



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

DPE OFFERS FINAL SEVERANCE PACKAGES TO SAA EMPLOYEES

PRETORIA 25, June 2020 - The Department of Public Enterprises (DPE) has offered final, fair and affordable voluntary severance packages (VSPs) which would be supported by a social plan, which includes skills development programme to South African Airways (SAA) employees.

The VSPs, which can be offered to employees immediately after the creditor's vote on the Business Rescue Plan on Thursday, should creditors vote to support the BR plan, meets the requirements of Basic Conditions of Employment Act and Labour Relations Act guidelines, including one week calculated per year of completed service, one month notice pay, accumulated leave paid out, a 13th Cheque and a top-up of severance packages.

The SAA Business Rescue Practitioners (BRPs) have scheduled a creditor's meeting for today, 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. A vote against the plan would result in the protracted and costly liquidation of the airline.

The DPE's final offer sent to employees as well as tabled before Leadership Consultative Forum, established by the department to facilitate agreements and formulate a new business model and plan to ensure the airline's long-term future through business rescue, has committed that the severance criteria would be calculated on a back-dated 5.9% wage increase, which was agreed to in November last year.

There will also be an incentive pay scale calculated on employee total-cost-of-employment.

The department has given a great deal of thought to the packages and wish to emphasise that a new, restructured, viable airline cannot be competitive if it would be required to bear the cost of carrying the current SAA employees.

The national airline is not in a position to offer any additional benefits and it is important to recognise that the creditors would be keeping a watchful eye on how much money was being spent by SAA as opposed to what they were trying to recover in the business rescue process.

If there is no agreement between the union representatives and SAA in respect of the above conditions, it is unlikely that the plan will be approved by the creditors.

Should the business rescue fail, the liquidation of SAA will mean that employees would receive up to a maximum amount of R32 000 per employee if there are funds available.

These payments will only be disbursed once the final liquidation and distribution account has been approved, which can take up to 24 months.

It will require a level of commitment and cooperation from both SAA and the unions to overcome the devastating consequences of the COVID-19 pandemic where thousands of jobs are being lost on an unprecedented scale in South Africa and globally.

As the shareholder on behalf of government, the DPE believes the approval of the business rescue plan would help creditors and employees to be co-creators of a new airline and ensure a strong base is maintained for the growth of the local aviation industry.

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, resulting in the emergence of a new viable, sustainable, competitive airline that provides integrated domestic, regional and international flight services.

Employees who take up the VSPs will be entitled to re-apply for positions in the new restructured company as it grows.

The skills development model is aimed at empowering displaced employees with new skills, which give them the best opportunity of regaining employment in the aviation industry as it recovers as well as opportunities identified in other sectors.

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