

# Airbus refunds SA R3,5bn after legal wrangle

*Business Day* reports that European aircraft giant Airbus has refunded R3,5bn to state arms procurement agency Armscor, following two years of legal wrangling between the parties after repeated delivery delays and complaints of cost increases, terminating a contractual dispute that arose when SA cancelled an order for eight A400M military transporters in 2009.

SA had originally wanted to buy eight A400M military transport aircraft, and signed an upfront payment deal with Airbus in 2005, but pulled out of the contract in 2009, saying that it had become unaffordable due to the economic recession. Armscor said it had received the full amount including interest.

While the refund has been welcomed, the cancellation of the order has raised questions about South Africa's commitment to peacekeeping and humanitarian assistance on the rest of the African continent. A Department of Defence spokesman said SA was still in the market for aircraft with heavy-lifting capacity, and observers said this would be a necessary step towards SA asserting itself on the continent, and enhancing its international role and profile. SA is gunning for a permanent seat on the United Nations Security Council and its Home Affairs Minister Nkosazana Dlamini-Zuma is lobbying to replace Jean Ping as the next African Union commissioner. Such roles, observers say, could only be adequately fulfilled if logistical services such as those provided by the transport planes are reliable and efficient.

The cancellation of the contract followed a statement by Armscor that the price had spiralled from R17bn to R47bn due to delays. The government said at the time the contract provided for unilateral cancellation if there was a delay of 14 months in meeting milestones. Airbus again denied, however, that the cost of the deal had ever escalated beyond the original contract price of R9,1bn. Defence analyst Helmut Heitman told *Business Day* that the key question was the role SA wanted to play in Africa and globally and whether the country could be taken seriously in efforts to build a global profile. Yesterday's development also came at a time when SA was looking to upgrade its VIP transport jets for President Jacob Zuma and Deputy President Kgalema Motlanthe to the tune of R1,6bn.

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