

Treasury bails SAA out to save it from defaulting on loans

By [Linda Ensor](#)

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Government has approved the transfer of funds from the National Revenue Fund to bankrupt airline South African Airways so that it can meet its debt obligations and avoid a default of R3bn.



Image: Adrian Ringstone

Citibank refused to extend the full amount of its R1.8bn loan which falls due at the end of the month. In total, R6.8bn in loans mature on Saturday, and Treasury has been in intensive negotiations with lenders for this to be rolled over.

Treasury said the amount transferred would also assist SAA with its immediate working capital requirements.

"This payment was done in terms of section 16 of the Public Finance Management Act. This section of legislation states that the minister can authorise the use of funds to defray expenditure of an exceptional nature which is currently not provided for and which cannot, without serious prejudice to the public interest, be postponed to a future parliamentary appropriation of funds. The due process laid out in the legislation will be followed," Treasury said in a statement.

The last resort

"Given the nature of the problems at SAA, section 16 of the PFMA had to be used as the last resort.

"A default by the airline on the R3bn would have triggered a call on the guaranteed exposure totalling R16.4bn, leading to an outflow from the National Revenue Fund and possibly resulting in elevated perceptions of risk related to the rest of SAA's guaranteed debt," Treasury said.

SAA has state guarantees amounting to R19bn.

Treasury said that improving SAA's financial positions through a recapitalisation had been on government's agenda for a while.



Treasury plans R10bn special appropriation bill to keep SAA afloat

Linda Ensor 14 Sep 2017



Several options were being explored and an update on this would be provided during the medium-term budget policy statement, to be tabled by Finance Minister Malusi Gigaba on 25 October 2017.

At that stage, Treasury will have to indicate how the money used to bail out SAA - including the R2.2bn paid to Standard Chartered Bank in June when it refused to extend its loan to the airline - will be funded.

Treasury said the appointment of a permanent CEO, Vuyani Jarana, who will commence his role on 1 November 2017, "marks a critical step in ensuring that the airline's turnaround strategy is implemented".

Further appointments to fill other critical executive positions would follow shortly.

Cuts flights

In addition, the airline has officially announced plans to slash half its flights between Johannesburg and Port Elizabeth from next month.

This follows weeks of speculation that the cuts were imminent.

Airline spokesman Tlali Tlali confirmed that SAA would be reducing flights along this route from four to two flights a day, with the change taking effect on 29 October 2017.

Flights between Johannesburg and East London would also be reduced from three to two flights a day, while certain routes in Central Africa would also be affected.

Source: BDpro

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