

## Comair grounds small business

17 October 2019

Aviation giant Comair stands accused of renegeing on an agreement to buy out a small family-owned business, grinding it into the ground in the process.

Comair operates the British Airways and Kulula brands.

In July 2018 Comair acquired Metaco, a strategic leadership consultancy, which had been providing services to Comair for two years, as part of its vision to establish an innovative academy for the global aviation sector. This was part of Comair's strategy to diversify income streams for the Group. In addition, Metaco would continue providing team and leadership development at commercial rates to support intensifying change in the Comair Group, and also consult to its external client base.

But, with a sudden about-turn to their plans, Comair sought to disinvest from Metaco within a year, leaving Metaco's owners with just a shell of the thriving company they previously had. Now Metaco has to instigate costly arbitration proceedings against Comair to resolve the dispute.

Comair bought 100% of Metaco Holdings (Pty) Ltd for R33,5 million with a down payment of R12.8 million and the balance of the total purchase price to be paid on an earn-out basis over six years.

Metaco's proprietary learning methodologies were licensed to Comair, and Metaco's board was reconstituted to give Comair a controlling stake. Danny Tuckwood, one of the Founding Partners was deployed to Comair to establish the new aviation academy. His position was replaced by contracting a senior executive consultant.

However, utilisation of Metaco's services by Comair was cut back by 80% within six months as part of the airline's cost-cutting measures, severely compromising Metaco's income and profitability. To help mitigate the impact, the Metaco Board agreed to bring forward the development of modern virtual reality learning platforms and focus on building Metaco's external client base. An internal loan of R4,05 million was confirmed by Comair and ratified by the Metaco Board to fund these developments which had originally been scheduled for implementation in 2020 but had not been budgeted for in 2019.

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Registration No: 1999/002584/07

Directors: B Walsh, D Tuckwood (British), P Hawkins (British)



In May 2019, changes to the strategy for the aviation academy unexpectedly left no role for Tuckwood, who had to return to Metaco, further increasing overhead costs. Erik Venter also resigned as CEO of Comair in May. His successors were named as Glenn Orsmond and Wrenelle Stander, to jointly take over the role from 31 July 2019.

On 26 June a meeting was called by the future CEO's with the founders of Metaco. To their surprise, instead of learning more about the business, the CEOs immediately alleged that the company was insolvent, and informed the founders that, as a result, they were in breach of the sale agreement. The loan facility was summarily withdrawn and a demand made for them to personally restore solvency, including reimbursing the R1.7 million drawn down from the loan. Furthermore, Comair required the sellers to capitalise Metaco for a further 12 months.

This demand came just two weeks after a high profile event on 11 June 2019 to officially launch Metaco as part of the Comair Group, at which Venter emphasised the significance of Metaco's acquisition for the Group. At a board meeting on the same day, Metaco reported that good progress was being made in developing the learning technology platforms and implementing the revised strategy.

On 15 July 2019, Orsmond signed a letter as "CEO" demanding the sellers refund R12.8 million, being the initial purchase price, plus interest. This, notwithstanding the fact that Orsmond was only due to take on the role of joint CEO from 31 July 2019.

"The aggressive and bullying behaviour of Comair was simply appalling, says Metaco Founder and MD, Barbara Walsh. I understand that strategies can change when new management takes over. I would have been open to an amicable exit from Comair, but they were not keen to any discussion. Instead, they chose an unethical and confrontational approach."

Metaco is no longer part of the Comair Group and the founders are now left to pick up the pieces of a once thriving business.

"We consider these actions to be in bad faith," says Barbara Walsh, "and the process has certainly taken its toll. In the course of one year, our business moved from being a successful world-class consultancy to conveniently being declared insolvent by the new owners. Metaco has never been insolvent and neither did our Board believe we were insolvent."

Comair's Board Regulations require that any divestment in a subsidiary be approved by a Board resolution which was not the case at the time. But, the Comair Board has subsequently sanctioned this deficiency in governance.

"This corporate hostility is not congruent with Comair's stated values of integrity, strong ethics and good corporate governance. As a business, Metaco is tiny in comparison with Comair. However our strong and ethical guiding principles inform us as a business, and as people, on our way forward. In spite of the personal risk, I will oppose this strongly as a moral issue. It is our intention that, in standing up against

victimisation, we can demonstrate that it is possible to take on giants. I hope our story will inspire others with the courage to do the same,” says Walsh.

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**Notes to editor**

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**Metaco’s Board** comprised of Eric Venter (CEO of Comair and Chairman of Metaco’s Board); Barbara Walsh, (MD of Metaco); Kirsten King (CFO of Comair); Eric Shipalana (HR Executive, Comair) and Peter Hawkins (Metaco, non-executive director). Comair had a controlling interest on the Metaco Board.

**Comair Board Members as at 31 July 2019:** Pieter van Hoven (Chairman); Martin Moritz (Deputy Chairman); Glenn Orsmond (Joint CEO); Wrenelle Stander (Joint CEO); Derek Borer (Alternate Director & Company Secretary); Kirsten King (Director Finance); Martin Louw (Director Operations); Naran Maharajh; Carolina Martinoli; Lindsay Ralphs; Rodney Sacks; Njabulo Sithole; Peter Welgemoed.

**About Metaco:** Metaco is a bespoke consultancy focusing on strategic enablement, organisational design and change-agility at the interface between leadership, strategy and culture. Metaco engages with thought leaders in prominent institutions and environments worldwide to ensure Metaco’s work is always aligned with the latest thinking and global best practice.

**About Barbara Walsh:** Barbara has an MSc in Coaching and Behavioural Change through Henley Business School in the UK, and is registered as a Master HR Practitioner: Learning and Development with the SA Board for People Practices (SABPP). Barbara has an in-depth knowledge of what it takes to plan strategically in the face of an uncertain future, to build relationships at all levels, and partner across stakeholder groups in service of a common purpose.