

# Guarantee "a short-term benefit" for SAA

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South Africa Airways (SAA) would derive only short term benefit from the R5bn state guarantee approved by Treasury last month as it required an appropriate capital structure which was more permanent, the former directors of the airline said in the annual report tabled in Parliament on Monday (19 November).



Most members of the former board, including chairman Cheryl Carolus, resigned ahead of SAA's annual general meeting while others were replaced by Public Enterprises Malusi Gigaba on the expiry of their term of office.

The directors were concerned about a lack of support from the airline's shareholder, the Department of Public Enterprises.

Gigaba had to inform Parliament that the tabling of the annual report would be delayed pending confirmation by Treasury that it would agree to a R5bn guarantee over two years so that the financial statements could be presented on a going concern basis.

"The directors are of the view that the financial support of its shareholder would be adequate for the going-concern requirement in the short-term being 12 months from the date of approving these annual financial statement," they said in their report.

"The directors however remain of the view that a more permanent appropriate capital structure is required for the airline."

They stated that the fact that SAA is an under-capitalised business had had a significant effect on its ability to operate within the currently volatile economic environment.

The annual report revealed that SAA incurred irregular expenditure of R128m (R85m previously) in the year to end-March.

This represented 0.6% of operating costs excluding labour and depreciation and was incurred for purposes of "business continuity" because supply chain management processes were not adhered to.

Fruitless and wasteful expenditure for the year amounted to R4m of which R3m was unavoidable as it related to baggage claims, penalties and fines, which the report said were costs "inherent in the aviation industry".

Disciplinary and remedial actions had been put in place to mitigate the recurrence of avoidable fruitless and wasteful expenditure.

The loss due to criminal conduct was estimated at R28 000. Disciplinary action was taken and the loss was recovered.

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