



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

DPE URGES CREDITORS TO VOTE IN SUPPORT OF THE BUSINESS RESCUE OF SAA

PRETORIA, 24 June 2020 - The Department of Public Enterprises (DPE) has urged creditors, employees and other stakeholders of South African Airways (SAA) to vote in support of the business rescue plan of the airline as it would result in a better return for these parties than a liquidation of the carrier. In addition, it is the only pathway for a rescue and restructuring of SAA.

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.

SAA Business Rescue Practitioners (BRPs) have scheduled a creditor's meeting for Thursday 25 June 2020 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.

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.

Should creditors vote not to support the business rescue plan, SAA would face liquidation.

As the Shareholder on behalf of government, the DPE 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 be co-creators of a new airline as well as coming up with novel ways of addressing the interest of the displaced workers.

The DPE supports the provisions of the Companies Act, which 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 maximises the likelihood for it to continue to exist on a solvent basis.

That is why the government has made funds available to the BRPs - R5.5 billion to augment the revenue of SAA - 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.

The 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.

For more enquiries: Sam Mkokeli 0820842051

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