

Government still thinks SAA can be profitable

The government remained confident that South African Airways (SAA) could return to profitability, Deputy President Cyril Ramaphosa said in parliament recently.



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Responding to questions in the National Council of Provinces, he said there were players in the industry who saw investment value in the carrier.

The national airline is among state-owned entities in turmoil - including the SABC and Eskom - with some of them requiring urgent government bail-outs. The Treasury has agreed to grant SAA, which faces a cash crunch, a special appropriation of R10bn.



Treasury bails SAA out to save it from defaulting on loans

Linda Ensor 2 Oct 2017



Credit rating agencies have flagged failure of state-owned entities as a serious risk to the country's fiscal outlook.

In his medium-term budget policy statement last week, Finance Minister Malusi Gigaba said that the recapitalisation of SAA and the South African Post Office put the ceiling at risk of a R3.9bn breach.

New board and CEO would return it to profitability

Ramaphosa said that the government had little choice but to bail out the national airline, but was confident that the new board and CEO would return it to profitability.

"The minister of finance has said we need to be looking at bringing strategic partners in some of the state-owned entities. We have said SAA is a candidate for that.



Finance minister announces SAA board

19 Oct 2017



"We need to reposition SAA " [and] having appointed a new board and CEO we are confident we can make SAA profitable again," he said.

"If it is revitalised, it will be attractive to investors"

"There are players in the industry who would see the need to invest in SAA " it's a big airline with a domestic market and a long-haul market and has good planes and pilots. If it is revitalised, it will be attractive to investors," the deputy president said.

If the government folded its arms and allowed SAA to fail, this would have a serious effect on the economy.

"It [SAA] has debt guaranteed by government " if they default, that default will run across the other guarantees that government has given " government is the guarantor of last resort."

He said that SA Inc would be at great risk.

"Those who argue that this is throwing good money after bad don't realise what they are talking about... it will be bad money after bad money."

Last week, Gigaba said the government was considering the disposal of assets, including its shares in Telkom, to offset appropriations during the course of this fiscal year. Continued financial deterioration of state-owned companies was a clear and substantial danger to public finances, Gigaba said.

R19.1bn guarantee facility

The government has issued a R19.1bn guarantee facility to SAA to ensure the company continues to operate as a going concern. Total recapitalisation of R10bn will be provided in 2017/18. An amount of R5.2bn has already been provided, with the remaining R4.8bn to be transferred by 31 March 2018.

These funds will be used for working capital and to settle debt, enabling the airline to reduce its interest expenses.

Source: Business Day

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