



MINISTRY  
PUBLIC ENTERPRISES  
REPUBLIC OF SOUTH AFRICA

**DPE CONDEMNS DELIBERATE DISTORTIONS ON ESKOM AND TRANSNET;  
AFFIRMS INTENTION TO IMPROVE THEIR PERFORMANCE AND ENSURE  
ACCOUNTABILITY**

**PRETORIA, 2 October 2023** – The Department of Public Enterprises (DPE) has condemned the ongoing deliberate efforts to distort the truth on the process of appointing the Group Chief Executive Officer (GCEO) for Eskom, the nation’s power utility, and the interventions that the Board of Transnet are devising to fix the state-owned freight and logistics company.

Minister Pravin Gordhan dismissed the unsubstantiated claims and mischaracterisation about the ongoing process to appoint Eskom’s GCEO despite the numerous efforts to provide facts, adding that there was no truth to the assertions that he had interfered in the process. He also dismissed claims that he had rejected the Eskom Board’s preferred candidate.

Minister Gordhan said at issue was the non-compliance with the Memorandum of Incorporation (MOI) by not submitting three candidates for the role of GCEO as prescribed in the MOI. He also reiterated the DPE’s commitment to ensure that the SOE had the requisite leadership skills and experience.

“Once again, we are confronted with the fact that our work is being subjected to deliberate distortions. This is unacceptable,” Minister Gordhan said. “These distortions are meant to sway the South African public from the progress that we are beginning to see as we work to implement the necessary changes,” Minister Gordhan added.

Minister Gordhan said there needed to be an understanding that as the government’s shareholder representative he has given the Boards of Eskom and Transnet the latitude to fulfil their fiduciary responsibilities, and said any suggestion that he was standing in the way was patently false.

The facts are as follows:

**ESKOM:**

- The DPE awaits the Board of Eskom to resubmit their candidate list with three names in line with the MOI. Our plan is to see to it that this process is concluded before the end of the year.

- As the Shareholder representative, Minister Gordhan's duty is to ensure adherence and compliance with the prescripts of how the process of appointing the GCEO must be conducted in line with the MOI.
- The process will not be restarted from scratch.
- The MOI of Eskom and the Guidelines for the appointment of a Chief Executive for a State-Owned Enterprises requires that the Board identify, nominate, and evaluate potential candidates for appointment as the GCEO and submit a shortlist of 3 (three) candidates, who are not ineligible or disqualified from serving as directors, to the Shareholder to assist the Shareholder with the appointment.
- The recruitment process for the appointment of the Group Chief Executive Officer of Eskom must be beyond reproach. A rigorous vetting process of the candidates is required. An enhanced due diligence is also important.
- The Board is managing all the leadership issues.
- The DPE wants to ensure that there is leadership continuity at Eskom, and in this regard various discussions are taking place to ensure that there is no leadership vacuum especially as Eskom continues to drive ahead with the restructuring process.

#### **TRANSNET:**

- As the Shareholder representative, Minister Gordhan has given the Board clear instructions to devise a turnaround plan that should help increase rail volumes, improve efficiencies, improve internal controls, and boost infrastructure investment, among many interventions that Transnet requires.
- The Board has the DPE's full support in its efforts to devise its plan as was requested in the comprehensive statement that Minister Gordhan made on 1 September 2023 following the presentation of Transnet's FY22/23 financial results.
- The Board's responsibility also entails ensuring that Transnet's executive management structure is optimised and infused with the requisite talent to sustain Transnet's strategic overhaul and ensure accountability for non-performance.
- Minister Gordhan's injunction to the Transnet Board requested it to make recommendations on the following:
  1. **Operational Transformation:** To develop or enhance the plan to radically transform the operational performance of each of the business areas, including the restructuring of the entity to more effectively and efficiently deliver on its mandate.
  2. **Root causes:** To identify the root causes of the inability of management and staff to meet the performance targets and a plan to deal with the deficiencies.

3. **Stringent / rigorous accountability Oversight:** To develop, with the DPE and National Logistics Crisis Committee (NLCC), a new framework for transparency and accountability through detailed reporting on the successful execution of the turnaround strategy. We acknowledge that while some changes will manifest in short term while others will require more time.

5. **Management review:** Conduct a thorough review of the executive management, with a view to establishing whether persons with the right skills are optimally utilised to deliver on the mandate.

6. **Information and operational data Transparency:** A culture of accountability, discipline and transparent access to relevant information must be engendered in the organisation.

7. **Digitisation of systems:** Mechanisms to speed up the automation and digitisation of performance reporting systems to prevent deliberate and wrongful manipulation of data.

8. **Rigorous system of controls:** Implement urgently the controls identified by the Auditor General reports.

9. **Excessive cost structure:** Launch an initiative aimed at curbing superfluous expenses to boost financial sustainability.

10. **Employee Engagement:** An internal campaign must be put in place to instil a “Higher Purpose” among all employees. The commitment of each person to this “higher purpose” will make a significant positive impact on the economy and the global reputation of Transnet and South Africa.

- The Transnet Board is meeting this week to finalize its turnaround plan to advance these and other interventions to address Transnet’s underperformance.
- Operational issues (including VSPs) are the domain of the Board.
- The partnership between government and business provides a clear vision for capacitating Transnet so that it can increase freight and rail volumes.

Minister Gordhan said he was confident that any effort to undermine these and many other processes currently underway at Eskom and at Transnet will not succeed.

“What the public needs to understand is that government is fully committed to capacitating Eskom and Transnet so that our economy and our national strategic interests are not compromised. This is underscored by the strong partnership that between government and business to resolve the country’s logistics and energy challenges,” Minister Gordhan added.

For Media Enquiries contact Ellis Mnyandu, DPE Spokesperson:  
[ellis.mnyandu@dpe.gov.za](mailto:ellis.mnyandu@dpe.gov.za) or 012 431 1228 / 079 828 7779

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