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Zondo commission – Markets “rejoiced” after Brian Molefe joined Eskom, says Brown

Lynne Brown has once again defended the appointment of Brian Molefe as Eskom CEO in August 2015, months after he was seconded from Transnet, but could not recall if company policy was followed in that regard.

Brown returned to the state capture commission on Monday to respond to questions relating to her tenure as minister of public enterprises between May 2014 and February 2018. Molefe did a “remarkable” job at Eskom soon after arriving, arresting the problem of load shedding, and giving the 42 000 staff members a noticeable morale boost. There was even a positive response from the markets, which “rejoiced”, said Brown.

“Within six months of Mr Molefe coming in ... the company had already turned around in terms of load shedding, in terms of morale,” she said.

Commission chairperson Deputy Chief Justice Raymond Zondo ordered Brown to investigate if she flouted the standard procedure in Molefe’s appointment to a permanent role, and furnish the commission with a statement on her findings. Molefe had been seconded to Eskom from Transnet since April.

The Molefe secondment has been in the commission’s spotlight as it followed the controversial suspension, and later removal of his predecessor Tshediso Matona – who was only five months into the position – and two other executives, Tsholofelo Molefe and Dan Marokane. The two were financial director and head of group capital, respectively. The fourth executive suspended at the time, Matshela Koko, headed up technology and commercial, but returned after the others entered into separation agreements with the board.

A number of the power utility’s former board members have told the commission that Brown made a suggestion to the board in March 2015 that there be an inquiry into the performance of Eskom and that the heads of the areas of its focus be asked to step aside for the benefit of the probe. Brown denied that she would ever interfere in the operations of a company under her portfolio, adding that she did support the idea of an inquiry, given the pressure from the rest of government at the time, but had an indifferent outlook on whether or not the executives under scrutiny should step aside or not.

Evidence leader Advocate Pule Seleka probed with Brown the reasoning behind investigating Matona’s performance, if he’d only been in office since November 2014. Before that he was Brown’s director-general in the Department of Public Enterprises. Her response was that even though Matona, after his suspension, told the commission and the labour court that he had a turnaround plan for Eskom, it would have cost the country R23-billion in the form of a bailout

from Treasury, and by then government had grown impatient with requests of bailouts from Eskom.

“The answer to your question is that it was a three-month suspension. There was no intention to fire him,” said Brown of the Matona matter.

She added that she had been privy to an intelligence document that was discussed with former president Jacob Zuma in early 2015, that suggested that Gauteng was heading for a blackout if nothing was done urgently about Eskom, and the environment at the time required a change in thinking on how that could be prevented.

But Seleka asked whether or not the inquiry that necessitated the suspension of the four was not a smokescreen, given that while it was supposed to be underway, the board was negotiating their exit settlement amounts, and also considering bringing Molefe on board to replace Matona.

“I don’t have a comment on that. I think it’s a picture emerging in someone’s head,” Brown said. She was also probed on her utterances, at a press briefing on 17 April 2015 to announce Molefe’s secondment, that although the secondment term was only three months, she would like for it to be at least 12 months. Brown said it must have been an off-the-cuff comment, and that she could not recall it.

Although Dentons was appointed in April for an in-depth investigation into where Eskom’s shortcomings were, its term was cut short in June, before it had made headway, and while the status of its report was in draft interim phase, said Seleka. According to some members of the board at the time, it was Brown who ordered a stop to the investigation, and that Dentons change the status from draft to final report, and then abandon the probe.

Seleka said she acted this way because the smokescreen purpose of the inquiry had been served. Eskom had the CEO it wanted, as predicted by Gupta associate Salim Essa in 2014, according to previous evidence heard by the commission.

“You played a role in cutting short an investigation that you’d wanted to be deep-dive,” he said to Brown.

“Why would I even say they should finalise the report? They had three months in which to do the report ... I actually don’t know,” was Brown’s response, adding that the probe did not find anything that was not already on the board’s radar.

“I don’t think the investigation would have been any different. What it did was to narrow down what was supposed to be happening in Eskom, which was not happening for the past couple of years.”

Many role players in the situation have used her as a scapegoat, said Brown. “Lots of people say the minister made me do it. Where I know who it is, I can take action. Where I don’t know, I cannot take action.”

But why then, Seleka pressed on, would Brown entertain Molefe’s appointment if Matona was to return in three months according to the terms agreed on by the board in March?

By the 17th, the board members were already telling Brown that Matona was amenable to negotiations – he was “hovering on staying or going”, she responded. It was actually the board that wanted Molefe to be appointed for longer, but the minister proposed an initial period of six months which could be followed by another three months.

On the other Transnet secondment, that of Anoj Singh to replace Tsholofelo Molefe, Brown denied that she instigated it. In his evidence before the commission last week, Singh said it was Brown who asked him to come on board in June 2015.

“I don’t think Mr Singh is correct in that. I got a board memo because I knew of Mr Molefe, I didn’t know Mr Singh,” Brown said. It was the board that sent her a letter requesting that Singh be seconded as Molefe had. “I approved the decision, but I didn’t say Mr Singh please come and help us.”

Again Seleka put a proposition to Brown: Singh replaced [Tsholofelo] Molefe because the latter had refused a proposition in April 2014 from Essa, who wanted his then company Regiments Capital to advise Eskom on a financial turnaround strategy.

Before even joining Eskom in August, Singh had enlisted the help of Regiments, which worked under McKinsey Consulting at the time, to carry out the strategy. The two companies were appointed shortly after his official arrival. Equally, Singh was also instrumental in transactions involving Gupta-owned Tegeta Resources, and even a R30-million payment in April 2016 to Trillian, the breakaway company from Regiments, for work that Regiments had done in the contract.

Brown said the Tegeta matter ended up benefiting ordinary South Africans, because Eskom paid less for coal than they would have had Optimum Coal Mine stayed in the hands of Glencore, a Swiss company.

“In this country of factions and connecting dots and all of that, other people connect dots differently ... so I was very happy that the price passed through to citizens of South Africa will be lower than it would have been if it was increasing to R500 per tonne [by Glencore].”

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