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Zondo Commission – Gigaba allowed SAA governance and communication to deteriorate

Former South African Airways (SAA) CEO Sizakele Mzimela told the commission of inquiry into state capture on Wednesday that former minister of public enterprises Malusi Gigaba's tenure saw a breakdown of governance within the national airline. Gigaba, according to Mzimela, sat back while India-based Jet Airways attempted to bulldoze SAA out of a commercial route between Johannesburg and Mumbai, India, in 2010 and 2011.

Gigaba's style of leadership was such that communication among the delegations of authority within SAA was not only blurred, but was also infiltrated by so many of the Department of Public Enterprise's staff that Mzimela viewed it as a serious information risk. She drew comparisons between Gigaba and his predecessor Barbara Hogan, saying under the latter, SAA leadership was always included in all communication and decisions that stemmed from the ministry as a shareholder component of the organisation.

One of Mzimela's first tasks upon joining SAA as CEO in April 2010, was a board directive for her to review a recommendation that had come from her predecessor, acting CEO Chris Smythe, and general manager of mergers and acquisitions, Jan Blake. The memorandum in which the recommendation was contained asked for the board's approval for the stoppage of a commercial route between Johannesburg and Mumbai.

A detailed analysis of the route's performance – which declared it unprofitable in the memo – missed several key points, Mzimela found. Among these were the fact that the conclusion that it was unprofitable was correct, but it was not the only, nor the worst of the unprofitable routes. Part of the board's concerns was that it was singled out from among the badly performing routes, with no substantiation for the reasons for the proposed closure, in the memorandum.

Mzimela then roped in Smythe – who had returned to his original role of general manager of commercial – and Blake as part of the team that would review the proposal and work on calculating the advantages and disadvantages of closing the route. Her observation was that neither Smythe nor Blake were opposed to the reviewed proposal, which recommended that the closure not happen, but instead that the matter be explored further – despite the pair having been the signatories of the initial memorandum.

The reviewed proposal argued for the strategic value of the route for access to the South American market, among other factors. "Any Indian carrier coming into South Africa would not only benefit from taking over passengers flying between Johannesburg and Mumbai, but very specifically because they have the ability or they have been afforded what we call fifth traffic rights, would be able to pick up passengers from South Africa and take them to South America."

On this basis, Mzimela's team then proposed that the route could not be closed without factoring in the impact it would have on other routes. What would be considered, however, was a code-share arrangement. This Mzimela explained as an arrangement between two airlines that allows one airline to carry the code of another, which would have been sold to the carrier. On this basis, one carrier may have marketing rights on a flight, while the other has operating rights.

Prior to her departure, Hogan had written a letter to then board chairperson Cheryl Carolus to find out what engagement the airline had had with Jet Airways, which had raised the issue of the closure of the route directly with her. Carolus responded to the minister by saying that as much as SAA was aware of the proposal from Jet Airways to take over the route, her request to the minister was that she should refer the airline's representatives to SAA rather than engage them from her position as minister.

In her testimony before the inquiry in November last year, Hogan said she had been accosted by Jet Airways CEO Naresh Goyal while on a business trip in India, to talk about the closure of the route. The former minister said she dismissed him at the time, and told him that she was the political head of the department, and not in a position to discuss such matters. Hogan at the time checked with Carolus via a text message if SAA had been in contact with the airline, and on the confirmation of Carolus, wrote the communique to establish the official position.

During January 2011, three months after Gigaba took over from Hogan, he called a meeting to discuss the matter of the proposed closure with Goyal. Mzimela attended on the basis that Carolus was not able to, and recalled a pompous Goyal who carried an instructive tone to the attendees, demanding answers on why the issue of the closure of the route was delayed on the SAA side.

When Mzimela interrupted Goyal's address to ask who within SAA had given him the impression that SAA was open to the closure, Goyal said Smythe had made the commitment. Smythe denied this when asked by Mzimela back at the SAA offices.

Mzimela said it was Gigaba's deputy, Ben Martins, who called Goyal to order, and not Gigaba. This is consistent with Carolus' testimony earlier this year.

Mzimela's testimony continues.

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