



## **MEDIA STATEMENT BY THE DEPARTMENT OF PUBLIC ENTERPRISES**

### **GOVERNMENT'S PRELIMINARY RESPOSE TO THE PUBLICATION OF SAA BUSINESS RESCUE PLAN**

**16 JUNE 2020** – Government, as the sole shareholder of SAA, supports the business rescue plan where it results in a viable, sustainable, competitive airline that provides integrated domestic, regional and international flight services.

Government remains committed to support a competitive, viable and sustainable national airline. This is to resolve the untenable situation of the current South African Airways (SAA), specifically for its employees and its creditors, as well as to support important economic objectives.

The aviation industry in South Africa requires the capabilities of a SAA that is reconstituted, restructured and reinvigorated, without the legacy burdens, including corruption, poor leadership and unsustainable costs, which have beset SAA's past.

SAA was placed in business rescue on 6 December 2019. Effectively SAA has been under the complete direction and control of the Business Rescue Practitioners (BRPS).

The Companies Act prescribes that the primary function of a business rescue process is to develop and implement a rescue plan with the view of fundamentally restructuring the business affairs and other liabilities of a company in distress, in a manner which maximizes the likelihood for it to continue to exist on a solvent basis.

If this is not possible, the second option is to dispose of assets so that company in distress can obtain better returns for its creditors and shareholders than they would otherwise receive from the liquidation of the company. Given the prospects of rescuing SAA, government was against the option of liquidation.

The BRPs had a substantial period of time and additional financial resources – R5.5 billion to augment the revenue of SAA - at their disposal to undertake the tasks expected of a BRP, which, in terms of the Companies Act, to develop a detailed business rescue plan, to consult with creditors, other affected stakeholders like employees, the Shareholder and the Board and management of the company under business rescue. In addition to this amount, further revenue was generated over the last six months, through repatriation flights and cargo flights for essential goods.

As the shareholder of SAA, government, taking into account the broader national interests, has made it clear that the desired outcome should be to establish a viable, sustainable national carrier that must emerge from the business rescue process. Particularly so as government is expected to marshal the resources necessary for this process from diverse sources.

Through government guarantees, the BRP's have had significant additional financial resources at their disposal to enable them to restructure SAA by stemming the tide of wastage, an excessive cost-structure and cash burn. We will assess the plan which, we are concerned, might have not been adequately accomplished.

In addition, government has enabled consultations with employee representatives in the Labour Consultative Forum. This process must be embraced by the BRPs and taken to a state of completion.

As a shareholder government wishes to engage constructively towards the national interest objective of creating a viable, competitive, sustainable airline in a constrained fiscal environment, taking into account the impact of COVID-19 pandemic on this situation.

We repeat: Government as the sole shareholder supports the business rescue plan where it results in a viable, sustainable airline that provides integrated domestic, regional and international flight services.

ENDS.

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