

# Hard times for South Africa's airline operators

Cash-strapped low-cost airline 1time has turned to the government for a bailout.

The revelation comes only a few days after the Treasury announced that it would guarantee the repayment of SA Airways' borrowings of up to R5bn.

This lifeline has low-cost carriers seething.

The beleaguered national carrier has incurred losses amounting to R17bn since the early 1990s.

Two weeks ago it was hit by the resignation of seven of its board members, including chairman Cheryl Carolus.

Comair's chief executive Erik Venter said that the losses incurred by private carriers meant that they would not be able to operate. He said the lifeline given to SAA was driving low-cost airlines out of the market.

Venter claimed that SAA and government departments were breaching the state's own aviation transport policy.

He said nine of the 11 airlines that entered the domestic market since the early 1990s have crashed financially.

The latest casualty was Velvet Sky, which stopped flying in March.

Venter did not say that Comair would institute court action but said he wanted to see the government departments complying with aviation transport policy.

Local airlines have been plagued with problems over the years including:

- A 50% rise in the price of jet fuel in two years.
- Overcapacity - a legacy of the optimism of 2010.
- Dwindling passenger numbers prompted by low economic growth.
- Tariff increases of 70% imposed by the Airports Company of South Africa.

Acsa is one of 1time's biggest creditors and the airline's chief executive Blacky Komani said his airline owed Acsa R130m.

Though 1time is not explicitly asking for a bailout, it does request "a reduction in the fuel levy and taxes to the aviation industry to reduce the significant cost of fuel".

Low-cost airlines operate on very thin profit margins and are extremely sensitive to increases in the fuel price.

In a delicately worded document addressed to the departments of transport, public enterprises and tourism, 1time's

"business rescue practitioners" ask for "subsidisation".

Gerhard Holtzhauzen, chief executive of Strategic Turnaround Solutions, claims a new approach would benefit not only 1time.

"While this document wishes to address [sic] assistance package for 1time airline, it more importantly addresses a rescue package for the industry as a whole," Holtzhauzen wrote.

Apart from calling for a cut in the fuel levy, the document also suggests a reduction in statutory levies imposed by Acsa, Air Traffic Navigation Services, the South African Civil Aviation Authority and the South African Weather Service.

Holtzhauzen said both the Department of Transport and the Department of Public Enterprises could implement the requested subsidy scheme.

But the Department of Transport has acknowledged receipt of the document, according to 1time's Komani.

Public Enterprises is the owner of SAA and its subsidiaries and can, therefore, get the national carrier to buy into the scheme and benefit from it, he said.

The Department of Transport represents the statutory bodies whose levies add to airlines' costs.

Source: *The Times* via I-Net Bridge

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