



**public enterprises**

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA

## **MEDIA STATEMENT**

### **DPE WITHDRAWS FROM FORUM FORMED TO DEVELOP SAA RESTRUCTURING PLAN**

**PRETORIA 28 June 2020** – The Department of Public Enterprises (DPE), after careful consideration, has withdrawn its participation from the Leadership Consultative Forum (LCF), a mechanism formed to facilitate employee engagement towards the development of a business and operating model for a new and restructured South African Airways (SAA).

In terms of a Leadership Compact, signed by all participants of the LCF, the DPE is giving notice of its immediate withdrawal as the LCF is not serving its intended purpose, including:

- to present an agreement to the Business Rescue Practitioners (BRPs) of SAA in support of the business rescue plan for the airline, or to make meaningful proposals towards an amended business rescue plan;
- to make joint submissions to the BRPs on voluntary severance packages that are fair and equitable for SAA employees who are going to be retrenched;
- to provide joint leadership whilst SAA is undergoing a fundamental restructuring of its operations and cost structure;
- to help ensure that SAA can resume its flight operations as soon as possible; and
- to cooperate and contribute towards the formation of a new airline, with the participation of a strategic equity partner.

### **ABOUT THE LCF**

The Companies Act provides that employees need to be consulted by the BRPs, through an Employees Committee during a business rescue process. The DPE was compelled to intervene and established the LCF with labour unions in order to fill the vacuum, when the BRPs failed to meaningfully consult with SAA employees and their unions.

LCF contributors agreed that a leadership crisis, corruption and mismanagement, over many years at SAA caused its financial crisis which the COVID-19 pandemic had aggravated. Amongst others, the vision of the Leadership Compact was to “*support the transformation of SAA into a strategic national asset which is internationally competitive, sustainable and profitable and which is not dependant on the fiscus,*” recognition that the restructuring of the airline must save as many jobs as is consistent with a viable, competitive airline.

There was a commitment by government to support displaced employees through training, the advancement of aviation skills and entrepreneurship mentoring. Those who cannot be re-employed in the new airline would benefit from proper retrenchment and voluntary severance packages.

The BRPs convened a Creditors’ meeting on 25 June 2020 to consider and vote on a business rescue plan for SAA. However, despite the significant adverse consequences of a liquidation for employees and creditors, the DPE noted with disappointment, that three unions and one creditor (SA Airlink, who has launched an application to court to liquidate SAA) moved a resolution to adjourn the Creditors’ meeting until 14 July 2020.

## **REASONS FOR WITHDRAWING FROM THE LCF**

On several occasions some participants of the LCF have wilfully breached the conditions of the Leadership Compact by leaking confidential information, issuing public statements that attack the DPE and political attacks on the DPE leadership. Also:

- By supporting SA Airlink’s resolution to adjourn the Creditors meeting, the actions of the NUMSA, the SA Cabin Crew Association (SACCA) and the SAA Pilots’ Association (SAAPA) have contradicted the letter and spirit of the Leadership Compact;
- These actions put severance benefits for employees and the retention of 1 000 jobs now, and 2900 jobs as flights ramp up, at risk by supporting the postponement of voting on the business rescue plan. This postponement, also creates uncertainty for creditors and potential investors;
- Instead of creating conditions for attracting investment and skilled South Africans, three unions have put SAA on a path towards possible liquidation; and

- In supporting SA Airlink to postpone the creditors vote, NUMSA, SACCA and SAAPA have effectively aligned themselves with a competitor who stands to benefit substantially should SAA be liquidated. This is an anti-worker stance.

After not receiving salaries for three months it has become apparent that SAA employees do not want further delays for the business rescue process to be concluded. They want greater certainty, particularly about their severance benefits and for SAA to resume its flight operations and re-occupy its market share.

The DPE wishes to thank the National Transport Movement, the SA Transport Workers Union, non-unionised workers and Solidarity for their cooperation, constructive engagements at the LCF and their efforts to bring the business rescue process closer to finality, in the interests of SAA employees.

Being sympathetic to the position of employees, the DPE has recommended fair, equitable, affordable and final voluntary severance packages (VSPs) which is supported by a social plan and a skills development programme for the affected SAA employees.

The VSPs meet the requirements of Basic Conditions of Employment Act and Labour Relations Act and include, inter alia, 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 DPE believes the VSPs are fair, generous and reasonable, considering our current economic environment.

The DPE has urged union leaders and employees to accept the VSPs on offer and focus on the social plan that is aimed at equipping individuals to re-enter the job market. 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 will give them the best opportunity of regaining employment in the aviation industry as it recovers as well as opportunities identified in other sectors.

Effectively all stakeholders, and in particular the employees, stand to lose if SAA is placed into liquidation.

**ENDS.**

**For more inquiries: Sam Mkokeli 0820842051**