

# SA Express plunges into the red, liquidity and solvency at risk

Struggling state-owned regional airline South African Express made an unaudited R234m loss in the 2016-17 financial year, compared with a R16.9m profit in the previous year.



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Revenue of R2.4bn was down from the previous R2.5bn and translated into a net operating loss of R104.7m, compared with the previous operating profit of R27m.

The results are provisional and will be finalised only at the end of July.

## Passenger numbers fell

Passenger numbers fell from 1.309-million to 1.23-million in the 2016-17 year while flights operated declined from 33,234 in 2015-16 to 31,206 in 2016-17.

SA Express executives gave an outline of the challenges facing the airline to parliament's portfolio committee on public enterprises last week.

Acting CEO Victor Xaba - who was seconded to the company by public enterprises minister Lynne Brown from Denel

Aerostructures in April - told MPs that the company's commercial viability and long-term financial sustainability had been undermined by its diminished competitive edge relative to privately owned airlines.

## **Poor balance sheet**

He also identified the poor balance sheet as a problem and said this was linked to long-term aircraft leases which resulted in high fixed costs.

Liquidity and solvency were threatened, largely due to poor working capital management, legacy creditors, high spares costs and excessive debt.

Xaba noted that morale was very low and the organisation lacked a long-term vision of its future.

As soon as he arrived at the company, he picked up a lack of internal controls, which he had attempted to rectify.

The government is considering proposals to merge SA Express with the other state-owned airlines South African Airways (SAA) and Mango.

*Source: BDpro*

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