that's not actually quite factual. So the President didn't call me and say 'sorry, I'm sorry about what... about what happened'. And I'm at a bit of a difficulty disclosing the contents of a meeting of that nature as it were. So if you indulge me, I will not be able to do so. While I can say is that I have been part of this government, I have...the President has

been my leader, my manager. So I interact with the President, I interact with Ministers, and from time to time I do have meetings with the President, I do have meetings with Ministers, here is Minister Gordon here he knows we have had meetings as part of the normal functioning of government. So at the time I was at home and I think it was about what career options are there for me. So I just want to say that having served in this government for a long time almost from the beginning it was difficult, difficult to fight against my own government. Even as painful as it was what had happened, but the idea of me fighting an institution that I have helped to build, you know. So I've invested a lot in this government in terms of where we've come from up to this point, and this government has invested a lot in me and so it was about how we leverage off that, really.

[02h43:28]

Honourable Shivambu - But now in hindsight, last question; don't you think that it would have been much more noble to fight for proper governance and stability of Eskom. If you look back at what has happened to Eskom now, if my numbers are not wrong, I think it has a guaranteed debt of R350billion, which if the lenders withdraw will collapse the entire fiscus. There is a lot of irregularities, the State at some stage we intervened, I think about 29 billion. The State had to dispose of its stake in Vodacom in order to bail out Eskom. There's lots of wrong things happening in Eskom, don't you think in hindsight that it would have been noble to fight for governance like for against those who were flouting governance principles and rules. In protection of the same thing that you're saying you are patriotic to, don't you think that it would have been much more noble to fight against what I think what will literally characterize as one of the manifestations of of 'State Capture'.

Mr Tshediso Matona - Of course I was always going to fight, the nature of the fight obviously didn't have to be necessarily through the courts. I believe that for as long as I live in this country and for as long as it turns out I continue to be a public servant I will work for the good of this country and overcoming some of these challenges. I did not know at the time that I will end up in a position of influence such as the one I have right now as secretary of planning, where I'm able to deal with the same issues from a different vantage point; from a point of saying how do we as a country reset, how do we press the reset button in relation to some of the things that we're reading about. So there will...there is always an opportunity that will present itself for a good person, for a revolutionary. There will always be another opportunity to fight. So as they say sometimes, you know, leave it for tomorrow, retreat in order to come back tomorrow when you are a little bit stronger; because whilst I was alone it felt a bit lonely at the time, perhaps now is no longer the case, perhaps now is no longer the case. Perhaps the range of interests and the range of forces that can actually make a difference is now there, so I think we have the real possibility to turn things around, to turn the corner.

[02h47:08]

Honourable Shivambu - No thank you very much Chair and Mr Matona. Just quickly as a parting shot is that ... [overtalking unintelligible]

Ms L Mnganga-Gcabashe -...Your last question.

Honourable Shivambu - ...most people who fold their arms, particularly freedom fighters who fold their arms, it has been proven particularly from liberation movements; things degenerate, it starts one by one and before you know it the whole country would have degenerated because you've got that hope in tomorrow, that tomorrow will be better than today. It's not always the case. Sometimes an opportunity may be deprived

forever for you to fight back and when you look back the country will be gone completely. That is one of the things I'm sure in a different discussion we'll have.

Ms L Mnganga-Gcabashe - Thank you, Honourable Gungubele it's your turn.

Honourable Gungubele - Thank you, thank you Chair. Mr Matona, there are few questions I'm going to raise, but I just want to pose this question. The challenges or the trends that Eskom was degenerating, at what point did you observe them, or if you ever observed them? If you ever observed them, because there's a point where you were a DG, Eskom being one of the entities, like the other Member said, later you got closer to Eskom as CEO. The question is, is there a time where you generally looked at Eskom and saw that things were not moving in the right direction? If you did observe that, at what time; is the time when you were a DG or when you were CEO?

Mr Tshediso Matona - I think it was a bit when I was a DG.

[02h49:00]

Honourable Gungubele - [Inaudible]... something with regard to that period.

Mr Tshediso Matona - So, you know, we occasionally in that position dealt with instances where, you know, executives of state-owned companies would engage in practices that I don't think anybody would be proud of, which speak to responsibility, the extent to which they exercise the responsibility for due care of assets that they had responsibility over. So, in a general sense... [Interrupted]

Honourable Gungubele - So what I want you to because you were primarily a technical employee rather than a political one...

Mr Tshediso Matona - Ya.

Honourable Gungubele - ...there must be specific if you observe, your eyes are not like mine. You know as a politician's it's enough for me to say 'jobs are not being created', but for you it's bigger than that in terms of detail. At a point where you observed that things were moving in the right direction, if you can just pick up one specific thing which made you, in concrete terms, which made you to think like that.

Mr Tshediso Matona - So, you know, it's a few isolated things, you know. One day we wake up with a big Sunday Times story about money's that had been spent on a Christmas Party, like lavish, you know, expenditure and look at it and you say you know this we can't be proud of this. So it starts to speak... [Interrupted]

Honourable Gungubele - Sorry, sorry in terms of, forgive for appearing to be rude. Those are observations from newspapers and so on, I'm moving from a point that says as a DG who had a technical responsibility all those people reporting to you internally from your direct responsibility as a DG, what is it that you observed, if there was no Sunday newspaper?

Mr Tshediso Matona - Let me just say that the governance space turned out to be a bit murky so we...so we...it was only when I got... [Interrupted]

[02h51:22]

Honourable Gungubele - Can you be specific there. Let me give you an example.

Mr Tshediso Matona - Ya, ya.

Honourable Gungubele - If you're a chief director sometimes there are directors reporting to you. There are various types of report based on monitoring, your MNEs, based on your KPIs that you've put in place, based on regular reports, you know governance imperatives –regular... particular regular reports being given and being of particular quality and so on. Surely in that space, that is where your primary responsibility was and I'm saying for you to be convinced that things are moving in the right direction, Sunday Times can give a wrong report, I just want you to speak like someone who was a technical head, who said, I was there I looked at the technicalities of the environment and at that point that development gave me an idea as I was looking at the reports being given to me; one specific example.

Mr Tshediso Matona - So typically for example, something which starts to give you a sense is irregularly, irregular expenditure or what the Auditor-General...

Honourable Gungubele - [inaudible] ... where it was happening?

Mr Tshediso Matona - In Eskom, in fact all state-owned companies.

Honourable Gungubele - Which year?

[02h52:42]

Mr Tshediso Matona - Over the years, over the years. Every year watch that number of irregular expenditure, it fluctuates. And so sometimes when you go into it you actually find that it's because of lapses in regard to procurement in the governance of procurement. So from the shareholder oversight point of view that would be the thing that really is worrisome. But as I said when I went to Eskom the one thing that was burning at the time was this TNA thing that had, you know, ripped that board apart, they were divided over the issue, fighting over it. An inquiry was done; I think it was SNG, which established that actually there was...
[Interrupted]

Honourable Gungubele - What were the results of the inquiry?

Mr Tshediso Matona - So the board...that I was part of that board now so we were dealing with this thing and our view was that there has to be consequences, and so we were actually in the process of engaging legal assist...legal advice as to what are the options that the board has in terms of corrective action in respect of that issue. There was also of course the IRBA matter that was there because the auditors had also picked it up as an issue.

[02h54:12]

Honourable Gungubele - You know I am trying to take this line Makoko, yoh... Makoko now! You were Tsotsi now I'm calling you Koko, that's a mistake. You know I'm raising these issues, there are guys who are still coming here, who some were directly responsible who keep on saying; "What we are doing here is nonsense, it doesn't make sense." Now it's important that you were there so that we, I have a sense that as a DG that time, as a technical head that time, you did play your role in more concrete terms. Now, the other question I have is... it may sound like an abstract question, actually it's linked I think to one of Honourable Shivambu's. What tough, during your era as a CEO what tough choices were put before you?

Mr Tshediso Matona - Sorry, as a CEO what tough choices?

Honourable Gungubele - Honourable Shivambu was asking a question; wasn't there a fight which you were supposed to put? You answered it in a particular way. And I'm saying now in that very vein, what, facing those challenges as a CEO, what tough choices did it put before you, in the interest of this country.

Mr Tshediso Matona - Sorry, I'm not sure if I understand the question, so I'm going to respectfully ask you to...

Honourable Gungubele - Did you either fight or submit? I'm asking in that context. In your situation, were you put in that situation where you had to make these tough choices?

Mr Tshediso Matona - In the, in the aftermath of my suspension, if that's you were talking about? Absolutely, absolutely test that. Sorry, I think you want to explain your question because I...

Honourable Gungubele - Let's leave that question. Were you ever approached at some stage by the Minister that Matona to say to you; a certain lady who is at head of finance, Tsholofelo Molefe, is refusing to give businesses to Gupta linked companies. Where you ever approached for that purpose?

Mr Tshediso Matona - No.

[02h56:43]

Honourable Gungubele - I'm deliberately interrogating your, your managerial responsibilities, your managerial imperatives because in 2010 you were already a DG of Public Enterprises. Am I correct?

Mr Tshediso Matona - Yes.

Honourable Gungubele - During that period, Gupta would have approached Brian Dames with regard to the Lethabo, supplying coal to the Lethabo power station, and of course Lethabo power station was already secure, had a secured contract of long-term and [unintelligible] prices. Were you aware of that?

Mr Tshediso Matona - No, I don't know if that's, I don't know if that's the one that...I knew that by the time I arrived at Eskom there was some negotiation with a...for a coal supply by a company linked to the Gupta's that was in the...

Honourable Gungubele - Which company was that?

Mr Tshediso Matona - I can't remember, I can't remember but all I know is that there were, there were price issues, there were quality issues, there were compliance issues that were making that difficult for Eskom at the time.

Honourable Gungubele - Let me come quickly to say; were you aware of... the approach by Guptas to supply coal [unintelligible] to Eskom, which threatened the nature of contracts which were in existence at that time, just generally were you aware of that?

Mr Tshediso Matona - I was aware that there was a contract that was under negotiation. I was not aware what the implication of that contract would have been for other suppliers. So I, you know, again it is a... process and a negotiation that I was not necessarily directly part of, part of.

[02h58:50]

Honourable Gungubele - What was your date of resignation in March? Of your departure in March?

Mr Tshediso Matona - The... I think it is the 15th? I may be wrong 11... 11, I'll tell you now... Oh actually it's in the letter... the 11th of March.

Honourable Gungubele - There is a record of signing of contract with Brakfontein Coal Mine by Gupta to supply coal to Eskom in March. Surely if it was signed in March, the negotiation must have been taken place for some time? For instance those negotiations would have started in May 2014, where your technical guys would have actually dismissed in terms of unsuitability. Again 2014 September, again your guys would have, your technical guys would have dismissed because of non-compliance with environment and so on. And you get appointed around October and finally this thing gets signed in March. It means it took place also during your CEO period. Do you want to share anything you know about it with us? As a CEO now.

Mr Tshediso Matona - Yes, so, so the, the executive who was engaged with that negotiation, technology commercial and technology actually turned out to be Matshela Koko. So he was... [Overtalking]

Honourable Gungubele - ... Reporting to you?

Mr Tshediso Matona - ... He was reporting to me. So he, because it had been, it had been going on so he kept me in the loop, he kept me in the loop about what was, what was going on and what were the issues. And as I've indicated there were, there were three issues; there was a price issue, there was a quality issue and there were compliance issues. And I and I said to him; "Well, if you can't fix those things, fix those things if you can. If you can't fix those things then there's no contract."

[03h01:14]

Honourable Gungubele - I'm aware that these negotiations post your departure, would have led immediately after, especially after the appointment of alleged Gupta linked board, those negotiations led to this this mine supplying 75000 tons per month, later 100 000, later 200 000, 200 000 tons per month, longer contract than other suppliers and at a higher price. Time, post the time you departed. There's a question I'm going to ask that's why I'm asking this.

Mr Tshediso Matona - I read about that.

Honourable Gungubele - You don't know whether that is truth or not?

Mr Tshediso Matona - No. it's what I've, what I've... [Overtalking]

Honourable Gungubele - But that's a fact now in terms of the [unintelligible] Oh. The point I'm asking is, you know why I'm asking this, is that from your responsibility as a principal manager for governance imperatives, was it not proper if a contract is negotiated in May? Your scientists say; "It's not suitable further in September." you were not there I know. Your scientists say; "It's not suitable." Natural there must be facts why they are saying that. At what point as a CEO were you supposed to say; 'stop this negotiations'? Because surely they will lead into this situation post your departure.

Mr Tshediso Matona - I don't think I had a sense of when that negotiation had been coming from. So I knew, I know it was ongoing at the time so I had no sense of where it was, you know, how far it goes back. But it was clear that it was not going to be possible because you, if the rules say 'you can only contract with mines that comply' and your technical requirements say that 'you can only use coal of a particular specification' and if the price is not right, then as I said, I was comfortable that there would be no deal unless those issues were addressed, and it was an ongoing negotiation so I wasn't party to the negotiation.

[03h03:36]

Honourable Gungubele - The significant amount of monies involved. Don't you think they dictated your closeness to those contracts? So is that from risk management, you were able to deal with it before it leads to where it is now?

Mr Tshediso Matona - No I, I don't think so. I think eventually these things tie-up at a board level. So... the thing about the structures that Eskom had put in place is that they, they removed the CEO from the coal phase of procurement negotiations. Because you are going to have your turn in the approval, at the right structure, at the right level which is at board level so you need not necessarily be involved with the processes. Let me say that that was the structure that existed there. In some ways in retrospect I'm happy that because I could I didn't have to arbitrate these procurements directly myself, but I had concern about being completely removed and not be, not necessarily having direct line-of-sight of these processes. And I was contemplating, you know, what is the best way of managing that, perhaps maybe changing that so that I have some, some roles. So other than from just getting updates about how each negotiation is going, I was not hands-on on those, on those... [Overtalking]

Honourable Gungubele - You know what, what worries me about your management. I'll be very difficult towards closure. Deliberately, not that I suspect you for anything. You see, I want to be convinced that you were attracted to this situation with your leadership because one in his naughty way of thinking will say; after this fight between yourself and the board, what led to your reappointment in government; where was this leniency and this considerate behaviour by government come from? I'm deliberating so that you can actually acquit yourself, if you so care. I'm saying to you the bailout came around February, am I correct?

[03h06:30]

Mr Tshediso Matona - Yes.

Honourable Gungubele - You were a CEO since October, the previous year? [Mr Matona nods his head in answer] Surely there are underlying factors which led to the bailout? And there is this negotiation of this major contract and each time your officials reached a view of unsuitability in May and September. There must have been a record? This is not an ordinary contract. I don't think, I'm not sure it's not unreasonable to expect that a CEO must have known this threat in terms of risk management?

Mr Tshediso Matona - Not as it related to this specific contract, not as it related to this specific negotiation. Sure, risk management is dealt with at board level. There is a, there is a structure in the board, I think the audit and risk committee of the board, that has got the responsibility to identify risks and again in that context some of these things surface not necessarily as direct negotiations. So, so the fact that I was not dealing with this matter in the context of a procurement process did not necessarily mean that I did not have a chance or there was no other opportunity to deal with it from a risk management point of view.

[03h07:55]

Honourable Gungubele - Do, do you believe that as a role you could have played during your time to prevent this from happening? I accept that you had to leave in March, but during your time look at the nature and the weight of these developments.

Mr Tshediso Matona - So to prevent what from happening specifically?

Honourable Gungubele - [Off mike inaudible]... alarms on time, that's the point I want to make to you. Because this things happened during your CEO period and they led to what it is now; higher price than the previous suppliers; longer contract to the supplier than normally used to be done, you can go on all the advantages and even the volumes. And these negotiations took place during your period and I'm saying don't you think in fairness there is you, your closer link with the detail could have led to you sounding an alarm?

Mr Tshediso Matona - Yes, certainly, I mean if I had been directly involved and had access to, to all of the information when it started, when these negotiations started, what are the issues? You know, if I had, if I was closer at hand probably I would have put an end to them as it as it were. So what I, what I knew was that the negotiations were still ongoing. And by the way this was one of several other negotiations, so Eskom is constantly in negotiations so, you know, there would be no upfront grounds why one would target a particular negotiation. It is in the time that I was there I did not see that there was any need for me to intervene because it was clear; if it doesn't meet our price, it doesn't meet our quality, if it doesn't comply, it ain't happening.

Honourable Gungubele - My last question to close is that, yes it's my last... I'm saying I want to put this question to you, in what way is that, if I listen to your answers and you are reporting to me either being a board or a Minister. You are saying, to expect you as my CEO to be the pass measure of this possible problem would be unfair and if you so agree, should I attach this to systems that are poor? Or maybe to gaps in your management as a CEO?

[03h10:41]

Mr Tshediso Matona - Look, I was operating within a specific institutional framework that, which I found there and I ... [off mike question inaudible]... Say that again?

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

Mr Tshediso Matona - No, it simply excluded the CEO from direct engagement arbitration of procurement. And by the way, this applies to departments as well. DGs don't arbitrate directly; they allocate specific function to relevant people in accordance with the prescript as it were. Of course you take respon- you take accountability for the outcomes and you take accountability if things go wrong, no doubt about that. But you don't, you ain't sitting there arbitrating procurement as a CEO or a DG that, that has been my experience... [Overtalking]...

Honourable Gungubele - ... So at a, so at a CEO level... [Overtalking inaudible]... Oooh eish, there's this response.

[03h11:47]

Ms L Mnganga-Gcabashe - ... [Laughter] We are really pressed with time. Really, really... Thank you very much Members and thank you very much Mr Motana for... Matona thank you, thank you, thank you very much for affording us this time to come before the portfolio committee and we are very much appreciative of that and your contribution that you have made in this committee surely is going to assist the committee in understanding the work, the workings of Eskom during your tenure. And once again thank you very much and have a safe journey. At this juncture Members we are pressed for time, we are going to be having our second session that we will be interacting with Ms Johnson. I believe that she's around? Please ma'am, please come forward and take a seat. And...

Honourable Gordhan - ... Chair, while we're waiting for Ms Johnson can I?...

Ms L Mnganga-Gcabashe - ... Yes?

Honourable Gordhan - Can I suggest that arising from our interaction with Mr Matona that we, through the evidence leader, put Mr Tsotsi and Ms Klein on notice, number one. Number two, obtain the diesel contracts or copies thereof if need be at the outset subpoena them so our time is not wasted. Number three, the memos referred to by Mr Matona on board appointments I believe the Minister has been requested to give them to us, we don't have them. Can we subpoena those please, as well? And the Denton, and the Dentons Report as well. Thank you.

[Off mike conversations inaudible]

Ms L Mnganga-Gcabashe - ... Noted, noted. I will deal with that. Are you ready ma'am? Or... Oh ok.

Honourable Mazzone - Chair.

Honourable Member - Chairperson.

Honourable Mazzone - Chair.

Ms L Mnganga-Gcabashe - I thought when we sum-up towards the end after the second interaction then we'll come back to those... Yes Honourable Mazzone?

[03h13:55]

Honourable Mazzone - Chair just so we have it on record, it must be the unredacted Dentons report because we have the redacted one which has 90% of the pages blanked out. So it must be the unredacted original Dentons report, please.

Ms L Mnganga-Gcabashe - I thought the Honourable Gordhan was agreeing with you at the end? Do you still want to?...

Honourable Shivambu - Just quickly in terms of the timing, I'm supposed to go to plenary now at 2. I'll go, for how long are we going to go with this presentation? And the whole question process? And everything else there?

Ms L Mnganga-Gcabashe - Yes we are, but I, we... we are supposed go to the house. But Members really I indicated earlier on that we are pressed with time, we have two interactions, we have two witnesses but Members took their own time and I did not want to suffocate them. But this time really we are going to be very strict. Thank you. I get an indication now-now Members you are delaying me further. I get an indication... [Overtalking inaudible]... Ok. Now I'm getting an indication that we can do this one within the hour. So we'll be able to finish, thank you. Can we proceed now?

Honourable Shivambu - No, that's fine. Then you'll accept my apology because I'm a chief whip I must prepare for a plenary so...

Ms L Mnganga-Gcabashe - No, that's fine.

[Overtalking inaudible]

Honourable Shivambu - But also an apology for the whole week because I'm attending a Marxism conference... [Laughter]....

Ms L Mnganga-Gcabashe - Your apology's accepted... [Laughter]... Write it down thanks. Thank you very much Ms Johnson and we apologise for the delays. I understand that you've been here for quite some time and there was an accident, I don't know whether you were here earlier when we...? Oh you did, thank you very much. You heard our apologies; hence we were calling you right now. There is a..... I believe that... you have... I believe you have opted to have an oath and I'm going to read that to you and I also believe that you do have a copy that indicate to you how to respond at the end. If not on, I hope, I think the copy is on the way..... Members do you want to stretch a few seconds? [Overtalking off mike inaudible]... You, ok. Sorry about that.

[Off mike conversations inaudible]

[03h16:37 - END OF AUDIO]

[03h40:02 - END OF DISK 01]

[00h00:00 - START OF DISK 02]

Honourable Swart - ... due to litigation that and you as an engineer with a wonderful background surely that's a matter of concern to you, as well for people living in Cape Town, that those boilers to this day today have still not been replaced.

Ms Johnson - So the steam generators are a path to be replaced, I believe. But I'm also now following from the public domain, Honourable Member. So, I do think that they have managed the operations around the steam generator, but from the public information that's out there that Eskom has said that if beyond 2025 you would have to shut down, so shut down Koeberg if you do not replace the steam generators in time. So that is the key challenge.

Honourable Swart - Wasn't that 2017/2018?

Ms Johnson - So that is for alignment with everyone else are the operating platform, absolute hard shutdown 2025 and that you'll find in the Koeberg public and safety information that... the forums they have to discuss it where they've shared that information in the public space.

Honourable Swart - And thank you from our side for coming to give evidence, we really appreciate it. Thank you so much.

Ms Johnson - Thank you.

Ms L Mnganga-Gcabashe - ...Honourable Rawula.

Honourable Rawula - Thank you very much Chair. I think my... my questions on New Age have partly been covered, but I want to put it here that Eskom engages to sponsorship of a breakfast event of 1.2 million and I [unintelligible] mention you saying that the organisation was not in a financial position given the financial difficulties at the time, but they went ahead, which is a Gupta company by the way, and you yourself the second bullet you indicate that you had to come up with the rationale which basically according to your response, you had to cook the books because of the pressure. That's what you say because there was no rationale, but the instruction is that you must do it. So you had to 'cook the breakfast' you see, to make sure

that there's money somewhere...there's this 1.2 million that is given. They say another thing, the same CEO that is instructing you to do this is saying that this contract whilst there was no need for it whilst you were in a position of financial difficulty, it must be extended to 3 years. Now I want to ask you because you have served there with the CEO...under the CEO, whilst being your own judgement on his own... Mr Matjila his own integrity with ethics, remember he is leading you and you are expected to derive inspiration, by the manner in which he is executing the duties, is it means he is under pressure by the Gupta's. He has to find them a business which does not exist in Eskom and the least of it is to give them a breakfast event for an amount of 1.2 million to a point of increasing it over 3 years so that Guptas can continue eating. What is your own value judgement?

[00h03:30]

Ms Johnson - I was disturbed by it. In terms of the relationship and leading with Collin Matjila, Mr Matjila, I think, probably chaired two exco meetings in the six months that he was CEO. He was chairing other subcommittees, but in terms of leading him and I think he was a little distant. And just to talk about the issue about 'cooking the books'. I think what we really wanted to do was to have a chance to, I mean, to try and work with a new CEO. And I think earlier people said, you know, if you have a new boss, if you have to see do you fit around the table still, are you part of the team? And that is what we were working with Mr Matjila, to try and meet his needs to see where he wanted to go, as you would give people the benefit of the doubt. But I think clearly once the three year contract, the exit clause, the fact that the finance director refused to sign it and that he then proceeded to sign it by himself, I think shows you that as a team we were saying that this was not how we wanted to run contracts. So we were making a statement.

Honourable Rawula - So would you consider that Mr Matjila was captured by the Gupta's and therefore the refusal of the financial director to sign the 43 million contract was a turn of events which was reaching the climax as to whether one wants to remain captured or not and therefore the financial director refused to be captured; will that be, what's your view?

Ms Johnson - Well firstly the language of 'capture' is only a recent thing since 2016 I believe we started using the word 'capture'. At the time we did not understand why and I think that's an important context.

[Member- off mike] ... but he was under pressure.

Ms Johnson - or I don't know he certainly wanted that contract.

Honourable Rawula - Ok with my three minutes left let me do this. On the IT procurement processes...on the IT procurement process, you're saying that you received a letter questioning specifically the integrity of the CIO, raising a number of allegations. What were those allegations?

Ms Johnson - So the allegations were for example and that he had taken his entire team or a large number of members to a conference, a Saphila conference, it would be questioning a relationship with one of the previous consultants who had provided an interim support to IT. It was questioning the CIO's role in going to an overseas conference which a supplier had invited him to request. It was a number of questions just around his activity, and then one of it was in fact saying people challenged his...the nature in which the attempts he was trying to do to modernise the IT department, so they were questioning his transformation agenda, for example Those were the questions.

Honourable Rawula - Last one, I see my minute has been taken, but it's fine. My last one just before your signature now. You're saying that you were concerned with the contracts that there was no long-term

contracts, it was just short-term contracts; now I'm asking you what in your own and you had a problem with that, that there was no long-term contract. Now will you attribute that to the conflicts that existed around procurement, hence they could not engage into long-term contracts, and what were the preferred risk for the country the fact that you don't have a long-term supply of coal to Eskom.

Ms Johnson - Well the preferred view for Eskom is, and for the country, is that we bed down the long-term coal contract cost for Kusile; one of the units has been declared commercial already, which means it has to operate at a certain output and every single day we are trucking in coal to generate power there. So that is clearly an inefficient choice, so that is something the country needs to consider. I think that there were the number of discussions happening in parallel to try and look at the transformation agendas around the Kusile long-term supply and that was where the debates were happening. We did not conclude and I as I say we still have not concluded that discussion, and that is what I think we need to focus on if you want to reduce the cost of electricity, as one of the elements.

[Talking off mike]

Honourable Rawula - What I want to hear is that, was that a manifestation of the conflict within the procurement policy, the fact that you could not have a long-term contract?

Ms Johnson - It's not a manifestation of the procurement policy, it was...you could procure if you wished, but it was not concluded, the negotiations were not concluding. So if there's a conflict it was about determining terms of agreement. But if you want...if the parties agreed, the procurement would proceed because you have a dedicated requirement, an off take for power there. So is it a conflict if people are not resolving, if everyone else is bearing the cost? Yes. But I would not say that I was close enough to be able to tell you the direct, but I think that there is a challenge in that we need to engage with why that is not concluding because we are all bearing the cost.

Ms L Mnganga-Gcabashe - Thank you very much, Honourable Marais it's your turn. [talking off mike]...lucky you. Honourable Gungubele.

[00h09:20]

Honourable Gungubele - When you were dealing with, let me start at the tail, at Koeberg. Thank you for availing yourself...I forgot to thank *Tshediso* Matona. When you were dealing with these issues, dealing with Koeberg in particular, who was the CEO at that time?

Ms Johnson - So when I refer to my observations it would be around the interim CEO was Collin Matjila.

Honourable Gungubele - During that time.

Ms Johnson - Yes. Actually February when I first became aware that the team were becoming anxious Brian Dames was still the CEO.

Honourable Gungubele - When was Brian Dames the CEO?

Ms Johnson - Brian Dames left March 2014, Collin Matjila became CEO 1st April 2014.

[00h10:30]

Honourable Gungubele - Ok, you speak about if these generators are not replaced on time, the possible implications you've listed them nicely there. Did anyone of those implications happen or what... [off mike inaudible]

Ms Johnson - So, in 2014 that was the concerns that was understood. Today 2017, late 2017, early going to almost 2018, I believe that Koeberg Power Station is running their Steam generator slightly differently and hence they've managed to extend or manage the aging process of those Steam Generators; so that is how they dealing with it. No other... the other big event that has happened was that this year the last of 765 KV, the new transmission line, has been commissioned to Cape Town. So that if you have an unexpected outage of a Koeberg unit outside of refuelling, you will now have a stronger transmission network that can help with the grid power to support the Cape demand.

Honourable Gungubele - So... [Off mike inaudible] in a broader context, has the station been fully replenished now?

Ms Johnson - No, Honourable Member. They're still busy in the process of replacing the steam generators. I don't know the timelines any longer.

Honourable Gungubele - How many years to date since this concern developed?

[00h11:47]

Ms Johnson - So they started the procurement process in 2008, it was then stopped and then it's been restarted... [Interrupted]

Honourable Gungubele - ... they started in 2008? [Overtalking inaudible]

Ms Johnson - They started the technical work...the technical work on in 2008 then the procurement process one or two years later. They restarted the procurement process and now in the year 2014 I became aware of it. So yes, the issue is still there, it has not been replaced and I think we need to consider just the alignment of equipment as an operational concern.

Honourable Gungubele - So in other words, the need for this replacement started in 2008; it was observed in 2008 and attempts to deal with it started then until now?

[00h12:41]

Ms Johnson - So people are aware of, as I said, they track each other's operational processes so they knew that they would have to replace the steam generators to extend the life of this plant. And so the technical work had started then and the procurement had started; there was a procurement process for example in 2010, I believe if I'm correct, and then certainly the one that I saw.

Honourable Gungubele - So, circumstances or conditions for diesel interventions...interventions, have not occurred?

Ms Johnson - No, it hasn't, it hasn't occurred since then.

Honourable Gungubele - You are speaking about the two divergent questions...conversations; can you share that with us?

Ms Johnson - I think the example of finalising a 40 year coal contract to minimise operating costs and at the same time to make sure that you operate in the power system as efficiently as effectively as possible vs trying also do to achieve a different conversation, a procurement conversation, I think is where I'd say the interests are a very divergent. That to me as an example of where you could, you raising huge operational risks in the transformation process and at some point I just feel that one needs to say when do we decide the costs are too high.

Honourable Gungubele - Who trucks the coal for Kusile Power Station?

Ms Johnson - That is correct, we are trucking right now.

Honourable Gungubele - Who trucked it?

Ms Johnson - We are trucking now.

Honourable Gungubele - Which company?

Ms L Mnganga-Gcabashe - One minute left.

Ms Johnson - I don't know which companies are trucking. I don't know who's doing it.

Honourable Gungubele - [off mike inaudible]...is it outsourced?

Ms Johnson - I left Eskom three years ago, so I don't know, but as a country we are trucking in coal too.

Honourable Gungubele - Ok, my last question is, what was the relevance of this 1.2 million sponsorship in as far as Eskom is concerned?

Ms Johnson - So I think we would have wanted to...there was a budget for commercial... [Interrupted]

Honourable Gungubele - In the bigger scheme of things for the purpose of Eskom how was it enhancing the purpose of Eskom?

[00h15:05]

Ms Johnson - I certainly think that the CEO and the board felt, the CEO certainly felt, that this was a way in which one could engage and try and understand it, promote, discuss make sure that is an understanding about the challenges of Eskom. But that's how I understood it.

Honourable Gungubele - From your observations?

Ms Johnson - From my observations that was the rationale.

[00h15:30]

Honourable Gungubele - Did it have a purpose from your observation. Did it contribute. ... [? Off mike inaudible]

Ms Johnson - No

Honourable Gungubele - Thank you.

Ms L Mnganga-Gcabashe - Thank you very much. Honourable Gordhan, it's your turn.

Honourable Gordhan - Thank you Chair and thank you Ms Johnson for a very crisp document which was very helpful. So let me take you through some of this very quickly. On page two under IT procurement process you're saying bullet point one at the beginning, the board committee...if I jump to the third line... had a very heavy clear expectation that they we will be changing suppliers. How did you come to this conclusion?

Ms Johnson - This was feedback I got from the team when we presented to the board tender committee on the sourcing strategy; I think the opportunity to enhance the supplier base is always welcome.

Honourable Gordhan - But here it turns out, but let me come back to my conclusion a little bit later. Under bullet point two you said that you, a number of audits were requested and completed around the questions of veracity of savings and so on. What exactly was the outcome of the audit? Were there going to be savings?

Ms Johnson - Yes, there were. One of the audits in fact concluded that there is a 90% chance that it absolutely is going to be delivered as being proposed. So the audits would prove for example the savings, the audits would prove the issue around single sole source suppliers or there were challenges around conflicts and invariably they would come back saying there is no conflict here, you can proceed. So I think those were the challenges that were coming out in the individual audits that were being asked. Just the number of elements of the processes were being challenged.

Honourable Gordhan - So the changes to the IT system let me understand this, would have resulted in savings?

[00h17:37]

Ms Johnson - So it's an IT supplier contract, it's the IT applications and maintenance contract. So it's not a system, it's not the hardware; it's managing the applications and maintenance of the contracts, for a 30 000 person company which is why it's such large numbers.

Honourable Gordhan - Why was it necessary to persecute the CIO who clearly you found was not guilty of anything. Because this is what follows and we accept your point, and by the way some of the dots can only be done retrospectively, so don't worry about that. A lot of us were fooled for a long time as well. So looking back according to the academics report that's the pattern; go for the head of the particular outfit, find some so-called dirt, get rid of them, replace them, and then do what you want to do. Sounds very familiar, similar to what you experienced here.

[00h18:28]

Ms Johnson - Yes, that is true, I mean, I don't know the challenges to why, I mean, the CIO, he was a good CIO and he did set a good base for them going forward. Ya, there was nothing in his...in what was being done that could say that there's a reason why people were so intensely against it. So that was once again one of the things you didn't understand at the time.

Honourable Gordhan - And he wasn't opposed to the changes?

Ms Johnson - Which changes?

Honourable Gordhan - The procurement changes.

Ms Johnson - No, he, I mean, he was...he was very happy to manage the changes, to make sure that it is done safely, and also in supportive of his new IT vision.

Honourable Gordhan - Ok from what you say, you're main despair during this whole period was that the conversation was more frequently about procurement rather than power supply operational costs and the power system as a whole.

Ms Johnson - That was my despair, yes.

Honourable Gordhan - And so the core business was being neglected, in as well relatively neglected.

Ms Johnson - Ya, relatively. I mean I just felt that it's a matter of balance between... it is a multifaceted business but you can't not... you can't not take sensible operational decisions because that's the core. If you... if you have the operational decisions inadequate, your costs will rise. You cannot be doing cost-saving and still be, for example, trucking in coal.

Honourable Gordhan - You say that the executives were too scared to raise their concerns; what struck fear into them and who struck fear into them?

[00h20:10]

Ms Johnson - So I think the first thing that struck fear into people was when... [Overtalking]

Ms L Mnganga-Gcabashe - One minute left.

Ms Johnson - ... was when the first ...when the head of primary energy was suspended. I believe it was June or July 2014. It was a very hard-working person, there was a dispute around a particular conversation, and that was, it was a shock. And then the challenges started up; there's a request to suspend the CIO. And people understood that, that what is this, this is a direct challenge. I think that's the two and then I think there was one more incident which really concerned me and that I became aware in my last month of Eskom that some of our general managers were not willing to talk as much as before, and they were being effectively asked to not provide all the information or comments, for example, I would be sitting at the board tender committee where I'm presenting, I'm requesting a particular commodity and someone would raise a question and say...and challenge for example the IT savings. But yet I'd known it had been audited at [unintelligible] Not one member of the officials would actually say anything. Just the silence in the company was a concern. There were very definite methods by which people were being asked like to keep quiet, and I found that.

[00h21:41]

Honourable Gordhan - From a distance, would you say that climate still exists in Eskom?

Ms Johnson - Absolutely, oh no, it intensified, I believe. And I can only say this because people would raise that, but I think it has... [Overtalking]

Honourable Gordhan - ... [Overtalking]... is not the committee, the climate of fear is actually persisting.

Ms L Mnganga-Gcabashe - Thank you.

Honourable Gordhan - One last question Chair.

Ms L Mnganga-Gcabashe - No, no.

Honourable Gordhan - No, no, no, it's an important one. She mentions importantly that all of this has implications for operating costs, what that means is that it has implications for the cost of electricity to ordinary citizens.

Ms Johnson - Yes.

Honourable Gordhan - Now how do we compute, how do we compute the New Age stuff, the IT stuff, the coal trucking, etc, etc? How do we compute all of that as a cost to the citizen and as a cost to doing business in South Africa?

Ms Johnson - I think the big expenditure we have to watch in Eskom would be the coal costs, the asset creation, the contracts... [Interrupted]... asset creation, so just around the building, the asset creation. And then certainly labour costs, I think, salary bills certainly. So, while the smaller contracts definitely contribute significant savings, I think we need to drive efficiencies in other places first. I think that's my sense, not, I would certainly say that one would look at it in context, but what up, ja.

Ms L Mnganga-Gcabashe - You're welcome Ms Johnson thank you very much on behalf of the committee I would like to convey our appreciation for your willingness to come, firstly to come and sit and wait for us during the first session. And as well as your cooperation with the interaction with the committee, it is very much appreciated and you shared your experiences while you were in Eskom, and that gives a committee more understanding on what was...what were the workings of the Eskom during your time as part of the leadership of Eskom, and we value that very much. Once again, thank you and have a safe journey back to your destination. Members, there were issues that were raised that we said earlier on were noted. But I just want to come back to the issue that was raised by Honourable Shivambu in relation to the media regarding the other members, be it former Eskom members or in different capacity that are complaining that are not being called to come to the committee. I've seen the article myself yesterday and I think other members also saw it yesterday; and in that article the chairperson, according to that article, the acting chairperson of the enquiry was interviewed and she responded on the matter that everyone or everybody that is being mentioned will be afforded an opportunity to come before the committee to give their side of the story, and I think the acting chairperson of the enquiry was speaking on behalf of the committee and that settles the matter that was raised by Honourable Shivambu. Are there any minutes?

[Off mike] - No.

Ms L Mnganga-Gcabashe - No, no. There are no minutes. On that note, thank you very much Members for your cooperation, the meeting is adjourned, and thank you very much for our guests including members of the media.

[Off mike conversations]

[00h26:06 - END OF AUDIO]

[00h27:41 - END OF DISK 02]

