



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT BY MINISTER P.J. GORDHAN

On Sunday I announced government's intention to introduce a radical restructuring process at South African Airways (SAA) in order to ensure its financial and operational sustainability and in so doing reduce its ongoing impact on the fiscus.

Over the past two days, the government has taken the necessary steps that pave the way for an orderly and methodical restructuring process at SAA.

In line with our broad strategic vision, I would like to announce the following:

The Board of SAA has adopted a resolution to place the company into business rescue.

This decision is supported by government.

This is the optimal mechanism to restore confidence in SAA and to safeguard the good assets of SAA and help to restructure and reposition the entity into one that is stronger, more sustainable and able to grow and attract an equity partner.

Our desire is that the restructured airline will mark the beginning of a new era in South African aviation and must be able to bring in millions more tourists into SA; help create more jobs in tourism and related sectors of the economy and work with other African airlines to underpin and service the integration of African markets and improve dramatically intra-African trade and travel.

It is also important that the reliance on government finances be reduced as soon as possible and to minimize disruption to SAA services, customers, staff and other stakeholders.

Business Rescue is a well-defined process that will allow SAA to continue operating in an orderly and safe manner and to keep planes and passengers flying under the direction of a business rescue practitioner.

It is envisaged that the Business rescue process will incorporate , inter alia, the following:

1. Existing lenders to SAA providing R2 billion as post commencement finance (PCF) guaranteed by government and repayable out of future budget appropriations in order for the business rescue process to commence and to enable SAA to continue to operate
2. Government, through National Treasury, providing an additional R2 billion of PCF in a fiscally neutral manner
3. The prevention of a disorderly collapse of the airline, with a negative impact on passengers, suppliers and other partners in the aviation sector in SA
4. The full recovery of capital and interest on existing debt provided to SAA by existing lenders that is the subject of existing government guarantees will not be impacted by business rescue
5. It will provide an opportunity to critically review the cost structure of the airline, while simultaneously attempting to retain as many jobs as possible. This reality was clearly understood in the recent wage negotiation process between the unions and the company
6. This approach also provides a structured opportunity to reorganize the state aviation assets in a way in which they are better positioned to be sustainable and attractive to an investment partner.

It must be clear that this is not a bailout. This is the provision of financial assistance in order to facilitate a radical restructure of the airline.

For these reasons, the business rescue process will commence as of 5th December 2019. A business rescue practitioner will be chosen to take charge of the business and perform the function of operating the airline with the assistance of management. The practitioner will also undertake such rationalizations as are necessary.

This set of actions should provide confidence to customers of SAA to continue to use the airline because there will not be any unplanned stoppages of flights or cancellation of flights without proper notice should that be necessary.

The Department of Public Enterprise will also meet on an urgent basis with the business rescue practitioner, all the unions concerned and other stakeholders, in order to create a positive set of relationships and processes, which will ensure that there is a collective approach and optimal consensus on the direction of this company.

We thank the South African Public, customers and suppliers of SAA for their understanding and patience during this difficult time.

This initiative demonstrates that government will undertake the necessary bold steps in order to reposition its assets in such a way that they do not continue to depend on the fiscus and thereby burden taxpayers.

The creation of a sustainable, competitive and efficient airline with a strategic equity partner remains the objective of government through this exercise.

The legal documentation is in the course of finalization.

Government extends appreciation to all members of the Board, management and staff for their service.

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