



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Minister of Public Enterprises Welcomes SAA Funding, Paves the Way for Restructuring and Formation of New Airline

PRETORIA 29 OCTOBER 2020 – The Minister of Public Enterprises has welcomed government’s commitment to provide R10.5-billion to be used to finalise the Business Rescue Plan (BRP) and restructuring of South African Airways (SAA).

However, the Minister is shocked and disappointed with the Democratic Alliance (DA), other parties and some analysts’ lack of insight, financial literacy and understanding of governance processes. Worse, the DA ignores the suffering of SAA employees and the threat of losing their jobs.

In order to hide their knowledge of the aviation sector and its economics, the DA and their partners manipulate facts to fabricate false ideas about SAA.

Here are the facts:

- The Business Rescue Plan, concluded in line with section 151 of the Companies’ Act, has made the following recommendations:
 - A payment of a compromise dividend to the Company’s concurrent creditors of R600 million which would equate to approximately 7,5 (seven and a half) cents in the Rand) and payable over a three-years period;
 - A payment of approximately R1.7 billion to aircraft lessors, which is an equivalent of six months aircraft rental payments, again, payable over a three-year period;

- The Post-commencement creditors will be paid directly out of the working capital injection for the restart of the airline;
 - The Lenders, inclusive of PCF lenders, will be paid as contemplated in the budget announced by the Minister of Finance on 26 February 2020; and
 - Retrenchments, estimated to cost R2, 2 billion, are contemplated which will result in one thousand employees being retained by the Company and such retrenchments will be pursued through either the Leadership Consultation Forum or section 189 process of the Labour Relations Act.
- The Plan contemplates the following:
 - An initial working capital injection of R2.8 billion of which R800 million is for the payment of Post-commencement Creditors;
 - Retrenchment costs of R2.2 billion;
 - A provision for un-flown tickets of R3 billion required in the medium term and
 - Payment to Creditors, other than Lenders, in the amount of R2, 2 billion.
 - The Plan is also premised on Government to fund the finalization of the business rescue plan, hence Finance Minister Tito Mboweni’s announcement that R10.5-billion has been allocated to SAA to finalise the BRP process.
 - Failure to allocate the funds would have resulted in the liquidation of the airline at the cost of more than R18.5-billion. Further, the liquidation would have meant that SAA employees would have been worse off and received a maximum of R32 000 per staff member, regardless of years of service, to the extent that there are funds available. They will only receive payment once the final liquidation and distribution account has been approved which can take up to 24 months.

The Ministry believes that the completion of the business rescue process is the only viable alternative to a viable and sustainable national carrier – one which supports job preservation and the ability to bring the airline back from the brink to a position where employees, suppliers, and business partners can continue to contribute to the South African economy and its integration into the global economy.

The R10.5-billion will pave the way the finalisation of the business rescue process and restructuring of the airline through following activities:

- Appointment of an Interim Board;
- Appointment of an Interim Chief Executive Officer and Interim Chief Financial Officer;
- Implementation of a Social Plan – a training layoff scheme which will be facilitated by the Transport Education Training Authority in partnership with the Department of Labour and Employment;
- Selection of a suitable Strategic Equity Partner to strengthen the launch of the new airline;
- Settle the airline's legacy debt including voluntary severance packages to employees and
- Begin preparations for the formation of a new customer-centric airline designed to be lean, technology capable, digitally modernised and agile to service all market segments.

The Department of Public Enterprises is engaging constructively towards the national interest objective of the formation of a new airline in the first half of 2021, which will be run in a professional and sustainable manner to support key economic sectors – including tourism, and solidify South Africa as an African gateway to international markets.

The Ministry believes that the restructuring contained in the Business Rescue Plan for SAA is fundamental and will create a solid base for the emergence of a competitive, viable and sustainable national airline for the Republic of South Africa.

The cumulative effect of these actions is that Government will be partnering with the private sector in the launch and management of the new airline and relieving the financial burden from the fiscus.

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