

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2563 [N2937E]
DATE OF PUBLICATION: 24 July 2015

2563. Ms N W A Mazzone (DA) to ask the Minister of Finance:

- (1) Is the codeshare agreement between SA Airways (SAA) and Etihad Airways commercially viable; if so, (a) how, (b) what assurance can SAA provide that this route will not run at a loss at any time, (c) on what business case was this decision grounded and (d) were any political and socio-economic factors taken into consideration when this decision was taken;
- (2) what is the status of the negotiations between SAA and Air China with regard to equity stakes;
- (3) are there any negotiations taking place between SAA and other carriers with regard to equity stakes; if so, what (a) are the relevant details and (b) is the status of the specified negotiations?

NW2937E

REPLY:

- (1) SAA has been in a codeshare relationship with Etihad since 2013, providing network reach, connecting traffic as well as other commercial benefits to SAA on a profitable basis. The 3rd phase of this relationship, which is contained within SAA's Corporate Plan, entails SAA commencing operations to Abu Dhabi.

The Business Case indicates that the route would realise route losses in its first two years of operation, which is not unusual for a new long haul route, but would also provide (a) multiple connectivity options for SAA passengers into the Middle East, mainland China as well as into India and (b) enable the closure of the heavily loss-making Beijing and Mumbai operations.

Strategic and socio-economic factors also formed part of the Business Case, as is invariably the case for international routes.

The financial performance for the route is subject to the following considerations:

- The extent to which the SAA Management team continues to effect various interventions, including price promotions and marketing aimed at growing this newly established route;

- The success of efforts underway by SAA at improving the codeshare cooperation with Etihad to ensure optimal access to connecting capacity at minimum cost; and
- A more challenging revenue environment for SAA, and for all international carriers, than previously. All airlines are heavily exposed, as SAA is, to strong competition from mid-hemisphere carriers.

(2) There are currently no negotiations with Air China on equity stake-related matters.

(3) There are currently no engagements with any party on equity-stake related matters.