



**public enterprises**

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA

## **DPE CAUTIONS AGAINST DEVASTATING IMPACT OF SAA LIQUIDATION**

**PRETORIA, 2 July 2020** - The Department of Public Enterprises (DPE) would like to caution South African Airways (SAA) employees, labour unions and creditors that liquidation – the process of winding down the airline and disposing of its assets, will lead to financial hardship for employees and substantial undervaluation of assets.

All SAA stakeholders who are in a position to either support or reject a business rescue plan for SAA should realise that business rescue provides a better outcome than liquidation and should be supported for their collective interests.

The SAA Business Rescue Practitioners (BRPs) have scheduled a creditors' meeting for Tuesday July 14th 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.

As the shareholder on behalf of government, we are of the view that business rescue is a viable alternative to liquidation – one which supports job preservation and the ability to bring the airline back from the brink to a position where some employees, labour unions and creditors can continue to contribute to the South African economy and its integration into the global economy.

The department believes in the case of liquidation, a liquidator will be appointed by to consolidate the company's assets in order to raise capital which will be distributed to the creditors when the airline is wound up.

During the drawn-out process, creditors would in all likelihood receive a negligible dividend after all secured and preferred creditors have been paid in the liquidation proceedings.

For employees, the liquidation of SAA means they would receive a maximum of R32 000 per staff member, regardless of years of service, to the extent that there are funds available. They will only receive payment once the final liquidation and distribution account has been approved which can take up to 24 months.

Therefore it stands to reason that generally, business rescue dividends should result in a higher return for creditors than would result in a liquidation situation.

The DPE is convinced that the R2.2 billion budgeted for Voluntary Severance Packages (VSPs) for SAA employees is the best available option at a time when government is faced with massive financial demands and fiscal constraints.

The VSPs, which can be offered to employees immediately after a creditors vote endorses the Business Rescue Plan, meet the requirements of Basic Conditions of Employment Act and the Labour Relations Act, 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 VSPs are supported by a social plan and a skills development programme for affected SAA employees. The social plan 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 a new, restructured national airline which is anticipated to emerge from the business rescue proceedings, as it grows.

The transformation of SAA into a competitive airline will unfortunately require sacrifices and a major restructuring, starting on a conservative basis and gradually and systematically building up over the next three years to re-employ as many of the displaced employees who have necessary skills and competence.

The DPE supports a restructuring process which would achieve the following:

- An internationally competitive performance;
- A demographic profile of skilled, competent and committed employees;
- For the employees that remain, the task will be to grow the airline and provide opportunities for their former colleagues to be re-employed.

It would 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.

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