

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1888 [NW2198E]
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1888. Mr R A Lees (DA) to ask the Minister of Finance:

- (1) With reference to his reply to oral question 163 on 7 September 2016, what are the functions and tasks to be carried out by the specified advisors appointed to assist in exploring a merger between the SA Airways and SA Express and the possible introduction of a strategic equity partner;
- (2) whether the specified advisors have been appointed; if not, why not; if so, what (a)(i) is the period of the contract that has been awarded and (ii) are the costs of the specified contract and (b) are the names of the advisors?

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REPLY:

- (1) The Request for Proposals (RFP) available on National Treasury's website outlines the Terms of Reference (TOR) for the appointment of advisors to assist government in developing the optimal group corporate structure for the realignment of the state-owned airline assets. In terms of the TOR, the scope of activities to be performed by the advisors is as follows:

The consultants will be responsible for:

- Reviewing the corporate plans (strategic plans) of SAA and SAX;
- Assessment of the existing corporate structure proposals that have been made by the state-owned airlines and external advisors including an analysis of the advantages and disadvantages and an assessment of the extent to which they would enable the achievement of Government's objectives;
- Reviewing other supporting documentation, e.g. financial statements and annual report, legal agreements, risk management plan, governance documentation and legislative requirements;
- Benchmarking international practice for the corporate structure of airlines;
- Developing and comprehensively assessing a range of options for realigning the state owned airlines covering each of the key elements of the corporate structure, including:
 - Establishment of a holding company structure;
 - Corporatisation of Voyager and Cargo;
 - Integration of SAA, SAX and Mango into an integrated airline group with and without Airlink;

- Increase or decrease in the shareholding in Airlink and valuation of the current 2.95% shareholding;
- Integration of the technical divisions of SAA, SAX and Denel;
- Identification of non-core assets for disposal;
- Creation of a shared services division;
- Establishment of a separate aircraft leasing company;
- Separately corporatising the international, regional or domestic routes;
- Investment by strategic equity partners (SEPs) at group or subsidiary level (including identification and assessment of potential SEPs).

This should include an analysis for each option of the advantages and disadvantages and an assessment of the extent to which it will enable the achievement of Government's objectives.

- Developing a comprehensive, holistic, overall recommendation for the optimal group corporate structure for the realignment the state-owned assets that will best achieve Government's objectives. The recommendation must detail how each of these objectives are addressed; and
- Identification of the required policy interventions by Government to realign the state-owned airline assets;
- Developing a comprehensive plan for implementing the recommended option. The plan must clearly indicate any financial implications and potential risks with mitigation strategies.

(2) The appointment of the advisors is still being finalised. Issues relating to the cost of the services in relation to the budget had to first be resolved.