



NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 1908 [NW2120E]

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1908. Mr R A Lees (DA) to ask the Minister of Finance:

- (1) Has any bank in any way indicated that it intends to call in its loans to SA Airways (SAA) from 1 April 2017; if so, (a) what are the names of each bank, (b) on what date did each bank make its considerations and/or intentions known to SAA, (c) why was the Standing Committee on Finance not informed and (d) who was informed;
- (2) was he informed of each specified banks' intentions; if not, why not; if so, (a) on which date and (b) what steps did he take in this regard?

NW2120E

REPLY:

At the Board meeting of 30 September 2016 the Board was apprised of the immediate and short-term liquidity risks facing the company and also the short term facilities that were maturing in the ensuing 6 months from the time to the value of R4.3 billion. Working capital requirement was quantified to be R2.5 billion up to the end of that financial year end (March 2017). The breakdown of the maturity profile was as follows:

- o R4 billion was maturing in December 2016 and
- o R300 million was maturing in January 2017

The Board then approved that Finance Committee ("FINCO") assist management in engaging with the Financial Institutions/ senior debt lenders in concluding a "package solution" that will allow the airline to manage liquidity.

Management together with FINCO convened a meeting with senior debt lenders and requested the lenders to participate in the new R2.5 billion working capital that the company required and also requested the lenders to extend the short term facilities that were maturing in FY17.

The lenders agreed to support SAA on terms and conditions that would be satisfactory to the lenders. Regarding the additional R2.5 billion for working capital, the lenders set milestones that needed to be fulfilled or met before a drawdown of each tranche (totalling to R2.5 billion). Therefore, the short-terms facilities of R4.3 billion plus R2.5 billion for working capital and R830 million facility which totals to R7.6 billion were then extended to 30 April 2017. The agreement with the lenders was to repay on the 30 April 2017 once the turnaround and business plans were done.

A letter to this effect was written by the Board informing the Minister of the liquidity status and short-term maturities. The Minister was also apprised of the mitigating plans that the Board undertook to deal with the liquidity constraints. The Board submitted a one-year corporate plan in March 2017 and included in it was the request for R10 billion allocation of capital and condonation of five-year corporate plan due to turnaround plan not being concluded. At the time of submitting the corporate plan management and the Board were aware that the 30 April 2017 repayments will not be met.

On 10 April 2017, SAA received a letter from Standard Chartered Bank ("SCB") informing the company that SCB does not intend or will not extend further than 30 April 2017. Minister of Finance as the Shareholder was made aware of SCB's decision. Engagements were held between SAA, NT and SCB and they further extended by 2 months up to 30 June 2017. The Board has been having numerous meetings weighing different options to try and mitigate the liquidity risk. The Board also wrote numerous communications to the Shareholder informing him of the liquidity status and the mitigating plans that the company is working on to ensure that the liquidity risk does not materialise (inability to debts as and when they are due)

The options that the Board was considering included but not limited to:

- Requesting recapitalisation from the shareholder

- Frequent engagements with NT and the lenders to ensure that all are apprised of the developments
- The Board had a strategy session and took a decision to appoint Restructuring Advisors to review the Long Term Turnaround Strategy (LTTS) that the company had to check if this was the correct strategy for the company and why the strategy did not yield the results that were anticipated
- The Restructuring Advisor was also going to assist management in compiling the five-year turnaround plan for the organisation
- Option of diversifying the investors or increasing the pool of investors
- There have been weekly meetings that have been set between SAA, NT and the lenders with the aim of keeping the lenders abreast of the developments in the company
- Debt consolidation process was initiated but unfortunately did not materialise

Current Status:

The Board has approved the five-year corporate plan and submitted to the Shareholder. The focus of the Board and management is the implementation of the turnaround plan.