Gigaba to sell off assets to fund SAA bail-out

The government is identifying state assets it can sell to offset its recent R2.2bn bail-out for South African Airways (SAA) and so ensure the cash injection has no effect on the 2017-18 budget.

But for the bail-out to be budget neutral in the current financial year as finance minister Malusi Gigaba has promised, the sale will have to be fairly quick and suggestions are that the quickest would be for the government to dispose of all or part of its 39.7% stake in Telkom, which is worth about R14bn.

Telkom shares "fairly easily marketable"

DA deputy finance spokesman Alf Lees said the Telkom shares were "fairly easily marketable" and their sale would generate funds fairly quickly to meet the commitment to the budget neutrality of the bail-out.

Gigaba disclosed the initiative to identify disposable state-owned assets in a letter to speaker of the National Assembly Baleka Mbete, in which he explained the circumstances behind the Treasury having to repay the R2.2bn which SAA owed to Standard Chartered Bank after the bank refused to extend its short-term bridging facilities to the airline. SAA had no funds to repay the loan.

The minister is obliged by the Public Finance Management Act to inform parliament of the use of the act to defray expenditure of an exceptional nature.

Gigaba's spokesman, Mayihlome Tshwete, said an audit was being undertaken of the state's 700-odd entities to see which nonstrategic ones could be disposed of.

March 2018 deadline

The 14-point plan released by Gigaba last week set a deadline of March 2018 for the finalisation of the audit, but an asset sale to offset the R2.2bn will have to happen sooner if the bail-out is to be budget neutral in the current financial year.

Provision for the bail-out will be made in the medium-term budget policy statement and the Adjustments Appropriation Bill in October. Gigaba said the details of the disposal initiative would be disclosed in October.

Gigaba's letter refers to the recapitalisation of Eskom in 2015 when the government sold its 13.9% stake in Vodacom to the Public Investment Corporation for an undisclosed sum to fund its R23bn allocation to the utility. This reinforced Lees' view that the Telkom shares were a frontrunner for a sale.

SAA used up R18.6bn of its total state guarantees of R19bn

The letter also reveals that SAA has used up R18.6bn of its total state guarantees of R19bn, of which R16bn has been used to guarantee loans from various lenders; R542m for SAA's air traffic liabilities; R522m for letters of credit; R768m for unflown ticket liabilities; and R830m for banking facilities.

Lees said the unprofitable SAA could not sustain such a huge loan book and the sale of assets should deal not only with the bail-out money but also the R16bn owed to lenders. The recapitalisation of SAA is on Gigaba's to-do list.

Significantly, Gigaba attributes the urgency of the SAA bail-out to "the downgrade in SA's foreign-current credit rating by certain rating agencies, the downturn in the economy and the more rapid deterioration in SAA's cash-flow position."

An SAA default on its Standard Chartered Bank loan would have triggered defaults on SAA's other guaranteed debt of R13.8bn and general banking facilities of R830m.

Source: Business Day