# South Africa’s politically connected elites profit amid power outages

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On Monday, ESKOM, the largest South African power utility, began implementing its second round of “managed” blackouts this year, cutting 2,000 megawatts from its grid because it could not meet demand. Tshediso Matona, ESKOM’s chief executive, has warned about the possibility of a total collapse of the power grid.

South Africa’s political elites are profiting from the crisis by awarding themselves massive contracts related to the construction of new power stations. In particular, a company directed by the wife of African National Congress (ANC) Secretary General Gwede Mantashe received a R639 billion ($55 million) contract for providing food to workers at the construction sites of the new Medupi and Kusile power plants.

The *Sunday Times* reported that the Kusile contract was awarded on October 1, 2013 to RoyalMnandi Duduza, part of the politically connected Bidvest group of which Nolwandle Mantashe, is a director. The five-year contract is worth R639 million, one of the largest ever sums for catering.

Another, worth R787 million, was awarded to Lephalale Site Services for catering at Medupi in Limpopo and expires this month. Then a new contract, “likely to push catering costs closer to R2 billion,” kicks in.

The *Times*, sister publication of the *Sunday Times*, reports that Nolwandle is also chief executive of Tamorah Resources, “a new company hoping to secure contracts to supply coal to ESKOM.”

In response to criticism over the impropriety of the awarding of the RoyalMnandi contract, she said, “I do not rely on political connections to do business but on capable black and white people.”

At a meeting of businessmen earlier in January, Matona was quoted as saying that “one unexpected event at any of ESKOM’s power stations could push the country to the total failure of the national electricity system” that could take weeks to resolve. ESKOM spokesman Andrew Etzinger said that Matona had been “misinterpreted” because of incorrect grammar.

Construction at Medupi and Kusile was announced after rolling blackouts began in 2005. Chancellor House Holdings, an ANC investment vehicle, owned 25 percent of the chosen boiler supplier, Hitachi Power Africa. Boiler construction and software were subcontracted after Hitachi's welding on boilers and its software failed tests.

The Public Protector probed the company’s ESKOM contract, not least because Valli Moosa, then ESKOM chairman, is a senior ANC member. The inquiry concluded that Moosa, now Anglo American Platinum chair, “failed to manage the conflict of interests,” and Hitachi could not guarantee that the ruling ANC would not benefit from the R50 million profit it stood to make through its Chancellor House stake.

Medupi is set to generate its first power this year—18 months behind schedule and at an estimated cost of R154 billion, more than twice the R69 billion originally projected.

Costs at Kusile have ballooned to R172 billion from an initially budgeted R80 billion.

The ANC called on ESKOM to “fast-track” construction at the two new power stations after the collapse of a coal silo at the utility’s Majuba facility in Mpumalanga led to rolling blackouts amid heavy rains in early December.

A year ago ESKOM was forced to ask major industrial clients including SABMiller, BHP Billiton and Glencore Xstrata to temporarily cut consumption by at least 10 percent to ease strain on the national grid. Irregular electricity supply is often cited as a reason for the spate of reviews and downgrades of public and private South African debt by international credit rating agencies.

Construction at Kusile ran behind schedule partly because of delays in the signing of a coal supply contract with Anglo American Inyosi Coal. Former ESKOM CE Brian Dames said in 2013 this was because powerful interests wanted ESKOM to sign a contract with a company that was black-controlled. As it is, Inyosi Coal is only 27 percent black-owned, by a consortium that includes Lithemba Investments and Pamodzi Investment Holdings, in which among others, former Deputy President Kgalema Motlanthe, have been involved.

Matona, the current ESKOM CE, attracted widespread ire with his remarks that the country, but not ESKOM, was "in crisis."

At the Lethabo power plant which burns coal like most ESKOM power stations, the ash system failed. The plant effectively choked on its own waste, worsening the blackouts in December.

According to a clinic in the area, more people have shown signs of respiratory problems. Yet the Department of Environmental Services of the ANC government that appointed Matona, was not even aware of the dense cloud of toxic ash settling over the area.

In the run-up to the 2010 world soccer tournament, according to Matona, the government would not allow ESKOM to shut down plants for routine maintenance. With the 2009 general election adding pressure, ESKOM ran its existing plants at full tilt to keep the lights on at all costs, leading to more frequent breakdowns. "We are paying the price of these decisions," Matona said. "That's why we're in the situation we're in now."

ESKOM warned as early as the first administration of former President Thabo Mbeki(1999-2004) that new investment in generating capacity was needed. Hoping to break up and privatise the utility, however, the neoliberals surrounding Mbeki ignored the advice until it was too late.

Mpumalanga, home province of Kusile, is like Limpopo, has also forked over to politically-connected businesses. Last March City Press reported that the newspaper was in possession of "copies of bank statements that show R39.8 million was paid to celebrity event planner Carol Bouwer in the space of a week."

Bouwer's company, which did not bid competitively for the job, was tasked by Mpumalanga Provincial Director-General Nonhlanhla Mkhize with organising memorial events following the death of former president Nelson Mandela on December 5, 2013.

This outlay took place with the full connivance of provincial Premier David Mabuza. As a result, City Press reported, "Mpumalanga's government... shifted R70 million from six of its departments' service delivery budgets to cover employee salaries..."

The affected departments included social welfare services, public works and finance.