



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

MINISTER'S STATEMENT ON SAA

In October 2014, Government took decisive steps aimed at putting South African Airways (SAA) back on a path to financial sustainability.

The Minister of Public Enterprises, who was government's shareholder representative at the time, reconstituted the Board. The Board was tasked with ensuring that immediate steps were taken to curtail the losses at the airline, improve the company's liquidity position, strengthen governance, finalise the annual financial statements and refine the Long Term Turnaround Strategy (LTTS) developed in 2013 so that the intended improvements in performance would be delivered.

The interim board put in place a 90 Day Action Plan aimed at stabilising the financial position of SAA, strengthening governance and fast-tracking implementation of critical aspects of the LTTS. Weekly meetings were held between SAA Executive Management and representatives from National Treasury, strengthened by the participation of representatives from the Presidency, to ensure effective implementation of the 90 day Action Plan.

Significant achievements have been made during the 90 day period, which concluded on 24 March 2015. Savings will begin to be realised during the 2015/16 financial year which are expected to result in improvements in the financial performance of the airline going forward.

The airline has ceased direct operations on the loss-making routes to Beijing and Mumbai. Simultaneously, it has opened a new route to Abu Dhabi that will enable continued connectivity to China and India and many other destinations within Asia. SAA has also renegotiated contracts with suppliers, which will result in significant savings in operational costs for the airline. SAA has been able to reduce the costs of the leases on several aircraft on the fleet.





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During January 2015, SAA finalised their annual financial statements which were released following the Annual General Meeting (AGM). The airline is well advanced in the process of securing term financing with maturities of up to seven years which will result in greater stability in the company's finances. Steps have also been taken to improve governance, which included a review of the Memorandum of Incorporation (MOI)

On 28 March 2015, the Minister extended the term of the interim Board for a further period of six months or until such time as a permanent Board is appointed. This extension ensures that the Board continues its business whilst allowing the National Treasury the opportunity to finalise the Cabinet approval process.

Whilst being encouraged by the achievements that SAA has already been able to achieve over the 90 day period, government also recognises that diligent execution of a sound strategic plan will be required over several years to ensure that the airline is able to operate profitably and its financial position continues to improve.

Over the course of the last few months, SAA has been revisiting key elements of the LTTS to refine and enhance the strategic plan. National Treasury has appointed Deloitte to advise government on opportunities to strengthen the plan even further. Taking into account these modifications, the company is due to finalise its corporate plan by the end of April 2015.

Government will continue to work closely with the Board and Executive Management of the airline to ensure that the turnaround of the airlines continues.

Issued on behalf of the Ministry of Finance

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