

SAA's new plan will not put an end to the farce

By [Leon Louw](#)

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South African Airways (SAA) has a new plan. No, not that plan, not last year's plan, or the preceding plan, or the succession of failed plans since the airline industry was nationalised in 1934, but a new one. There is nothing new in the plan, but it is a new plan. It is, as before, a special kind of plan, not for what will happen, but for what will not happen.



Leon Louw of the Free Market Foundation. Image: [DeSmogBlog](#)

To be fair, some of the plan will happen.

SAA will, for instance, divert more from service delivery, education, healthcare, infrastructure, policing and welfare. They will compete unfairly against the private airline that has survived merciless assault. And they will deny consumers diversity, innovation, choice and efficiency.

What will not happen is that the farce will not end. SAA will not become efficient or profitable. It will continue adding to last year's (historically modest) R1bn loss (equal to 20,000 RDP houses). It will not provide "strategic services" in any intelligible sense. Instead of being a national "flag carrier", it will continue being a national disgrace and an unaccountable few will be enriched at the expense of the poor.

This column was inspired by a talk show interview which was conducted last week with whoever the latest chief executive of SAA might be, in which a well-known host trumpeted the virtues of "strategic" services to Ouagadougou, Vergenoeg, and the Maasai Mara, or whatever.

Strategic destination

"Strategic" destinations are fabulous because of how much can be wasted on passengers spared the inconvenience of connecting flights, because SAA can fly anywhere for a few elites at the expense of the poor, and because there is a limitless supply of "strategic" destinations.

According to an aviation expert, every airport, runway and landing strip on earth is a potential "strategic" destination.

Last year, R300m was redistributed from the poor to a few indulgent passengers headed for one of SAA's "strategic" destinations.

The notion that a nationalised "flag carrier" is needed to fly "strategic" routes is an apartheid "strategic industry" relic.

In the real world, which has passed us by, nationalised airlines have tumbled from being insanely wasteful "flag carriers" to being symbols of banana republics, and we have progressed from being a pariah state to being one of the few countries whose citizens can fly anywhere on any airline.

Financial sanity entails cutting losses. Unless someone else pays. Then you can buy luxury aircraft by the dozen, limited only by killjoy ministers of finance unwilling to redistribute as much from the poor as SAA wants.

"All SAA has been given", according to an editorial in Business Day, "is a R5bn guarantee". That is the equivalent of 100,000 RDP houses for our destitute homeless compatriots.

SAA must also perform a "developmental" function, which means it has to make things worse by sourcing locally.

Gullible people are easily duped into thinking "local is lekker", regardless of cost, and that spending inefficiently is "developmental".

That this is nonsense is one of the few issues on which virtually all economists agree. Exports are not better than imports. On the contrary, the sole purpose of exports is imports. Imports are possible only after exports (or foreign investment) have generated funds (or credit) with which to import.

Inefficient local production of the kind proposed occurs at the expense of competitive exports because it diverts revenue from competitive exporters to uncompetitive suppliers.

The really interesting question is why we are doomed to this perpetual farce.

What is the political payoff? The diversion of resources from millions of destitute voters to a few obscenely privileged elites is, after all, politically counterproductive. It even lacks the temptations of patronage and corruption, because the same degree of waste would generate better opportunities for more leeches elsewhere.

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Source: Business Day via I-Net Bridge.