

**SUNDAY TIMES NEWS** BY SABELO SKITI, 2015-11-08

## State fumes as SAA boss eyes R5bn fleet

The woman at the helm of SAA, the country's broke national carrier, wants to go on a R5-billion shopping spree for new planes.

And her insistence on doing this has scuppered a life-saving deal negotiated with the French aircraft manufacturer Airbus that has the South African government fuming.

Dudu Myeni, SAA's controversial chairwoman, has taken it upon herself to single-handedly thrust the airline into another frightening financial position by disregarding a payment deal with Airbus, a deal approved by Finance Minister Nhlanhla Nene earlier this year.

The European consortium is demanding that SAA cough up R1.6-billion - in a week's time. Failure to do so will see airline bosses going back to the government cap in hand for guarantees to borrow more money.

The Sunday Times has had sight of internal documents that shed light on the behind-the-scenes antics of Myeni, a close friend of President Jacob Zuma, who appears to do just as she pleases as the airline lurches from one crisis to the next.

SAA signed a deal to buy 20 new aircraft in 2009 and took delivery of 10, but then realised earlier this year that it could not afford to buy the rest, which were due for delivery next year.

However, it was tied to the deal and as a way out, a new contract was negotiated with Airbus whereby the company would waive the R1.6-billion payment due and for SAA to lease aircraft instead.

But on October 15, Wolf Meyer, the airline's chief financial officer, wrote to the Treasury to alert officials that the renegotiated deal with Airbus was "at risk" because the SAA board had failed to rubber-stamp it because "some of them" wanted to buy a new fleet of A330 aircraft from Airbus instead.

"SAA will no longer be exempt" from pre-delivery payments, Meyer wrote.

The next day, Treasury Director-General Lungisa Fuzile wrote back, threatening action against the board.



**national treasury**

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Mr Wolfgang Meyer  
Chief Financial Officer  
South African Airways  
Private Bag X13  
**OR TAMBO INTERNATIONAL AIRPORT**  
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Dear *Mr Meyer*

**SOUTH AFRICAN AIRWAYS SOC LIMITED (SAA) INABILITY TO MEET ITS CASH FLOW OBLIGATIONS**

I refer to your letter dated 15 October 2015 regarding the above mentioned matter.

From your letter it appears that SAA is giving consideration to the possibility of amending the transaction with Airbus to become an outright purchase of the A330 aircraft by SAA, instead of the approved swap lease transaction. This change would result in the airline having to fund pre-delivery payments (PDPs) of approximately R1.6 billion within one month.

SAA's cash flow forecasts indicate that the airline does not have the financial capacity to fund these immediate PDPs, let alone any further commitments that would be payable. No provision has been made for funding such a transaction in SAA's Borrowing Plan, which forms part of its 2015 Board approved Corporate Plan.

The Minister of Finance's letter of 30 September 2015 to the SAA Chairperson...  
...required SAA to ensure that any changes to the A320...  
...in a better financial position than would have been...  
...has been...

"Further committing the business to pay for something it cannot afford does not seem to be in the best interest of anyone, least of all the entity itself," he wrote in a scathing letter.

"This would place the already tight fiscus in an untenable position where government would find itself forced to make a payment it never planned for.

"I cannot recall a single instance where a similar situation has occurred in the nearly two decades of working at the National Treasury.

"I would like to know from you (and possibly other board members) as to why you don't think that this would amount to a breach of your fiduciary responsibilities and thus should attract the consequences that are warranted by such a breach?"

Fuzile reminded Meyer that any deviation from the approved deal would require approval from Nene in terms of the Public Finance Management Act.

"I want to emphasise that failure to do this will amount to a breach of the [act]," he wrote. Further, this would be viewed in a very bad light by the government and creditors, locally and abroad, and "I dare say by rating agencies", Fuzile added.

The Sunday Times has reliably learnt that SAA has already defaulted on an initial R550-million payment that was due to Airbus on November 2.

### Myeni letter puts Airbus's SAA 'bail-out' in danger

All this is happening because Myeni wrote to Airbus CEO Fabrice Brégier in September, demanding the inclusion of "an African leasing company" to act as financier in a straight-out purchase deal for several new A330 aircraft. Myeni also told Airbus already had a financier with R6-billion available.

Her request left Airbus uncomfortable - Brégier immediately wrote back saying her proposal would compromise the company's "ethics".

It remains unclear who Myeni intended to rope in on the deal. But because of this move, Airbus demanded its money.

Several SAA executives said this week that they, too, were in the dark about the identity of the company Myeni was lobbying for.

Transport economist Joachim Vermooten was surprised that SAA reneged on the revised deal with Airbus, which was part of the airline's 90-day turnaround strategy.

Treasury spokeswoman Phumza Macanda did not respond to queries and SAA spokesman Tlali Tlali failed to respond by deadline.

It has been a tough year for the airline, which has yet to present its annual report for the year ended March 2015, while plans for its AGM have been postponed.

Vermooten called on the government, as shareholder, to do more. The letter from Fuzile was a start, he said, but the government needed to act soon.

## Republished: Dire choices for ailing SAA

by [Carol Paton](#), 17 December 2015, 11:21

[www.bdlive.co.z](http://www.bdlive.co.z)

SAA argues the document is privileged legal advice, but Business Day's editor says the document is an internal memorandum sent by then acting CE Thuli Mpshe, above, to the board. FINANCIAL MAIL

**SOUTH African Airways (SAA) must secure an equity injection from the state or apply for business rescue, and to continue trading under current circumstances is “reckless”, a memorandum from the executive team to the board warns.**

The memorandum also recommends that the board abandon its attempts to renegotiate the Airbus transaction to lease five A330 aircraft and revert to the old deal structure that was negotiated in March.

This would ease some of SAA's financial distress as the airline is unable to pay both its debts as these come due and the pre-delivery payments required by Airbus.

**Chairwoman Dudu Myeni has pushed for the renegotiation.**

**SAA is technically insolvent as its liabilities exceed the value of its assets** and requires a government guarantee to be declared a going concern. Despite these distressed circumstances, the board recently sought to renegotiate its arrangement with Airbus, triggering substantial financial obligations. It is in response to this transaction that the executive committee decided to draft the memo.

The memorandum, dated November 6 was drafted by the head of legal, risk and compliance Ursula Fikelepi and submitted to the board by former acting CE Thuli Mpshe. Ms Mpshe was removed from the CE position last week and replaced by Musa Zwane.

The memorandum spells out for the first time how precarious SAA's financial position is. It has a number of debt covenants in its operating leases and funding agreements with lenders that provide for the “acceleration of loans” if the lender or lessor reasonably believes SAA is unable to meet its obligations.

Almost all the finance and leasing agreements are subject to a “cross default clause so that if SAA is in default of one loan document, this will cause a default in all the finance/leasing agreements”, it reads.

There is a substantial risk that SAA's inability to pay the pre-delivery payments required by Airbus could trigger these covenants, the memo warns.

If SAA continues to incur debts in an environment in which creditors cannot reasonably expect payment, “it can be inferred that the business of the company is being carried on recklessly or negligently” under the Companies Act.

Consequently, the board is obliged to pass a resolution for business rescue or secure an equity injection, it concludes.

It is not clear whether Finance Minister Nhlanhla Nene has been made aware of the memo. He did not respond to a request for comment on Monday.

However, MPs who questioned Ms Myeni and other board members at the standing committee on finance meeting last week, say that the board should have made the committee aware of the memo. Not doing so, amounted to misleading Parliament, the Democratic Alliance's Natasha Mazzone said on Monday. "It is of huge concern that in their presentation, the existence of this memo ... and its contents was not disclosed. Rather, Ms Myeni told a completely opposite story — one in which SAA was on sound footing."

Ms Myeni and SAA did not respond to a request for comment.

- *This story was originally published on November 24 2015 but had to be taken down due to a court interdict obtained by SAA.*

## Myeni's preferred adviser changes tune about working with SAA

BY CAROL PATON AND NICKY SMITH, NOVEMBER 26 2015, 05:47

MODISE Motloba, the CE of Quartile Capital, the company named in South African Airways (SAA) correspondence as the "third party" in an Airbus lease transaction, on Wednesday made an about-turn and said he did provide SAA with proposals both on the Airbus deal and on financing solutions.

On Monday, Mr Motloba told Business Day that he had not done any work for SAA since 2004 and that he had no relationship with the company.

But on Wednesday, Mr Motloba revised his responses, saying that he had denied being an adviser to SAA "as we have neither been appointed nor mandated to do so".

However, he said that his company conducted and pitched for business with a wide range of clients including SAA. He said the company had made an unsolicited proposal to SAA on the leasing of A330 aircraft as well as a funding proposal.

In a carefully worded statement, he said: "I have confirmed that Quartile Capital's interaction with SAA was when we e-mailed our credentials and our ideas on how we think we can add value to the airline more than six weeks ago. We have never heard from SAA management or the board about the outcome of their selection process."

But correspondence between board chairwoman Dudu Myeni and chief financial officer Wolf Meyer last month indicates that Mr Motloba attended a meeting with the board and Airbus in which his proposals were further discussed.

Asked to clarify his statement and say whether he had attended this meeting in person, Mr Motloba said: "I don't think I can say more. I've said my say."

As well as restructuring the Airbus transaction, Mr Motloba said his company had pitched to help the airline with its funding requirement. SAA requires funding of at least R14bn following the refusal by the Treasury in February to recapitalise the airline.

However, the fundraising process appears to have been derailed by constant accusations and disagreements between the board and executives.

In a memo to the board dated July 30, Mr Meyer details his frustrations and the protracted series of events surrounding the debt-restructuring and consolidation.

The proposed funding plan involved a variety of interventions such as a new, large long-term loan that could be used to consolidate some of the expensive short-term loans, which had forced SAA continuously to seek new funding while repaying off short-term debt. A preference for unsecured debt was suggested in order to alleviate the need to rely on state guarantees, of which it had R14.5bn, but by February had just R3bn of headroom left.

## Myeni must be fired before SAA crashes and burns- Natasha Mazzone

Natasha Mazzone |  
24 November 2015

DA MP says chairperson has reduced national airline to a complete financial shambles

### **SAA scandal: Myeni must be fired**

24 November 2015

In a frantic attempted cover up by the Chairperson of SAA, Dudu Myeni, it emerged that late yesterday evening the state-owned airline applied for an urgent court interdict to remove a story exposing the contents of an explosive internal memorandum by acting CEO, Musa Zwane, informing the board of the dire state of the enterprise's finances.

The reason for this interdict is quite clear as according to reports today, the existence of this internal memo serves to acknowledge and confirm the absolute financial shambles in which SAA finds itself under the leadership of Myeni. The red lights continue as the memo points to reckless and gross negligence, a real threat of insolvency, and deep secrecy and mistrust internally. It also makes the following points to SAA's board:

SAA must either secure an equity injection from Government or apply for business rescue – by continuing trading under current circumstances is reckless;

SAA is technically insolvent as its liabilities exceed the value of its assets and for this reason requires a government guarantee to be declared a going concern;

Furthermore, it is on the verge of a CIPC call for SAA to end all operations.

It is not by chance that SAA has attempted to bury this memo and the information it contains. Myeni appeared before the a joint meeting of the Portfolio Committee of Public Enterprises and the Standing Committee of Finance last week – Wednesday 18 November 2015 – where the existence of this memo of advice and its contents were not disclosed. Rather, Myeni conveyed a completely contradictory story in which the airline was financially sound.

This certainly raises a question as to whether Myeni in fact misled Parliament.

If the contents of this memo are indeed true, then according to Section 77 of the Companies Act and Section 83 of the Public Finance Management Act, the accounting officer, which in this case is Ms Myeni, can be suspended or fired for a breach of her legal obligations.

This latest controversy at SAA - under Myeni's watch – requires Finance Minister Nhlanhla Nene to urgently intervene in the affairs of SAA and heed the DA's previous call to fire Dudu Myeni once and for all.

*Statement issued by Natasha Mazzone MP, DA Shadow Minister of Public Enterprises, 24 November 2015*

## Business Day ordered to take down SAA story

BY [SONGEZO ZIBI](#), 24 NOVEMBER 2015, 06:01



Picture: THINKSTOCK

### In this article

**Companies and organisations:** [South African Airways](#) | [Democratic Alliance](#)

**People:** [Nhlanhla Nene](#)

On Tuesday morning we received an interim High Court Order instructing us not to publish a story premised on an internal memo from the head of legal, risk and compliance at SAA, Ursula Fikelepi, to the board of the airline. The order was e-mailed to the story's author, Carol Paton, at 1.47am.

The order includes the print edition but since we print our first edition at 9.30pm and the second edition at 10.30pm it was not possible to comply with the order, so the print edition is on the retail shelves. Neither SAA nor its attorneys, considering the lateness of the hour, attempted to notify the Business Day telephonically of their intentions.

While we have taken the story down from this website it is our intention to approach the High Court as soon as possible to have the interim order, which we were not able to defend when the application was made, set aside. In SAA's court papers, which we have now seen, the airline argues that the memo in question is "privileged" and should therefore not be published. We believe this argument is unfounded and is contradicted by case law.

SAA is a public institution that continues to receive billions of rand in taxpayer bail-outs. It is ludicrous to suggest, as they do, that the public is not entitled to know the real state of the organisation. In February the National Treasury's Budget Review described SAA as being "technically insolvent". What happens next is of enormous public interest.

We at the Business Day shall continue to pursue the SAA story so that the public can form informed opinions about this public entity.

— Ed.



[Alec Hogg](#)

December 21, 2015 at 9:08pm ·

The language is rather formal, as you'd expect from National Treasury. But last night's statement on SAA is a crushing blow for its chairman Dudu Myeni, SA President's "close friend". Myeni is also the chairman of Jacob Zuma Foundation; **the woman Zuma denies carried his love child**; the one behind firing of respected Finance Minister Nhlanhla Nene; and a person possessing well hidden business acumen to quote former board member and ex-CEO of the JSE Russell Loubser.

Decoded into plain language, Treasury's statement says Nene was right all along. Myeni's desire to inject tiny finance house **Quartile Capital** into the transaction was **wrong** – Quartile did not have the resources to fulfill its proposed obligations so SAA would end up carrying the can anyway. In other words, **Myeni's proposed introduction of Quartile was a rather blatant attempt to plunder the public purse.**

Loubser described it as simply "adding an extra layer of costs.....part of the largesse that is being dished out." Nene opposed the scheme and was fired by Zuma a couple hours after nothing was mentioned during a cabinet meeting. Two days later Zuma concocted a story that Nene was being redeployed into a possible job at the not yet functional Brics Development Bank. A position which one of Nene's predecessors Trevor Manuel described as "15%" of running the Finance Ministry.

So what happens now to Myeni's proposed conduit Quartile Capital? Indeed, what is next for Quartile CEO Modise Motloba who first told Business Day he'd done no business with the airline since 2004, then backtracked by admitting he had submitted proposals on the Airbus deal?

**Does he, like Myeni, simply regroup before launching his next attempt to extract taxpayer funds**