

# Treasury will ensure SAA's creditors do not let it go under

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The Treasury has taken steps to ensure that South African Airways' (SAA's) creditors do not pull the plug on the embattled airline, which is experiencing a severe cash crunch.



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In a statement on Wednesday, Finance Minister Pravin Gordhan insisted that "SAA is open for business and will remain so", reaffirming that the national carrier will not be allowed to go under.

The sharp deterioration in the value of the Rand relative to the dollar has exacerbated cash crisis at SAA as the cost of jet fuel among other expenses has soared.

## Measures taken to ensure SAA meets cash obligations

The statement on Wednesday said the Treasury had been in contact with several lenders that had provided SAA with short-term loans on an unguaranteed basis. "Indications are that the banks are not intending to withdraw their facilities at this time," the Treasury said. "Regular engagements with lenders have been taking place since 2014 and will continue until the airline is stabilised."

Other measures taken to ensure that SAA meets its cash obligations include repatriating funds from overseas, and efforts to secure further short-term bridging facilities on the basis of the R2bn remaining of SAA's total state guarantee of R14.4bn.

## Request for a going-concern guarantee

The Treasury said it was considering SAA's request for a going-concern guarantee, which was submitted last month. The approval of the guarantee is necessary to enable SAA to finalise its annual financial statements on a going-concern basis. Once the statements are finalised SAA will be able to hold its annual general meeting and submit them to Parliament.

Gordhan aims to stabilise SAA in the short term and address its government and leadership issues such as appointing a full board and speeding up the process of appointing a permanent CEO, which he has said were essential for stabilising the airline.

In the medium to longer term, the aim is to establish SAA on a stronger financial footing. "The goal in the longer term is to ensure that the airline is able to operate without support from the state, as should be the case with all state-owned entities" Gordhan said.

*Source: BDpro*

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