



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



SOUTH AFRICAN AIRWAYS
A STAR ALLIANCE MEMBER 

REMARKS BY THE MINISTER OF PUBLIC ENTERPRISES, MR PRAVIN GORDHAN AT THE RELAUNCH OF SOUTH AFRICAN AIRWAYS (SAA) TRANS-CONTINENTAL ROUTE BETWEEN SOUTH AFRICA AND BRAZIL

26 OCTOBER 2023, CAPE TOWN

Honorable South African Tourism Minister, Patricia de Lille,
Honorable Vice Minister of Tourism of the Federative Republic of Brazil,
Ana Carla Machado Lopes,
Members and Representatives of the Diplomatic Corps,
South African Airways Board Chairperson, Mr Derek Hanekom,
South African Airways Chief Executive Officer, Prof. John Lamola,
South African Airways management and staff,
Members of Parliament (South Africa),
Members of the media,
Esteemed guests,
Ladies and Gentlemen,
Good evening.

- SAA is in many ways an entity rising from the ashes of State Capture like a Phoenix. Because a few years ago we thought that with all the damage that had been done to SAA it wouldn't survive. And there were many who thought that the best way to deal with the future of SAA was to liquidate it.
- Today we are running with an SAA that is still very much alive, that has been brought out of ICU, that is expanding in a systematic, gradual, nonetheless careful way.
- So we can proudly say that SAA is back on the scene.
- And there are many who are afraid of SAA's arrival so to speak, both on the international side but also within South Africa itself because in the next year or two, you will see a lot more SAA planes on the tarmac.
- The tarmac will not only be full of blue and pink, but it will also be full of SAA colours as well.
- Those of you who know about tourism and aviation would admit that suddenly prices of tickets from South Africa to elsewhere in the world have become much more expensive. There might be some manipulation or management of seats that are available. They are always full for one reason or another.

- So these international flights, transcontinental flights like the one we are relaunching today are going to be quite important for the South African consumer because competition is supposed to bring prices down.
- But to reflect upon the recent 10 years, how this institution was damaged, I want to quote Chief Justice Zondo, who said in his findings on SAA and its units:

“State capture thrived ... because they were eventually being run, not in the interests of the people of South Africa for whom they were established, but in the interests of a select few who wielded power inside and outside of the entities.”

- So in that period of about 10 years the government had to put in some R40 billion into SAA, and notwithstanding that, by December 2019 we were awoken by the board of SAA having to decide to put SAA into business rescue.
- Then came the COVID-19 pandemic which closed not only South Africa’s borders but borders all over the world, and that began to impact globally the aviation industry as well.

- But notwithstanding State Capture, the COVID-19 pandemic, SAA is where it is today, and what we can see ahead of ourselves, as far as the recovery of SAA is a tremendously bright future if we manage the current expansion properly but also conclude the deal with the strategic equity partner. The deal with the strategic equity partner – that should be concluded either late this year or early next year – our wish is for late this year.
- That would add more muscle, make a lot more money available to SAA to expand, and will multiply its capacity to take South Africans out of South Africa, but also bring tourists into South Africa from all parts of the world as it once did but now in a financially sustainable way.
- So this flight to São Paulo, ladies and gentlemen, is an important event because it signifies an important gesture. All those who critically watch what we are doing with SAA at the moment, would know that there are many naysayers around.
- There are many people in the industry, and sometimes outside the industry, who wish it wouldn't work but as Prof. Lamola (interim SAA CEO) said earlier on, we are South African.

- And South Africans are known. Hopefully this Saturday as well (when the Springboks take on New Zealand in the 2023 Rugby World Cup). We are known for our resilience. We are known for our sense of vision. We will have our pitfalls every now and again. Being human, there would be mistakes as well.
- So hopefully this time on Saturday we are not going to win with one point. So SAA is also not going win by one plane to become a success that we are looking for.
- So this is a sign that more intercontinental flights, not only through code shares, but by SAA in its own right, should be around the corner. São Paulo is just a start, and we need to see how we can expand the network because as I said earlier on, the beneficiaries will be South Africans at the end of the day.
- But through this process of recovery, what we have been able to do is to firstly establish that there is no more money that is going to come from your taxes that is going to go into SAA like the R40 billion that went in over a 10-year period.
- SAA must survive on its own strength. It must survive on the capital that will be provided by the strategic equity partner. And it must grow organically into whatever shape it is going to take into the future but one that is certainly bigger than what we have in the present situation.

- The second point is that through the business rescue process, SAA's balance sheet is not encumbered in any kind of way. All the muck has been cleared out, and the state has taken responsibility for that – R10.5 billion has been spent – R2 billion of which is what was used in September 2021 to get operations that we see currently getting off the ground. So the state contributed in some way in that particular regard.
- And those that lost their jobs through the business rescue process, the state also provided for very generous voluntary severance packages so that each of the former employees of SAA had enough to survive on, had enough to look after their families, and had enough to actually start a different career, or if they wished to start a business, which many have.
- But equally important, as has been pointed out, that you have a family of 2 000 people that are working within SAA, all of those jobs would have gone. It took 3-1/2 years of very hard work, particularly in the Department initially, to ensure that we steer this process, which is fairly unique.
- But it is a signal to the investment community in South Africa that reforms are possible in South Africa, that we can execute just through South African talent these very complex deals, and complex reform process in state-owned entities.

- At the moment, today there are a lot of political clouds around the true nature of the crisis we face, the recovery path that we actually have follow, and the successes that we are piling up.
- Although (the successes) they are very small, they are very important. They signal to South Africans and to the investment community that structural reforms and particularly among state-owned entities are absolutely possible and they can be successfully executed by South Africans as is the case with SAA itself.
- SAA is great as far as internal dynamics are concerned. But our colleagues in SAA at the Board level, and at the management level, and the staff level are actually carrying the flag, and that flag is a signal to people outside of South Africa and in South Africa that you can have confidence in our country, that there is hope in this country, and you can make that hope a reality if you work hard enough and work with the right integrity.
- But we recognize that human beings have this tendency to be greedy, they have a tendency to take short cuts, they have a tendency to fill their pockets before they actually do their job. So whether it is here or elsewhere in the world, the same phenomenon applies as well. When we have the right integrity amongst our leadership, then we will make sure that these organisations move in the right direction.

- So to the Vice Minister of Tourism from Brazil, we want to say thank you for hosting SAA on the other side. I have every intention of visiting Brazil – to make a short trip to Brasilia -- to meet some of your ministers as well so that we consolidate the relationship that we have between South Africa and Brazil, between President Ramaphosa and President Lula, for whom we have very, very high regard because he has done some remarkable things that have benefited the Brazilian population. And I am sure we can learn from each other in that regard.
- So finally, congratulations to all those who made this possible. Congratulations to the SAA team. You are flying not only in South Africa and on the African continent but now across the Atlantic Ocean. And with that flag you are sending important messages to various constituencies that we can do better in South Africa than we might be doing at the moment.

I Thank You

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