

Gordhan flays Denel, SAA placed on notice

By [Linda Ensor](#)

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The tit-for-tat exchange between Finance Minister Pravin Gordhan and the board of directors of state-owned Denel intensified on Wednesday, with the minister lashing out at what he described as the entity's arrogance and belligerence.



Finance Minister Pravin Gordhan - Image via [Who's Who](#)

Struggling South African Airways (SAA) is another state-owned company the minister is having to grapple with. The airline's board of directors was put on notice by Deputy Finance Minister Mcebisi Jonas, who told MPs during the debate on the Treasury budget in the National Assembly that the airline would receive financial support from the Treasury once a new board was in place.

It has been reliably learnt that the long delay - since January - in getting a new board appointed is a result of the stalemate between President Jacob Zuma, who insists on the retention of his close friend, SAA chairwoman Dudu Myeni, and Mr Gordhan who has proposed a new board.

Regarding his dispute with Denel, Gordhan said, in his concluding remarks on the debate, that recently when the boards of state-owned companies did things they were not supposed to, they tended to "display a level of arrogance and belligerence" that did not befit the right kind of corporate governance. "The board at Denel needs to take that message to heart," Gordhan said.

Dispute over Denel's joint venture with Gupta-linked company

The Treasury is in dispute with arms maker Denel over the joint venture Denel Asia entered into with the Gupta family-linked VR Laser Asia. Denel went ahead with the venture without first obtaining Treasury's approval, as required by the Public Finance Management Act.

Public Enterprises Minister Lynne Brown has prohibited the company from trading, pending the resolution of the dispute. Brown said last week that she would be meeting Gordhan to discuss the matter.

In a previous statement about the joint venture, Gordhan reiterated comments by Zuma that no state entity could dictate to government how it should be supported or led.

He noted in the statement that disciplinary proceedings would be necessary for any failure to comply with the finance management act. The minister's statement prompted the Denel board to issue its own media statements. One of them noted the constitutional obligation on all spheres of government and organs of state - including the Treasury and Denel - to cooperate with one another in mutual trust and good faith and to deal with matters of mutual interest internally instead of through the media.

Gordhan's comments are likely to worsen the already less-than-ideal relations between the parties.

Turnaround strategy for SAA

On SAA Jonas said once appointed, the new board would have to choose a competent CEO, chief financial officer and fill other key posts. The executive team would have to accelerate the implementation of the long-term turnaround strategy and deal with the rationalisation of government's airline businesses including SAA, SA Express and Mango.



NJRZA via [Wikimedia Commons](#) - SAA park

"Once all of these are implemented, government will be in a position to consider possible support that would enable SAA to table its annual financial statements for the last two years, as a going concern," Jonas said.

The deputy minister emphasised that SAA needed to reduce its losses significantly and increase its revenue. The airline has been unable to table its financial statements for 2014-15 in Parliament - due by August last year - because of the concern by auditors over its going-concern status. The airline is currently kept afloat by a R14.4bn guarantee from the state, and applied in December last year for further state support of R4bn-R5bn.

Gordhan has had to ask the Speaker of the National Assembly Baleka Mbete for an extension for the tabling of the annual report while he tries to get a new board of directors in place. He told MPs that the government wanted to introduce a minority equity partner into SAA at some future stage, but only once the airline was firmly on its feet, was well-governed, and the turnaround plan had been implemented. - With Carol Paton

Source: BDpro

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