



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

DPE URGES CREDITORS TO VOTE FOR A PATHWAY TO A NEW SAA

PRETORIA 13 July 2020 – The Department of Public Enterprises (DPE) calls on creditors, unions and other stakeholders to vote in favour of a business rescue plan for SAA tomorrow as this is the only realistic pathway to restructure the airline and for a new national carrier to emerge from the business rescue process.

The vote is an important landmark in the rescue, after labour unions and staff representatives have accepted voluntary severance packages (VSPs) for SAA employees.

Following the adjournment of the creditors meeting two weeks ago, the Business Rescue Practitioners (BRPs) have revised the business rescue plan. By approving the business rescue plan, creditors and employees will become the co-creators of a new national airline at a time when the devastating consequences of the COVID-19 are causing thousands of job losses in the global aviation industry.

This is the only realistic path through which creditors and employees will derive optimum benefit, either for outstanding debts due, or for severance packages that will become available to retrenched employees. It is also the preferred path from which a new viable, sustainable, competitive airline that provides integrated domestic, regional and international flight services, can emerge.

Cabinet has expressed its support for the concerted effort to mobilise funding from various sources to finance the business rescue plan, including from potential equity partners for the uptake of the new airline.

The BRPs have scheduled a creditors meeting for Tuesday July 14, to vote on the business rescue plan. A vote in favour of the plan by 75% of the voting interests would be required to carry the vote. Should creditors vote not to support the business rescue plan, SAA would face liquidation.

Any further delays of the creditors vote or a vote to reject the business rescue plan, will put severance benefits for employees, the retention of 1 000 jobs and settling outstanding debts with creditors at risk. It will also increase uncertainty for creditors, SAA employees and potential investors.

The DPE believes a positive vote to finalise the business rescue process would be the most expeditious option for the national carrier to restructure its affairs, its business, debts and other liabilities.

As the shareholder on behalf of government, the DPE and has highlighted the disadvantages of the liquidation of the airline: creditors would receive substantially less for debts owed to them by SAA, there would be a loss of opportunities to provide the new airline with technical, financial, and operational expertise and overall future business partnerships and the severance benefits to retrenched employees would be capped across the board, regardless of years of service.

Should SAA be liquidated, every employee, no matter the numbers of years spent at the airline, will receive only a capped severance settlement of R32 000 and lose all other benefits.

On the other hand, a restructuring process would offer severance and retirement packages based on years of service, the opportunity to re-employ skills for displaced employees in the future and opportunities to start their own businesses as service providers for a new airline.

For the DPE, the finalisation of the business rescue plan and the emergence of the new airline would allow unions and other key stakeholders, who have deep knowledge of the sector, to help form a new airline as well as coming up with novel ways of addressing the interests of the displaced workers.

Government is committed to support a competitive, viable and sustainable national airline and wishes to engage constructively towards the national interest objective of such an airline in a constrained fiscal environment, taking into account the impact of COVID-19 pandemic on this situation.

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