



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

FINANCE MINISTER MEETS NEW SAA BOARD

The Minister of Finance today met with the new SAA Board following its approval by Cabinet on 31 August 2016. The purpose of the meeting was to share with the board the status of the airline and government's expectations of the Board. At the meeting, Minister Gordhan stressed that it will not be "business as usual" for the airline which is currently going through serious challenges including governance and financial difficulties, among other things.

National Treasury outlined the mandate of the board. The primary focus is to return the airline to financial sustainability whilst also delivering on other important government objectives. In line with the Protocol on Corporate Governance which applies to all public sector institutions the roles and responsibilities and the separation of powers between non-executive directors and executives were outlined. The importance of complying with the procurement framework was underlined. The executive were encouraged to cooperate fully with the Board to furnish it with all the information it needs to fulfill its fiduciary duties.

The Minister of Finance also announced to the Board that SAA's application for a going concern guarantee has been approved with conditions which include:-

1. The primary focus of the Board must be to return the airline to financial sustainability;
2. SAA's strategy must be strengthened and alignment with other state owned airlines ensured;
3. SAA must implement more aggressive cost-cutting initiatives as in areas of fuel; aircraft ownership; labour; maintenance, repair and overhaul and procurement;

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4. The network and fleet plan must be refined based on a sound business case so that the airline takes advantage of opportunities to scale back the operations of the airline to focus only on operating routes which positively contribute to the profitability of the airline, closes routes that have been making losses for longer than one year, and ensures that the network plan is aligned with the other state owned airlines;
5. The airline's strategy must better differentiate the airline, enabling it to continue to compete effectively, inter alia through addressing the customer value proposition;
6. The airline must work with National Treasury and the Department of Public Enterprises (DPE) in giving consideration to the possible merger of SAA with South African Express (SAX) airlines and the potential introduction of a strategic equity partner;
7. The Board is required to start a new process of appointing the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other key executives in consultation with the Minister;
8. Funding must be secured to meet the airline's liquidity requirements;
9. The Board is required to ensure that the AFS for both 2014/15 and 2015/16 are finalised;
10. SAA is required to report progress on a regular basis to National Treasury; and
11. A communication protocol was outlined for communicating progress as developments arise.

Ends

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