BIZCOMMUNITY

SAA liquidation means financial hardship, DPE warns

The Department of Public Enterprises (DPE) cautioned South African Airways (SAA) employees, labour unions and creditors that the liquidation of the airline will lead to financial hardship for employees and substantial undervaluation of assets.

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In a statement issued on Thursday, the department said SAA stakeholders should realise that business rescue provides a better outcome than liquidation and should be supported for their collective interests.

The SAA Business Rescue Practitioners (BRPs) have scheduled a creditors' meeting for 14 July after last month's vote on the business rescue plan was postponed.

"A vote in favour of the plan by 75% of the voting interests would be required to carry the vote. A vote against the plan would result in the protracted and costly liquidation of the airline," said the DPE.

As the shareholder on behalf of government, the department said it was of the view that business rescue is a viable alternative to liquidation.
"This option supports job preservation and the ability to bring the airline back from the brink to a position where some employees, labour unions and creditors can continue to contribute to the South African economy and its integration into the global economy."

The department believes in the case of liquidation, a liquidator will be appointed to consolidate the company's assets in order to raise capital which will be distributed to the creditors when the airline is wound up.

During the drawn-out process, the DPE says, creditors would in all likelihood receive a negligible dividend after all secured and preferred creditors have been paid in the liquidation proceedings.

For employees, the liquidation of SAA means they would receive a maximum of R32,000 per staff member, regardless of years of service, to the extent that there are funds available.

"They will only receive payment once the final liquidation and distribution account has been approved which can take up to 24 months," the department said.

"Therefore it stands to reason that generally, business rescue dividends should result in a higher return for creditors than would result in a liquidation situation."

The DPE is convinced that the R2.2 billion budgeted for Voluntary Severance Packages (VSPs) for SAA employees is the best available option at a time when government is faced with massive financial demands and fiscal constraints.

The VSPs, which can be offered to employees immediately after a creditors vote endorses the Business Rescue Plan, meet the requirements of Basic Conditions of Employment Act and the Labour Relations Act, including one week calculated per year of completed service, one-month notice pay, accumulated leave paid out, a 13th Cheque and a top-up of severance packages.

The VSPs are supported by a social plan and a skills development programme for affected SAA employees.

"The social plan is aimed at equipping individuals to re-enter the job market. Employees who take up the VSPs will be entitled to re-apply for positions in a new, restructured national airline which is anticipated to emerge from the business rescue proceedings, as it grows," reads the statement.

The department added that the transformation of SAA into a competitive airline will require sacrifices and a major restructuring, starting on a conservative basis and gradually and systematically building up over the next three years to re-employ as many of the displaced employees who have necessary skills and competence.

The DPE said it supports a restructuring process as it would achieve:

● An internationally competitive performance;

● A demographic profile of skilled, competent and committed employees; and

● For the employees that remain, the task will be to grow the airline and provide opportunities for their former colleagues to be re-employed.

"It would require a level of commitment and cooperation from both SAA and the unions to overcome the devastating consequences of the Covid-19 pandemic where thousands of jobs are being lost on an unprecedented scale in South Africa and globally," the department said.