

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1737 [NW2044E]
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1737. Mr R A Lees (DA) to ask the Minister of Finance:

- (1) With reference to the request for long-term funding of R16 billion for the SA Airlines (SAA), advertised in the *Sunday Times* on 28 August 2016, what are the details of the collateral against which the R16 billion funding is to be borrowed;
- (2) whether the SAA obtained approval from the National Treasury for the specified funding request; if so, what are the details of any conditions placed by National Treasury on the (a) process of obtaining the funding and (b) terms of the funding itself; if not,
- (3) whether the SAA is required to obtain such approval from the National Treasury; if so, (a) what action has the National Treasury taken to stop the funding process from proceeding and (b) what are the relevant details of the reasons given by the SAA for not obtaining approval from the National Treasury;
- (4) what are the details of the consequences for the SAA should the funding requested not be available (a) by the end of October 2016 or (b) at any future date?

NW2044E

REPLY:

- (1) SAA currently has in place a R14.4 billion government guarantee facility against which the company can raise funding. Although the facility has currently been almost fully utilised to raise debt, as the debt matures or is repaid, SAA can utilise the guarantees that are freed up as a result, to raise further funding.
- (2) There is no requirement for SAA to obtain permission from National Treasury to issue a request for proposal (RFP) to raise financing.
Nevertheless, there are existing conditions that have been placed by National Treasury that relate to the process and terms of obtaining funding with which the airline is required to adhere. These are as follows:
 - (a) The Chief Procurement Officer has required that all tenders above R10 million must be reviewed by the National Treasury before appointment letters are issued.
 - (b) Among the conditions that have been attached to the government guarantee facility that has been provided to SAA, there is a requirement that National Treasury approve the terms of financing raised against the guarantee before any agreements are concluded.Once SAA has identified sources of financing and the legal agreements have been negotiated, including the guarantee agreement, the airline will be required to submit all

the relevant documents to the Minister of Finance for his consideration, including those relating to the above mentioned conditions.

- (3) There is no requirement for SAA to obtain permission from National Treasury to issue a request for proposal (RFP) to raise financing. Hence:
 - (a) National Treasury will not be taking steps to “stop the funding process from proceeding”.
 - (b) SAA is not required to provide any reasons.

- (4) (a) and (b) The funds are primarily required to refinance existing debt facilities. Should there be delays in concluding financing, all options will be considered. These are likely to include, SAA seeking to extend or roll-over existing facilities.