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| **COSATU Submission and Proposals:****On The Challenges Facing** **South African Airways****17 November 2017** |
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**Submitted to:****Standing Committee on** **Appropriations****Parliament****Republic of South Africa** |

1. **Introduction**

COSATU strongly welcomes and appreciates the Appropriation Committee’s calling of this critical meeting and inviting the inputs of unions in particular. The current challenges facing SAA and playing out in the media are of the deepest concern to COSATU and its 1.7 million members and their families, including our members from the South African Transport and Allied Workers’ Union, who work at SAA.

It is also a matter of great concern to the 1.2 million public servants (the majority of whom are members of COSATU’s public service affiliates NEHAWU, SADTU, POPCRU, DENOSA, SAMATU and PAWUSA and 400 000 plus pensioners dependent upon the Government Employees’ Pension Fund.

COSATU views this as a matter of the highest concern and one that needs to be dealt with urgently to protect the jobs of workers at SAA as well as the hard earned pensions of public service workers. It is an issue that we cannot afford to fail upon.

COSATU through its affiliates represents more than 800 000 or two thirds of the public service. No decision can be allowed to be made about public servants’ hard earned pensions without the involvement and agreement of their unions and federation, COSATU.

COSATU with FEDUSA represent more than 90% of public servants and the Public Service Collective Bargaining Council. We are the overwhelming majority of workers represented at the GEPF and through it the PIC.

1. **Support for SAA**

COSATU believes in the need for and viability of SAA. It is a critical transport tool that does, can and must play a leading role in our economy. It is the link between our nation and Africa and the rest of the world. It is a key part of our national transport infrastructure linking provinces that are too large to be driven to.

We believe that SAA can be viable economically. The Cape Town – Johannesburg route is one of the 10 busiest airline routes in the world. The problems at SAA are due to three issues: corruption, mismanagement and policy failures.

COSATU would not agree to or support the collapse of SAA or its privatisation. This would put at risk 10 000 innocent workers’ jobs and pensions and the very survival of their struggling families. It would cause serious harm to our economy. It would open the door to the immediate recall of the over R650 billion debt of our state owned enterprises. This alone would collapse the state immediately and invite the IMF and World Bank. They would then impose brutal austerity measures that would see hundreds of thousands of workers retrenched, salaries slashed and the economy devastated.

Having said that COSATU and its affiliates will not support a blank cheque from the PIC to bail out SAA.

1. **Current Challenges Facing the PIC**

The Public Investment Corporation has unfortunately dominated media headlines in the past few weeks. Perhaps this is due to the nearly R2 trillion it has in workers’ pension and unemployment and compensation funds and assets and the daily revelations the nation is subjected to about the rampant growth of public and private sector corruption.

They are not a slush fund for “dangerous eyes” as so aptly described by the Deputy President and Leader of Government Business, cde. Cyril Ramaphosa recently to the South African Democratic Teachers’ Union’s National General Council.

COSATU understands the mandate of the PIC is first to grow the government employees’ pension fund, the unemployment insurance fund and the compensation fund. Second that these investments after generating healthy above inflation returns for their members and beneficiaries, namely workers, are to be invested in ways that will protect and create jobs, sustainable development, boost the industrialisation and infrastructural development of the nation.

COSATU wants to make it very clear to government that the PIC is not a slush fund. It is not there to balance the budget. It is not there for deficit funding. It is not a kitty for cash strapped ministries. It is not a bailout fund for state owned enterprises that have been run into the ground by corrupt leaders.

These funds are public servants’ deferred wages. They are workers’ unemployment insurance taxes. They are workers’ compensation funds. They are to take care of workers when they have retired, lost their job or been injured on duty.

COSATU is a tried and tested ally of the ruling political party, the African National Congress. However COSATU is deeply distressed by the conduct of many of our leaders in government and in particular the President, members of cabinet and leaders of our state owned enterprises.

Comradeship is not a blank cheque for looting. Workers and our members have had enough of their hard earned taxes being looted by a corrupt elite in both the public and private sectors. This is happening whilst workers are battered by rising unemployment, 38% without jobs and increasingly massive levels of poverty and inequality.

Government’s word no longer holds value. We have been subject to new and growing corruption scandals day after day with few held accountable, arrested or imprisoned. Yet government pleads poverty and looks for new ways to raise taxes and cut public service posts and delivery. The days of trusting government or having faith in its credibility or integrity are gone.

COSATU does not have confidence in government’s assurances that all is well or that workers’ monies are well protected. We are deeply alarmed by the clouds surrounding the PIC and government’s intentions.

COSATU was disappointed to hear Treasury indicate that it cannot guarantee that PIC funds will not be used to bail out State Owned Enterprises such as South African Airways (SAA). We are alarmed to hear SAA had already asked the PIC for a bail out this year and that Denel and the SABC are next with the NHI and fees must fall after that. This is the same SAA that is looking for its third bail out in a year! We are shocked that other Ministers are now looking to the PIC to fund their budgets. COSATU will not support or accept these “Dangerous Eyes”. We reject them with contempt.

Lest it be said that COSATU is being alarmist, we need look no further than to what has happened to Transnet’s pension fund where the friends of the Guptas have been accused of looting. We need look no further than to how workers were robbed of their pension funds by Fidentia and numerous other pension funds. Amongst the accused in these cases of pension thought were senior government leaders.

South Africa has been downgraded to junk status with more possible downgrades in the near future. The ratings agencies and investors are watching with alarm at what is happening in the state, including the clouds hanging over the PIC. Is government not aware that the way it manages itself and the PIC may very easily help spur a further downgrade? If this happens, international investors will be forced to withdraw from South Africa. This will have a calamitous impact upon our economy and threaten the very collapse of the state with the recall of Eskom and other SOEs’ international loans.

1. **South African Airways**

Having stated the PIC’s mandate, as given to it by the GEPF, UIF and Compensation Fund; COSATU wants to state the following with regards to government’s desires to bail out SAA with PIC funds.

COSATU and its affiliates will not agree to bail out an SAA where looting is the order of the day. COSATU will not agree to using the PIC to throw workers’ monies down a black hole that has become synonymous for state capture and looting.

All PIC investments are subject to strict investment codes, which include good governance etc. SAA clearly is not investment worthy at this stage. Government needs to complete the overhaul of executive and management boards and structures. This includes not just SAA but also SAA Technical, Mango and Express.

It is not enough to simply remove its Chairperson, Dudu Myeni, and other SAA board members. It needs to act with speed to conduct a thorough forensic investigation of SAA and begin its long promised plans to place SAA on a sound footing. It needs to prosecute those who have run SAA into the ground through rampant looting.

Once these are done and SAA is investment worthy and can yield a return on workers’ investments, then it can approach the PIC and GEPF for financing via bonds. If the PIC were to help finance an investment worthy and clean SAA, it would need to be provided with meaningful representation on its board as an equity holder. There cannot be any blank cheques or voiceless donations.

Whilst stating the above, COSATU will also not agree to support the collapse of state owned enterprises either. COSATU sees value in supporting state owned enterprises, more especially when they provide a public good as well as to protect and create jobs and spur economic growth. However they have to abide by sound corporate governance and be investment worthy.

1. **Proposed Areas for Interventions and Further Investigation**

COSATU believes there are areas where SAA, SAA Technical, Express and Mango need further investigation and interventions. These include:

* 1. **SAA, SAA Technical, Express and Mango Boards Overhauls**

COSATU welcomes the overhaul of SAA’s board and the long overdue appointment of a new board chairperson. However whilst we believe the previous board and chair were part of the problems at SAA, we do not believe that those problems have ended with their departure alone. The looting and mismanagement were there before their appointments and are continuing after their departures.

COSATU proposes that all these boards be overhauled. SAA is not the only SOE in a serious crisis. SA Express and SAA Technical are also in serious crises. Allegations of corruption have also surfaced at Mango.

* 1. **Comprehensive Forensic Audits**

The allegations of mismanagement and corruption are not solely surrounding the former SAA Board Chairperson. It is not enough to simply appoint a new chair. To ensure that SAA, Technical, Express and Mango are placed on a firm sustainable footing, a comprehensive forensic audit is needed of all of them and their entire operations. Otherwise the problems will simply continue.

Forensic audits will need to be followed by prosecutions, charges and asset seizures. It is not enough to complain about corruption and the breaking of the PFMA and Prevention of Corruption Activities Act. Government must take action. The SAPS and NPA must be held accountable and not allowed to simply continue to turn a blind eye to the systematic looting of the state by a predatory elite.

These forensic audits need to specifically investigate:

* Outsourcing;
* Contracts, e.g. unexplained Shoprite contracts, New Age subscriptions, London laundry etc.;
* Stock theft (e.g. the disappearance of plane engines, doors, etc.);
* Under and unutilised international offices and call centres, e.g. in Miami;
* Wasteful expenditure, e.g. duplicate SAA adverts in the same newspapers; and
* Corruption, nepotism and money laundering allegations.
	1. **Policy Matters**

COSATU believes that part of the key problems SAA has encountered have been with regards to certain policy decisions and that to ensure the long term sustainability of SAA these need to be reviewed. These include:

* Allowing British Airways to operate on South Africa’s domestic routes.
* Allowing international airlines to fly directly to King Tshaka and Cape Town International Airports.
* How decisions are made as to which international routes are viable and not viable for SAA, e.g. Abuja, Central African routes, Beijing etc.
* SAA, Express and Mango should report to the Department of Transport as the lead department in the transport sector. The Department of Public Enterprises is superfluous, incapacitated and should be absorbed into the Department of Trade and Industry.
* Buy Local. All SAA contracts should be reviewed to ensure that they are in line with government’s buy local campaigns, policies and regulations. Frequently SAA outsources contracts that could be fulfilled by local service providers to foreign companies.
	1. **Cost Reductions**

COSATU believes the following should be pursued as part of measures to reduce costs:

* Having three state owned airlines. COSATU believes that this is not sustainable and results in unaffordable duplicate costs. SAA, Mango and Express need to be consolidated into one and done in a manner that does not result in retrenchments but rather a reduction in head count through natural attrition.
* Outsourcing contracts. These need to be reviewed and insourced as much as possible to reduce costs and corruption.
* SAA needs, with the assistance of DIRCO, to end the situation where large debts are accumulated to SAA by Nigeria, Angola etc.
	1. **Bail Out And Way Forward**

COSATU would not agree to a blank cheque bail out from the PIC or state to SAA. There has to be a cleanup of management at all levels. This needs to include a comprehensive forensic audit. It has to be followed by clean audits. The bleeding and looting have to end. Once this has happened, then SAA can apply to the PIC to invest in SAA. COSATU would support this on the basis of building a capacitated state, developing the economy and protecting jobs. The PIC would have to be represented on SAA’s Board.

The state may need to consider settling SAA’s debt so that it can start on a clean slate. But this can only happen once the cleanup has commenced and is bearing fruit and the days of bail outs are over.

Lastly COSATU calls upon Parliament to play a greater oversight role. SAA must be required to report monthly to Parliament on its turnaround progress until it is stabilised. Then it can be reduced to quarterly reports. At this stage we cannot afford to allow the status quo to continue where SAA’s governance and debts crises threaten to collapse the very state itself.

1. **Conclusion**

COSATU would like to thank the Committee and its honourable Members for arranging this important engagement between itself and unions on this critical matter for workers, the state and the economy.

COSATU is committed to playing a constructive role. We are equally committed to representing our members and their families’ interests and to defending their jobs and their hard earned pensions and funds. We will not hesitate to oppose government if we feel it is threatening the jobs and pensions of workers.

We hope that government understands the mandate workers gave it in 2014 and that it will not disappoint them.

COSATU wants to warn government, that it will not hesitate to mobilise its members to go on strike and take to the streets if there are any moves to loot the PIC. Government must not take this warning lightly. Teachers, nurses, police officers, prison wardens, doctors, public servants across the board will not hesitate to go on strike if government thinks it can allow the PIC and their pensions to be looted like it has allowed chaos and looting to run unabated at SAA, Eskom, the SABC, SASSA etc. If government does not want the state to collapse, then it must not provoke workers and touch their pensions.

We hope this submission helps the Committee in its important work.  We will continue to avail ourselves to assist the Committee at any time.

Thank you.

Yours comradely,

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