



6 June 2019

### **Zondo Commission – Singh defended Regiments’ intrusion on Transnet procurement processes**

Former Transnet group treasurer Mathane Makgatho has told the commission of inquiry into state capture that she often butted heads with her former boss, Anoj Singh, on matters pertaining to project funding within the parastatal. In the lead-up to the acquisition of 1 054 locomotives in 2014 in particular, she would begin to see a pattern forming of the former group CFO deliberately undermining her role, to the extent that he would include one of her deputies, Danie Smit, as he knew the latter would not challenge his decisions. She also started to stand up against an intrusive Regiments, which Singh defended consistently.

Makgatho learned of Singh’s corrupt tendencies over time, after she noticed important proposal memoranda from her and her team going missing, only to resurface later as work developed by Regiments, albeit in diluted form. Regiments had emerged as a thorn in the relationship between Makgatho and Singh, with the former insisting on excluding the company in important phases of the procurement process.

Regiments, of which close Gupta associate Salim Essa was a director, tried to align itself during the course of 2013 with Makgatho’s unit in the period leading up to the major procurement project. Their efforts were mostly in vain, but they were insistent. One of the instances that stood out for Makgatho was when Regiments CEO Niven Pillay first proposed the provision of advisory services to her in early January 2014, when the work of negotiating with the selected bidders was about to start. She asked him to revise his vague proposal and return to her with a more solid one detailing each line item, and when she gave feedback to Singh on this engagement, he was visibly annoyed.

By sending Regiments back to the drawing board, Makgatho wanted to make the statement that the company was not adding much value to Transnet, as the services on offer were already catered for in her department. “I merely wanted an objective way of saying [to Singh] you see, this one cost this much and there is no need, we can do that internally.”

Singh, however, would have none of it. “It was at this point where he told me they were not my advisors, they were his advisors, advising him through me,” said Makgatho. Earlier evidence revealed that an agreement was signed between only Singh and Pillay on the joint letterheads of Transnet and Regiments, later that January. It was valued at R15-million.

Earlier unsolicited proposals from Regiments included one that came in late 2013, when Makgatho had been in the position for a few months, having taken over the role in March of that year. An unexpected call from an official at Nedbank sparked her curiosity. The official asked Makgatho if Transnet was in the market for a loan, as Regiments was asking for R9-billion on its behalf. Ordinarily the solicitation of loans would be done by her unit, and only when the need had been identified at a higher level. She was told that another Nedbank official, Moss Brickman, was working with Regiments on it.

Days later Singh provided Makgatho with the proposal from Regiments, to help solicit a R5-billion loan with Nedbank. It was the conditions around it that emboldened Makgatho to take Singh on – not only was there an annual payable interest of R150-million, but the loan also had a provision for an in-between structure, undoubtedly Regiments, who would also benefit.

Singh told Makgatho that group CEO Brian Molefe wanted it concluded and a recommendation should be completed that same day. But when she confronted Molefe about it, spelling out the disadvantages, he agreed with her that it was not a good idea.

“I was surprised that I would be expected to recommend a R5-billion facility with Nedbank via an in-between structure, something similar to an SPC [special purpose company] ...” She told Molefe of the dangers of entering into such a deal. “I was very direct, I said Mr Molefe, if I recommend this and you approve it, are you aware that we are going to jail? I am not going to write a recommendation that R750-million be stolen.”

The facility was not implemented. Regiments, added Makgatho, did not have a mandate to talk to banks on behalf of Transnet. “For Nedbank to be brave enough to provide Regiments with a proposal, they can only do that on the back of a written mandate, so maybe someone somewhere gave a written mandate.”

A proposal was tabled later that year by Regiments director Eric Wood, in a meeting with Makgatho and Singh. It suggested the use of the Reserve Bank as a counterparty, and not commercial banks, for purposes of cross-currency swaps for the foreign loans that Transnet would require for the locomotives project.

The rationale behind this proposal was a shock to Makgatho, who raised the point that National Treasury regulation signed off in the late 1990s was that the Reserve Bank would not play in the forward book market any more, as a result of the country not being able to build up foreign currency reserves over time. “This is a policy that was publicised a lot...and I believe it was one of the factors that made the currency so volatile in the late 90s and early 2000s.

“These are the experts I was expected to take advice from, who could not even comprehend or know that this proposal that they are proposing is a no-go zone, given all sorts of unintended consequences on the fragility of the rand, which might spill over into inflation and potentially shock the GDP,” Makgatho recalled. By this time, she had lost all patience for Singh and Wood.

Makgatho again escalated the matter to Molefe, “I told him GCE, your people have outdone themselves this time around.”

She impressed on him that when the two of them had worked in the national treasury together, the events around the forward book policy were emerging. “Maybe they have the luxury because they don’t have the information that we have, and the implications that this will have on the rest of the economy,” Makgatho told Molefe.

#### **Useful links:**

[Zondo Commission website](#)

Corruption Watch’s [Zondo Commission update page](#)

[Transnet](#)