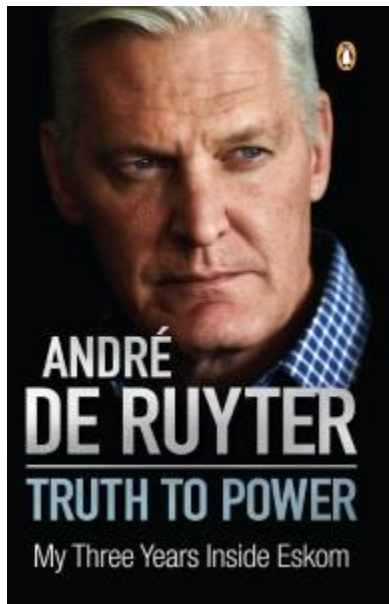


Extract: Truth to Power by André de Ruyter

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When André de Ruyter took over as Eskom CEO in January 2020, he quickly realised why it was considered the toughest job in South Africa. In his explosive memoir, *Truth to Power*, De Ruyter candidly reflects on his three years at the power utility, his successes and failures, his reasons for leaving and his hopes for the future. As someone who is not beholden to the ruling party, he is uniquely placed to speak truth to power.

## 10: The Land of Porsches and Louis Vuittons

“Watching the main exit gate of Megawatt Park from my third-floor window, I was astounded to see a number of Range Rovers, BMWs, Mercs and even a stray Porsche heading for the exit at 15:30 in the afternoons.

Did we really have that many rich employees? And, if so, why were we paying top dollar for workers who were already packing up an hour or two after lunch?

The flaunting of wealth wasn't limited to fancy cars. As someone who has spent more hours waiting at international airports than I care to remember, I have acquired a fair idea of the cost of luxury goods. Watching some of my relatively junior colleagues swan around clutching Louis Vuitton handbags, equivalent to a month's salary, and decked out in branded Hermes dresses, Panerai watches and Christian Louboutin shoes, made me wonder where on earth the money came from. I am not saying everyone driving expensive cars or wearing designer clothing obtained their wealth through illicit means, but considering the opulence displayed by employees of a state-owned enterprise, it was certainly suspicious. Either Eskom employees were living way beyond their means, or they had access to funds from other sources.

It didn't take Sherlock Holmes to figure out what was afoot.

Flaunting it was the way to go, because putting money in your bank account could attract the scrutiny of Eskom's internal audit department, the Financial Intelligence Centre or the South African Revenue Service (SARS). So, what do you do with R100 000 in hot, illicit cash? You go to the Louis Vuitton shop.

Similarly, it turned out that several senior Eskom managers were also gifted cattle farmers, registering farms in Limpopo in the names of cousins and other relatives. Doing anything in your own name or your spouse's name would be picked up in a lifestyle audit. As happens when a farmer tries to trap jackal, the ever-tightening anti-corruption net had merely resulted in ever-smarter criminals, skilled in evading detection. I was told of one less-than-honest Eskom manager who glibly boasted that a lifestyle audit wouldn't pick up the cattle delivered to your farm, as you could claim preternatural fecundity in your herd. Clearly, the deceitful habits formed during the state capture era had not yet been broken.

During this dark chapter in our nation's history, political interference and widespread corruption in state-owned enterprises was the norm. President Jacob Zuma and his cohorts, including the infamous Gupta family, infiltrated the highest levels of these organisations by appointing pliable employees to key management and board positions.

Together with its state-owned sisters like Transnet and South African Airways, Eskom bled a veritable ocean of money into the coffers of the state capture brigade. Calculating the total cost of state capture is a complex exercise, but some have estimated it as high as R1 trillion. President Cyril Ramaphosa put the amount at R500 billion but testified before the Zondo Commission that the full cost may never be known.

Eskom was a ripe peach waiting to be plucked. With a procurement bill north of R140 billion per annum and a capital expenditure budget exceeding R35 billion per annum (even following the completion of major construction activities at Medupi and Kusile), the opportunities for looting were everywhere.

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The effective abandonment of all principles of good corporate governance made it possible for the Guptas to execute one of their most audacious schemes through the attempted capture of the Optimum colliery. Astoundingly, Eskom’s board voted to aid them in this endeavour by rubber-stamping financial assistance of more than two billion rand. On 9 December 2015, the day before Tegeta (a Gupta company) concluded the deal to buy Optimum Coal Holdings (OCH) from Glencore, the Eskom board approved a prepayment of R1.6 billion to Optimum, using the ruse that this was for the supply of coal to Eskom’s Hendrina power station. A day later, this payment was reclassified as a guarantee. On 11 April 2016, the Eskom board approved a further payment of R659 million, this time to Tegeta, purportedly for the supply of coal to Eskom’s Arnot power station. Both transactions were a clever sham used by Tegeta to use Eskom’s money to pay the purchase price for OCH. The Zondo Commission concluded that these payments ‘were made with the single purpose of ensuring that the Guptas’ deal in terms of which they acquired the Glencore coal interests did not fall through for want of finance on the part of the Guptas’. The Zondo Commission ultimately recommended that the National Prosecuting Authority (NPA) should prosecute Koko and Molefe for their involvement in numerous state capture matters.

When reading through the minutes of the board meeting that allowed all of this to happen, I was struck by the sheer sense of normality that had been created, as if these egregious acts were entirely within the normal course of Eskom’s business. Board members displayed neither outrage nor courage. They didn’t question these decisions and were only too happy to acquiesce in criminal acts.

Of course, the looting was not confined to the executive floor of Megawatt Park. Once it became clear that it was now open season, many employees, ably abetted by contractors and suppliers, gorged themselves.

In the governance vacuum created by the Zuma years, the floodgates were open to all and sundry to get their moment at the trough, with the Guptas only being the most prominent looters. Although they and Zuma hogged the headlines with the grand project of state capture,

the millions of smaller and less visible corrupt acts were no less damaging. What they lacked in size, they more than made up for in numbers. Corruption permeated every level of government: national, provincial and local. As former president Kgalema Motlanthe memorably put it, 'There's a mini-Gupta in every town.'

At Eskom, no item was too small to serve as a conduit for the looting, even a humble single-ply roll of toilet paper. At the time, they cost around R5 each, but Eskom purchased them for R26 – a 420 per cent markup.

In all my discussions with exco members, the common thread was that procurement was one of our biggest problem areas. The division's information technology had been neglected, probably deliberately so. Master data had not been kept up to date, which meant that procurement officials were not constrained by item codes and could therefore pay R51 for a black refuse bag, which retailed for R2.99.

It soon became clear to me that our chief procurement officer, Solly Tshitangano, was completely out of his depth. On his watch, less than 35 per cent of items were purchased according to contract. The rest was on so-called free text on the vendor software system SAP. This is a fancy way of saying you could type in pretty much any amount you wanted. It creates the space for ordering a R238 000 mop, a purchase that was fortunately averted in the nick of time.

Solly felt that fixing this broken procurement system was purely the responsibility of our IT division, which was of course a clear shirking of responsibility on his part.

By bypassing Solly, I would eventually manage to push the figure of 35 per cent up to 95 per cent.

**“While the Gupta family had been the shark swimming in the murky waters of state capture, the much smaller piranhas were feasting on Eskom's flesh.”**

A visit to Kriel power station in Mpumalanga would also cast a harsh light on our procurement woes. When I arrived, I was greeted by an all too frequent sight. Rubbish lying everywhere, lawn not mowed, windows broken. 'How does your house look?' I asked the managers. 'If you have a broken window there, do you also just leave it?'

Much avoidance of eye contact followed.

Eventually Bruce Moyo, the cluster manager for the region, took me to the storeroom, and showed me some kneepads that workers use when performing tasks like welding and cleaning the insides of pipes, chimneys and other areas at power stations.

‘Did you know we pay R80 000 for these?’ he asked. ‘Each!’

I was flabbergasted. You could buy a pair for around R150 at Builders Warehouse.

Back at Megawatt Park, I started asking questions. But I didn’t receive any meaningful feedback and it didn’t seem like the issue was being taken seriously enough. I instructed our forensic department to do a proper investigation. ‘We can’t allow these things to carry on,’ I told Jan Oberholzer and Phillip Dukashe, the head of generation.

Still nothing.

Starting to grow more than a little irritated, I resolved that we would hold a meeting on this issue every week – until it was sorted out.

I wanted Jan and Phillip present at this weekly meeting, as well as our head of forensics and our head of security.

This was a clear case of micromanagement, and usually something that a CEO should try to avoid, but nothing else was working. I told my team that the last time I had operated in this fashion was when I was an assistant manager at Sasol. When I followed through, the embarrassment was enough to provoke action.

Chris Baloyi, who had just taken over as our new head of forensic investigations, got the bit between his teeth. He phoned the suppliers and within twenty-four hours one of them had returned nearly R1.2 million to Eskom. The alacrity was a clear admission of guilt that the money had effectively been stolen.

To add insult to injury, the supplier had not even delivered his overpriced kneepads. It also transpired that the company’s sole director was a relative of an Eskom employee.

The second supplier had also been paid over R1 million for stock that was never delivered. The third provided an invoice for her own procurement of the kneepads. It showed that she had paid R4 025 and charged Eskom R934 950. This supplier admitted that she overcharged Eskom and acknowledged her indebtedness.

In addition to launching attempts to recoup the outstanding money, we also laid criminal charges. I was intent on seeing an arrest, and a willing Chris obliged. The suspect, a contractor working in the procurement department, was arrested and loaded into the back of a waiting police van. The perp walk that I had wanted to instil some respect for law and order had occurred. I saw the video of the arrest as the suspect clambered into the back of the van, and

gave myself a virtual pat on the back. Eskom 1, Crooks 0. But then I got a WhatsApp from Karen Pillay, our head of security, informing me that the suspect had been released by the police, 'on the instructions of a senior police officer'. I was outraged – and this was not to be the last time that Eskom's efforts to bring crooks to book were thwarted by apparently inexplicable police actions.

Although I was glad to have staunched some of the haemorrhaging, the amount of heavy lifting required to stop only one such cut-and-dried case of malfeasance was disconcerting, and even then no one landed behind bars. It was obvious that this was just the tip of a very large iceberg. For me to invest this much time and effort into every case of corruption was simply not sustainable or practical.

But at least this much was clear: while the Gupta family had been the shark swimming in the murky waters of state capture, the much smaller piranhas were feasting on Eskom's flesh.

I thought back to a meeting I'd had soon after taking the helm in January 2020. It was with Ben Theron, a freelance forensic investigator, who had done work with the Department of Public Enterprises, the Special Investigating Unit and Eskom itself.

I remember that Ben's opening remark had stopped me in my tracks. 'Congratulations, you are now the head of the largest organised crime syndicate in South Africa,' he said.

Feeling somewhat insulted, I maintained a straight face, but thought to myself, 'Surely, it can't be that bad. He's probably just angling for a job by exaggerating the extent of the problem.'

Ben unrolled a series of A3 printouts on my desk, detailing with spider graphs a web of connections that touched just about every part of Eskom. If this was to be believed, we had become the proverbial goose that laid the golden eggs for the corrupt and the crooked.

I was still a little sceptical. Could the looting really be as pervasive as the spider graphs indicated? It seemed scarcely believable that we could still be so captured.

But, as the months passed, I increasingly realised that Ben was one of the few people brave enough to speak truth to power. The parade of Louis Vuitton bags at Megawatt Park bore testimony to my naivety.

I was indeed the inadvertent Tony Soprano of the power industry."

Extracted from *Truth to Power* by André de Ruyter, out now.