national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

TRANSFER OF FUNDS TO SOUTH AFRICAN AIRWAYS SOC LIMITED (SAA)

Government has approved the transfer of funds from the National Revenue Fund to SAA to allow the airline to address the debt obligations to Citibank, thereby avoiding a default. Funds will also be used to 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.

A default by the airline on the R3-billion would have triggered a call on the guarantee exposure totaling R16.4- billion, 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 on 25 October 2017. Given the nature of the problems at SAA, section 16 of the PFMA had to be used as the last resort.

The appointment of a permanent Chief Executive Officer for SAA, Mr. Vuyani Jarana, who will commence his role on 01 November 2017, marks a critical step in ensuring that the airline's turnaround strategy is implemented. Further appointments to fill other critical executive positions will follow shortly. As communicated before, 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.

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Issued on behalf of National Treasury
Date: 29 September 2017

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