

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 226 [CO492E]
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★226. Ms T Motara (Gauteng: ANC) to ask the Minister of Finance:

- (1) Whether the Government is putting any long term plans in place to ensure that the national carrier strengthens its financial viability; if not, why not; if so, what are the relevant details;
- (2) whether this includes the scaling down on loss-making routes; if not, what is the position in this regard; if so, what are the relevant details;
- (3) whether he has received any plans identifying loss-making routes; if not, what is the position in this regard; if so, what are the relevant details?

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REPLY:

- (1) The conditions attached to the R4.756 billion guarantee facility issued to SAA in September 2016, which include the following, are aimed at ensuring that the national carrier strengthens its financial viability:
 - The primary focus of the Board must be to return the airline to financial sustainability;
 - SAA's strategy must be strengthened and alignment with other state owned airlines;
 - SAA must implement more aggressive cost-cutting initiatives as in areas of fuel; aircraft ownership; labour; maintenance, repair and overhaul and procurement;
 - 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;
 - The airline's strategy must better differentiate the airline, enabling it to continue to compete effectively, inter alia through addressing the customer value proposition;

- 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) and the potential introduction of a strategic equity partner;
- 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;
- Funding must be secured to meet the airline's liquidity requirements; and
- SAA is required to report progress on a regular basis to National Treasury.

(2) As highlighted above, the Board has been tasked with refining the network and fleet plan 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.

(3) Whilst short term interventions aimed at improving profitability of specific routes are presented to National Treasury on a monthly basis, a comprehensive plan for addressing loss-making routes responding to the guarantee condition has not yet been received. As indicated above, I am informed that, the Board only anticipate that they will be in a position to present a comprehensive plan after the Board meeting of 29 November 2016.