



SOUTH AFRICAN AIRWAYS

Standing Committee on Public Accounts

SAA BR Update

25 March 2021



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1. Timeline Since the Last Presentation

Date	Commentary
04 Nov 2020	Last SCOPA meeting (see R10.5bn breakdown on pg3)
30 Nov 2020	Receipt of R1.5bn (1 st tranche of R10.5bn)
09 Dec 2020	Appointment of interim board by DPE
18 Dec 2020	Lockout of SAAPA pilots
20 Jan 2021	Receipt of R1.3bn (2 nd tranche of R10.5bn)
12 Feb 2021	Receipt of R5bn (3 rd tranche of R10.5bn)



2. Breakdown of MTBPS Funding Allocation

Date	Pre-BR
Employee Related Payments (VSPs, Retrenchments & Unpaid Salaries)	R2.8 billion
PCF Creditors	R0.8 billion
Working Capital	R2.0 billion
Unflown Tickets Liability	R2.2 billion
Recapitalisation of Subsidiaries (SAAT, AirChefs and Mango)	R2.7 billion
Total	<u>R10.5 billion</u>



3. Funds Received to Implement BR Plan (1 of 2)

1st Tranche in the amount of **R1.5bn** came with the following conditions:

- Payment of two (2) months salaries as part of the settlement of unpaid salaries with employees;
- Payment of Post-Commencement Creditors;
- Working Capital portion for SAA; and
- Settlement of amounts owed to subsidiaries.

These funds could not be utilised as these conditions were non-compliant with the provisions of the Companies Act in relation to prioritisation of payments

2nd Tranche in the amount of **R1.3bn** came with the following conditions, :

- Payment of 3 (three) months salaries as part of the settlement of unpaid salaries with employees;
- Payment of Post-Commencement Creditors;
- Working Capital portion for SAA; and
- Payment of voluntary severance packages (“**VSPs**”) for non-management staff only.

These conditions superseded the conditions that were stipulated for the 1st tranche as stated above.



3. Funds Received to Implement BR Plan (2 of 2)

3rd Tranche in the amount of **R5bn** to be utilised for the following:

- Payment of VSPs for non-management staff;
- Payment of VSPs for pilots and management; and
- We are engaging with the DPE on the utilization of the balance of the funds, which will need to be consistent with the proposals per set out in the duly adopted BR Plan and in line with the funding commitment provided by Government.

Recapitalisation of subsidiaries amount of **R2.7bn**:

- No funds have been received for the recapitalisation of the subsidiaries.
- We were advised by the DPE that the balance of funds would be made available for the subsidiaries once certain government processes have been resolved.



4. Funds Utilised in Implementing BR Plan (1 of 2)

Amounts utilised to date:

- Unpaid Salaries, 3 months settlement = **R360.7m** (3 888 employees, 85% of workforce);
- VSPs = **R1.55bn** (3 140 employees)
 - *Further amounts will be paid when the remaining employees that have taken up the VSPs get processed to exit the Company.*
- PCF Creditors = **R400m**
 - *The reconciliation process requires engagements with some creditors in order to reach agreement on final amounts to be paid to them.*
 - *Given the volume of creditors and complexity of some of the contracts, this process has taken a considerable amount of effort and time, however, hope to finalise by end of March 2021.*



4. Funds Utilised in Implementing BR Plan (2 of 2)

Amounts utilised to date:

- Unflown Tickets Liability = **R700m**
 - *The travel vouchers are valid until February 2023 so as to cater for the current travelling uncertainties, especially for international travel.*

- Working Capital
 - *This amount is currently being utilised for the current costs of care and maintenance.*
 - *Remaining funds will finance the restart of the operations post business rescue.*



5. Employee Matters

Unpaid Salaries

- A settlement agreement was signed on 24 December 2020, by four (4) unions being NTM, SATAWU, AUSA and Solidarity as well as by the two formations representing non-unionised employees.
- The settlement agreement was also extended to members of unions that had not signed the settlement agreement for individual acceptance.
- The take up is 85%, excluding pilots (3 888 employees)

VSPs

- Taken up by 3 246 employees (3 140 have already been processed and paid)
- A handful of VSP payments remain outstanding due to various reasons that are being resolved.

SAAPA Pilots Lockout

- SAAPA is the majority pilots' union;
- Lock-out notice issued on 18 December 2020 following deadlock in negotiations;
- Negotiations ongoing to seek a full and final settlement notwithstanding the lock-out;
- Remain hopeful a settlement acceptable to both parties will be reached



6. Conclusion of the BR process

Filing of Notice of substantial implementation subject to fulfilment of the following:

- Payment to employees, at a minimum, the unpaid salaries or a provision is made for such payment;
- Payment of Post-Commencement Creditors;
- Election of the Receivers by creditors and the establishment of the Receivership.

The aforesaid attendances are being dealt with as critical by the BRPs and are being addressed as expeditiously as possible and is it anticipated that these items will be fully addressed by the end of March 2021.



7. Receivership

- Once the BRPs have filed a notice of substantial implementation
 - SAA is discharged from the business rescue proceedings; the
 - Receivership shall be deemed to have commenced; and the
 - Receiver/s shall be tasked with their duties as contemplated in the BR Plan.

- A notice issued to affected persons for the nomination of the Receivers, and
 - Calling for votes by the creditors, by way of proxy, to
 - Confirm the appointment of the Receiver/s after which the
 - Receivers will be deemed to have been appointed and can commence with their duties.

- The main role of the Receivers is to
 - Ensure the receipt and distribution of the amounts due to be paid to Concurrent Creditors and Lessors
 - Amounts paid over the next three years in the future (2021 – 2023)



8. What the BR process achieved

- Transformation of SAA from being an insolvent company to a company that is both **solvent and liquid**;
- Reduction of SAA liabilities and claims by **R35.7bn** through a compromise negotiated with Concurrent Creditors and Lessors;
- Reduction of SAA's workforce from **4700** employees to approximately **1000** through VSPs and a successful s189 process;
- Payment of severance payments that are significantly better than what employees would have received in a liquidation scenario;
- Reduction of **general overheads** of the airline through renegotiation of supplier contracts based on a value-for-money principle and changing the terms and conditions of employment of employees to allow for a sustainable restructured airline;
- Preservation of **critical memberships** of the airline that are paramount to the commercial success of its business (e.g. IATA, Star Alliance, etc.); and
- **Preservation** of the infrastructure and other airline assets.



SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER 

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