

# Not 'business as usual' says SAA's Kona

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South African Airways (SAA) acting CEO Vuyisile Kona is preparing plans to increase revenue and improve efficiency in a bid to boost the performance of the ailing state-owned carrier.



The company was forced to borrow R550m from banks this month to finance its operations for December because of the festive season lull in passenger traffic.

The plans, to be handed to SAA's board, were a set of "interim measures" aimed at stabilising the business, Kona said on Monday (7 January).

The airline's board and its shareholder, the Department of Public Enterprises, were devising a longer-term turnaround strategy to be handed to Public Enterprises Minister Malusi Gigaba in March.

"Our chairperson (Dudu Myeni) has told us she wants us to do more; it cannot be business as usual at SAA," Kona claimed.

He said everything - including fuel contracts, catering services and technical and maintenance divisions - was being scrutinised for efficiency.

"We are going through difficult times and are trying to get our house in order - that is why we are pushing ourselves to be as operationally efficient as possible because we can't just go out and keep borrowing money," Kona said.

SAA spends about R6.5bn on fuel each year, or R540m a month. Fuel accounted for as much as 40% of the business's operational expenses, he said. Department of Public Enterprises spokesman Mayihlome Tshwete described the airline as a business "in distress".

He said borrowing against the R5bn guarantee extended to the airline in October to fund its operations had always been envisaged.

"What did people think the R5bn guarantee was supposed to be for? They were always going to use it. About R1.5bn of that loan was designated for possible future working capital requirements," Tshwete said.

Kona said the R550m loan was currently repayable after three months but Tshwete said the repayment period and further loans the airline may require were still the subject of discussion.

"Some of processes have not been completed. Discussions are still continuing with financial institutions. Some of the assertions on the funding make the assumption that these deliberations have been concluded," Tshwete said.

"The payback date and the month have not been finalised. Right now we are discussing the details of what type of financial support SAA is trying to find," he added.

Kona said SAA's finance team did not envisage further loans against the guarantee to cover any revenue shortfalls for this month.

"SAA's long-term fuel contracts had recently expired," Mr Kona said, adding that a new tender was being issued in the hope of securing cheaper fuel than the carrier was able to procure from the big five suppliers in South Africa.

Source: *Business Day* via I-Net Bridge

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