SAA's strategy given to Gigaba on time

Public Enterprises Minister Malusi Gigaba on Tuesday (2 April) received the long-term turnaround strategy for SA Airways (SAA), his office said.

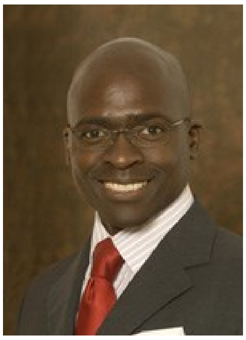

Image: GCIS

Gigaba expressed his appreciation to SAA's board for having met the deadline for delivering the strategy at the end of March, spokesman Mayihlome Tshwete said in a statement.

Last month, the public enterprises department announced that Gigaba had removed suspended SAA acting chief executive Vuyisile Kona from the airline's board. A number of SAA board members, including chairman Cheryl Carolus, unexpectedly quit last year before the annual general meeting in October, when their term was due to end.

Tshwete said Gigaba commissioned the long-term turnaround strategy because without such plans government support for SAA could not continue.

Last year, Gigaba established the task team to develop the strategy after SAA's annual general meeting, where a R1.3bn operating loss, for the year ended March 31, 2012, was reported.

At the time, Gigaba said the task team included Kona and the chief executives of SA Express and Mango. In January, SAA received a R550m bank "facility" to cover fuel and other short-term commitments.

In February, acting chairman Dudu Myeni told government officials a 20-year turnaround plan, which could include cutting some flight routes, had been developed.

Responding to questions about why the latest plan would be more credible than previous ones, SAA acting chief executive Nico Bezuidenhout said the latest "holistic" strategy aimed to achieve sustainable business.

"Minister Gigaba has cautioned that given SAA's past inability to implement strategies, the same situation would not occur this time around," Tshwete said.

Staff disruptions

The strategy aimed at ensuring costs, such as rising fuel prices, did not negatively affect the airline's balance sheet. It sought to ensure that possible changes to the capital structure would be sustainable in both the short- and long-term.

Gigaba earlier said he considered Kona's removal prudent and that stability and cohesion in SAA's leadership was important to the airline.

At the time of Kona's removal, Tshwete said the relationship between Kona and the board had deteriorated to a point where he could not lead or function optimally, either as a member or board chairman.

SAA put Kona on a precautionary suspension in February, after allegations against him thatthe board said "it had a fiduciary duty to investigate". The nature of the allegations was not disclosed.

In February, *The Sunday Times* reported that an allegedly doctored opinion by SAA's general manager of legal services Fikile Thabethe led to Kona's suspension.

SAA spokesman Tlali Tlali told the newspaper Kona's suspension fell within the normal employer-employee relationship.

The Democratic Alliance previously suggested SAA should be privatised if its turnaround strategy did not bear fruit in five years. DA public enterprises spokeswoman Natasha Michael said the latest strategy was "the airline's last chance to stabilise its operations after nearly two decades of wasting public funds".

"It should not take 20 years to turn SAA around. While we acknowledge that miracles cannot be performed overnight, marked improvements should be visible in the medium-term," she said.

Source: *Sapa* via I-Net Bridge