

Treasury plans R10bn special appropriation bill to keep SAA afloat

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Treasury plans to bring a special appropriation bill for R10bn to Parliament before the end of the month to provide South African Airways (SAA) with the necessary capital to continue operating, and to provide for the repayment of loans to lenders, Treasury director-general Dondo Mogajane said.



Photo: SAA

Parliament will be in recess from next Monday for two weeks so the urgent need for funds will require that a special sitting is held.

Mogajane said Treasury would make an appeal for a special sitting, given the urgency of the situation.

During a meeting of Parliament's standing committee on finance, it emerged that SAA will need R2.4bn in working capital until end-March 2018.

Treasury also needs to regularise the payment of R2.2bn that it made to pay out Standard Chartered Bank, when the bank refused to roll over its loan to SAA in June.

An additional amount might be required before end September to repay part of the R6.8bn in loans which mature at the end of September.

Citibank has indicated previously that it does not want to roll over its R1.8bn loan but Mogajane told MPs that negotiations with the bank and other lenders were continuing in order to get the loans extended.

Citibank could agree to take a part payment and roll over part of the loan, Mogajane said.

He said some lenders were willing to roll over their loans but others wanted to be paid.

Mogajane warned of the danger of SAA defaulting on any of its loans, as this would trigger cross defaults for the loans to other state-owned enterprises which would also have to be paid.

An urgent special appropriations bill will be required as a short-term measure ahead of the additional appropriations made in the medium term budget policy statement, which will be tabled by finance minister Malusi Gigaba on October 25. After that the appropriations bill will have to be adopted by Parliament.

DA deputy finance spokesman Alf Lees said the situation was a crisis. Treasury was still in negotiations with lenders two weeks before the deadline, with no clarity on the way forward, and was planning to push through a special appropriations bill at very short notice. "It is just shocking," Lees said in an interview.

Chief financial officer Phumeza Nhantsi said SAA was trying to negotiate an extension of the R6.8bn loans due by the end of the month for a further 18 months.

This was necessary for SAA to pass the going-concern test, a condition for the auditor-general approving its financial statements.

SA Express has failed this test, public enterprises minister Lynne Brown told the committee on Wednesday morning.

Treasury is also considering a request by the SABC for a guarantee of R3bn, the committee heard.

Granting the guarantee would raise total state guarantees, which stand at R474bn, up from last year's R470bn.

Government's contingent liabilities in the form of guarantees are of concern to credit ratings agencies, particularly because of the precarious state of several state-owned enterprises.

Source: *BDpro*

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