

SAA bleeding as competition hots up, its acting finance chief tells MPs

By [Linda Ensor](#)

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SAA is bleeding from the intense competition on the domestic market, with rivals gouging out R1bn revenue in the second quarter of the 2016-17 financial year, acting chief financial officer Phumeza Nhantsi told Parliament's finance committee Wednesday.



Hansueli Krapf via [Wikimedia Commons](#)

The state-owned airline carried 159,000 fewer passengers - 4% decline - compared with its budget, due to the entry into the market of two new low-cost carriers and the fact that foreign airlines such as Emirates, Ethiopian and Qatar are flying direct to Durban and Cape Town, which had neutralised domestic fares.

However, Nhantsi said the loss in revenue was compensated for by R1bn in cost savings, particularly on fuel.

All in all, SAA was pleased with the performance in the second quarter compared with the performance of the second quarter of 2015, Nhantsi said. Revenue in the second quarter rose by 5%, with average fares 16% higher than the same period in 2015, though interest costs of R288m were 41% higher.

A bottom line loss of R765m was suffered compared with a budgeted R61m loss. Foreign exchange losses for the period

amounted to R592m, Nhantsi noted.

Earnings before interest, tax, and amortisation of R206m was achieved, lower than the budgeted R221m but a better performance than the same period in 2015.

In the year to end-March SAA made a R1.5bn loss, an improvement on the prior year's R5.6bn.

Acting SAA CEO Musa Zwane also highlighted the problem of oversupply in the domestic market. He told MPs that SAA was pursuing a strategy of creating a hub in West Africa and planned to launch flights from Ghana to New York and London.

He also raised the issue of the loss of skills from SAA, which he said had to be addressed seriously as it could affect the bottom line.

In addition, he mentioned "serious difficulties" in getting SAA's money repatriated from Nigeria and Angola.

Source: BDpro

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