public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

DPE NOT PREPARED TO ACCEDE TO ADDITIONAL DEMANDS FROM SAA PILOTS

PRETORIA 10 July 2020 — The Department of Public Enterprises (DPE) noted that the South African Airways Pilots Association (SAAPA)s has endorsed the Voluntary Severance Packages (VSPs), which are being offered to individual employees of South African Airways (SAA).

While the DPE appreciates the level of commitment and cooperation from the pilots, the DPE is concerned that pilots are seeking benefits, which are far more costly, more lucrative and financially rewarding for the pilots than any other class of employees at SAA.

For example, in the latest Voluntary Severance Packages (VSPs), the 600 SAA pilots make up 13% of SAA staff, and they consume 45% of the wage bill. The lowest of SAAs 170 senior pilots earns R3.6-million a year, excluding benefits and incentives. Of the R2.2billion proposed budget for the VSPs, pilots will get more than R1billion.

Therefore, the DPE wishes to put on record that SAAPA has proposed the following:

- Retrenching 1 548 employees and retaining 3 099 employees — 2 000 for the start-up of the new airline, 435 on a temporary layoff scheme, and 664 on furlough (furloughed employees are retrenched but can be called in as required).
- Reducing the number of retrenched employees from 3 647 to 1 548, excluding the 664 on furlough. This means the total cost of SAAPAs proposal would be R1.986 billion against the budget of R2.2 billion that DPE had proposed to fund its proposal.
- Retained workers be kept on a part time basis of 75% and be paid accordingly.
- Further cut in salaries of the pilots (20%) and employees 10%.
- Improved VSP to incentivise senior pilots.

- Provide opportunities to the younger and in particular, formerly disadvantaged pilots to advance their careers.

The DPE does not believe that the SAAPA proposal is in the best interest of SAA, its employees, creditors and other stakeholders and has informed SAAPA that its proposal would exacerbate a prolonged economic recovery in a post COVID-19 era.

SAAPAs proposals seek to retain a much larger number of employees — in particular more pilots - in a new, restructured, viable and competitive airline that must emerge from a business rescue process for SAA. These purport to be affordable now, when in fact they would cause the base costs of starting a new airline to be substantially higher, unaffordable and unsustainable.

What SAAPA fails to recognise and accept is that the terms and conditions of employment of the pilots is still based on the premise that SAA is an internationally competitive and profitable company.

The DPE has welcomed the endorsement of the voluntary severance packages by the National Transport Movement, South African Transport and Allied Workers Union, Aviation Union of Southern Africa, Solidarity, National Union of Metalworkers of South Africa, South African Airways Cabin Crew Association and representatives of SAA non-unionised managers and ground staff.

The reality is that SAA in its current form is financially unsustainable, insolvent and is in business rescue. What is important in this new reality is to avoid liquidation by getting the creditors to vote in favour of the business rescue plan and then starting the long and difficult journey to regain the lost market share in the domestic, regional and global market.

Accordingly, the DPE has informed SAAPA that their proposals cannot be accepted nor will they accede to any further unreasonable and greedy demands from sections of union leadership for additional benefits.

The SAA Business Rescue Practitioners 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.

The DPE believes that the VSPs and 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.

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Issued by Department of Public Enterprises