



ALF LEES MP

DA MEMBER OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

17 June 2021

Mr P J Gordhan, MP
Minister of Public Enterprises
80 Hamilton Street
PRETORIA
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Email: busi.sokhulu@dpe.gov.za

Dear Minister Gordhan

51% SAA SHAREHOLDING AWARD TO TAKATSO

I write this open letter to you not only in my capacity as a Member of Parliament who is charged with holding the Executive accountable, but also as a concerned citizen and taxpayer.

Your announcement on the 11th of June 2021 that the Takatso Consortium (Takatso) consisting of the Harith Group Partners (Harith) and Global Airways (Global) will be awarded a 51% shareholding in South African Airways (SAA) has raised many unanswered questions.

Whilst the Democratic Alliance welcomes the fact that on the surface the State is finally apparently giving up control over SAA, we have grave reservations given the lack of transparency regarding the details of the process followed to identify a beneficiary for the 51% shareholding as well the details of the MOU/agreement negotiated but apparently not yet entered into with the Consortium. The absence of any signed MOU or agreement was announced by you on the 11th of June 2021.

In the interest of the constitutionally enshrined obligation for transparent governance and in your capacities as the Minister of Public Enterprises and the Executive Authority for SAA, as well as the Rules of Parliament that require that Members of Parliament be provided with information requested from the Executive, I request that you provide me and all South Africans with full, detailed, and unequivocal answers to the following questions as well as to provide the full details of the information requested below:

- 1) Please provide full details of the public process that was followed to obtain proposals or expressions of interest for the awarding of a shareholding in SAA, including but not limited to:
 - a) How, where, and when the request for proposals or expressions of interest were advertised;
 - b) Copies of any and all documents made available to prospective interested parties who showed an interest or applied for an interest in the SAA shareholding; and

- c) The names and designations of all persons, both public officials and private persons, who participated in obtaining proposals or expressions of interest for the awarding to third parties of a shareholding in SAA.
- 2) Please provide the full record of the evaluative/adjudication process undertaken that determined that Takatso would be the beneficiary of a 51% shareholding in SAA, including all criteria utilised as well as descriptions of how they were utilised.
- 3) Please provide the names and designations of all persons who participated in the evaluation/adjudication process that resulted in Takatso being awarded a 51% shareholding in SAA.
- 4) Please provide details of all discussions with possible private equity investors that took place from the 6th of December 2019 to the date of your announcement of Takatso as the preferred strategic equity partner in SAA, including but not limited to:
 - a) The names of each investor with whom discussions were held;
 - b) The dates that such discussions started and ended; and
 - c) The detailed reasons for not reaching agreements with each of these investors.
- 5) Please provide full details of any role that Srinivasa Vankatakrisnan (Venkat) played in any discussions and/or decisions relating to the identification of a private equity partner for SAA, including but not limited to:
 - a) Whether he was on the payroll of the Ministry, the Department of Public Enterprises (DPE), or any other State-related entity during this period? If so:
 - i) What was his mandate and role? Please provide a copy of the mandate given to him;
 - ii) What contribution did he make or what did he achieve; and
 - iii) What amounts were paid to him?
 - b) Whether he was employed as a consultant to the Ministry, the DPE, or any other State-related entity during this period? If so:
 - i) What was his mandate and role? Please provide a copy of the mandate given to him;
 - ii) What contribution did he make or what did he achieve; and
 - iii) What amounts were paid to him?
- 6) Please provide full details of any role that Rand Merchant Bank (RMB) and/or any other entity played in any discussions and or decisions relating to the identification of a private equity partner for SAA, including but not limited to:
 - i) What their mandates and roles were; please provide a copies of the mandates;
 - ii) What contribution did they make or what did they achieve; and
 - iii) What amounts were paid to them?
- 7) Please provide details of the dates that discussions with Takatso and its two constituent companies began with respect to Takatso being awarded a shareholding, of any sort, in SAA?
- 8) Given that you have made a public announcement that Takatso is to be awarded a 51% shareholding in SAA, please provide copies of the proposed Memorandum of Understanding and proposed Sale/Purchase agreement as presented to Takatso, including but not limited to:
 - a) The composition of the SAA board after the awarding of the 51% shareholding;
 - b) The process to be followed for the appointment of board members after the 51% shareholding has been awarded, including the number of board members that any and each shareholder may appoint;
 - c) The process and numbers of directors that will make up the board if and when there are changes to the shareholdings after the awarding of the 51% shareholding to Takatso as well as what control of this process the State/Government will have; and
 - d) All conditions placed by the State/Government on the future management and operations of SAA, including but not limited to:

- i) The determination of routes;
 - ii) The aircraft fleet strategy;
 - iii) The appointment of executives and staff;
 - iv) The retention of existing staff and pilots in particular;
 - v) The training of staff and pilots in particular;
 - vi) The purchase of products and services of any sort;
 - vii) The retention and/or sale of fixed properties owned by SAA;
 - viii) The retention or closure of foreign offices;
 - ix) The retention of Global flight operations, including the Lift airline operation, which will be in direct competition with SAA operations; and
 - x) Any other conditions that may not be changed even by future majority SAA shareholders.
- 9) Please provide details of all government guarantees issued to SAA that are currently in place and will remain in place once the 51% shareholding in SAA has been awarded to Takatso?
 - 10) Please provide details of any government guarantees that will be issued to any funders of SAA, including but not limited to Harith and/or the providers of funds to Harith.
 - 11) What are the sources of funds for the R3,5 billion to be provided by Harith to Takatso for funding SAA after the awarding of the 51% shareholding in SAA?
 - a) On what dates will parts or all of this funding be provided by Harith to SAA?
 - 12) Where will SAA, after the awarding of the 51% shareholding to Takatso, raise additional funding given that, according to the Business Rescue Plan for SAA, an amount of some R2 billion will be required to keep SAA operational until it becomes profitable and thus the R3 billion rand will not be sufficient to keep SAA operational until it becomes profitable? Will the Government provide any guarantees to SAA to enable these funds to be raised?
 - 13) What are the details of the business plan presented by Takatso to your department in order for a proper due diligence to be done?
 - a) If no business plan was presented, how could a decision have been made to award the 51% shareholding to Takatso?
 - 14) Will the Government allow SAA to be liquidated in the event that SAA once again becomes insolvent?
 - a) If not, why not, and what action will the Government take to prevent such a liquidation?
 - 15) Given that the Government Employees Pension Fund (GEPF) is invested in Paid II, one of Harith's investment vehicles, through which Harith is apparently investing in SAA through the Consortium:
 - a) Has the risk to the GEPF of the Paid 11/Harith exposure to financial obligations apparently amounting to some R3 billion to SAA been assessed?
 - i) If so, what are the relevant details?
 - ii) If not why not?
 - 16) Did the close relationship of Tshepo Mahloele, who has apparently benefited from PIC-funded transactions in the past, as well as his role as a co-founder of Harith, get considered to be a conflict of interest?
 - a) If so, why is the deal being progressed with?
 - b) If these relationships were not considered to be a conflict of interest, please provide reasons why they are not seen as a conflict of interest.
 - 17) Has Harith at any time in the past made any contributions of any sort to the ANC or its members?
 - a) If so, is this not a conflict of interest for the decision to award Takatso a 51% shareholding in SAA?
 - 18) Will the ANC accept any contributions from Harith, Global, or Takatso in the future?
 - a) If so, would this not constitute a conflict of interest?

- 19) Was the fact that a past ANC Deputy Minister of Finance, Jabu Moloketi, was the Chair of the PIC when Harith received seed funding in 2006 and that Moloketi is currently the Chair of Harith's board considered to be a conflict of interest when deciding on the awarding of the 51% shareholding in SAA to Takatso?
 - a) If so, why is the deal being progressed with?
 - b) If this was not considered to be a conflict of interest, please provide reasons why they are not seen as a conflict of interest.
- 20) What date has been given to Takatso or by Takatso for the completion of their due diligence exercise?
 - a) Should the due diligence exercise indicate to Takatso that SAA is not a worthwhile investment, what will the effect of such a finding be, and will the State/Government move to liquidate SAA?
- 21) Does the decision to award a 51% shareholding in SAA to Takatso include SAA retaining the ownership of the current SAA subsidiaries?
 - a) If so, will all assets and liabilities of each of the subsidiaries remain with the subsidiaries and thus be transferred to Takatso, and by extension thus to Harith and Global?
 - b) If not, why not and what are the detailed future plans for each of the SAA subsidiaries?
- 22) Given that SAA is the 100% owner of subsidiaries Mango, SAA Technical, and Air Chefs, if no decision had yet been made as to whether these subsidiaries were to be included in the 51% SAA shareholding to be awarded to Takatso, on what basis did you publicly announce to all South Africans that Takatso would become the owners of a 51% shareholding in SAA?
- 23) Please provide copies of annual financial statements for SAA and each of the SAA subsidiaries for the following financial years as is required by law:
 - a) 2016/17
 - b) 2017/18
 - c) 2018/19
 - d) 2019/20
 - e) 2020/2021

If any of the financial statements are not available:

- f) What financial information has been used by all parties to conduct their due diligence exercises; and
 - g) What are the details of the relevant accounting officers and directors who have been or are being held personally accountable and liable as is required/determined in the Companies Act and the Public Finance Management Act (PFMA)?
- 24) Has the State/Government determined a market value for SAA both including and excluding the SAA subsidiaries given that the Government and thus taxpayers will apparently remain liable for the massive historical liabilities amassed by successive SAA boards, SAA executives, and under the supervision of various Ministers, including yourself?
 - a) If not why not?
 - 25) What is the Government's asking price from Takatso for the 51% shareholding in SAA, both including the SAA subsidiaries and excluding the SAA subsidiaries?
 - a) If no price has been determined, on what basis did you publicly announce to all South Africans that Takatso would become the owner of a 51% shareholding in SAA?
 - 26) Please provide an unequivocal confirmation that all provisions of the PFMA and any other relevant legislation including the Competitions Act were adhered to in the evaluation and determination that Takatso would be awarded a 51% shareholding in SAA? If so, what are the details of the officials of the DPE and /or National Treasury who were tasked with ensuring that all applicable legislation was adhered to?

- 27) With respect to SAA's class/classes of shares:
- a) What are the details regarding SAA's class/classes shares as laid out by its Memorandum of Incorporation in terms of section 36 of the Companies Act of 2008?
 - b) Which class/classes of shares will be held by Takatso?
 - c) Which class/classes of shares will be held by government?
- 28) Should SAA be listed publicly in the future, as you have suggested might happen, have there been any discussions thus far with Takatso regarding the extent to which Takatso's shares and voting rights might be diluted?
- a) If so, what are the relevant details?
- 29) In light of the fact that the Government has apparently given itself a "golden share" of 33% of voting rights and certain areas of national interest:
- a) What is the justification for the Government to have given itself a "golden share" of 33% of voting rights?
 - b) What exactly is meant by the announcement of a 33% "golden share"?
 - c) Is the Minister willing to concede that, should the Consortium's voting rights be diluted through a public listing of SAA to a proportion lower than 33%, that government could again become the holder of the plurality of voting rights and in effect be the managing entity of SAA?
 - i) If not, why not?
 - d) What are the "certain areas of national interest" that are referred to in the Ministry's official announcement of the preferred Strategic Equity Partner?
- 30) What are the detailed reasons for the Government not being willing to sell SAA in its entirety to private investors?

Yours faithfully,



RA LEES MP

CC:

Mr M C Ramaphosa	President of the Republic of South Africa
Ms T R Modise, MP	Speaker of the National Assembly
Mr D D Mabuza, MP	Leader of Government Business
Mr T T Mboweni, MP	Minister of Finance
Mr J H Steenhuisen, MP	Leader of the Opposition
Ms N W A Mazzone, MP	Chief Whip of the Opposition
Mr G K Y Cachalia, MP	Member of Parliament for the Democratic Alliance serving on the Portfolio Committee on Public Enterprises
Mr G G Hill-Lewis, MP	Member of Parliament for the Democratic Alliance serving on the Standing Committee on Finance