

SAA to receive government guarantee

PRETORIA: National carrier South African Airways (SAA) is to receive an additional R6.488bn guarantee, the Ministry of Finance said on Thursday, 22 January.



"The Minister of Finance [Nhlanhla Nene] has approved an additional guarantee of R6.488bn for SAA, taking the total guarantees granted to the airline to R14.4bn," said the Ministry.

In December 2014, the airline was transferred from the Department of Public Enterprises to National Treasury.

A guarantee is not a transfer of money but allows an entity to borrow against it. It is an undertaking that government will take on the liability of the entity's debt obligation in the event of a default.

On Thursday, the Ministry said the additional guarantee will enable the airline to finalise its annual financial statements for 2013/14, making it possible for the airline to hold its annual general meeting (AGM) next Friday.

Among the conditions of the guarantee is that SAA provide National Treasury within one month with a comprehensive implementation plan for the 90-day action plan interventions, including timelines for the targeted savings and which managers are responsible for delivering those savings.

SAA is also expected to develop proposals within three months on the network structure, fleet strategy and structure of the airline for government's consideration, as well as the review and stress testing jointly by government and SAA of the financial model and refined long-term turnaround strategy (LTTS).

The guarantee condition also includes that the airline should strengthen governance, internal controls and working capital management as well as submit weekly reports to Treasury.

In December 2014 Minister Nene, the board, acting CEO and the CFO agreed on measures to stabilise the company's financial position.

Following the AGM, the Minister will hold a media briefing.

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