



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

THE RECAPITALISATION OF THE SOUTH AFRICA AIRWAYS

Government has decided to transfer funds from the National Revenue Fund to South African Airways to allow the airline to pay back its debt to Standard Chartered Bank thereby avoiding a default. 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.

A default by the airline would have triggered a call on the guarantee, leading to an outflow from the NRF and possibly resulting in elevated perceptions of risk related to the rest of SAA's guaranteed debt.

Improving the financial positions of the airline through recapitalisation has been on government's agenda for a while as outlined in the February 2017 Budget. Several options are being explored and an update will be provided during the Medium Term Budget Policy Statement in October 2017. Given the nature of the problems at SAA, section 16 of the PFMA had to be used as the last resort.

Government will do everything in its power to ensure that the airline's turnaround strategy is implemented. The airline remains a strategic asset and in its role as the flag carrier, it serves as an economic enabler with direct and indirect benefits across a wide range of economic activity.

Issued on behalf of National Treasury

Date: 01 July 2017