



**MINISTER: FINANCE
REPUBLIC OF SOUTH AFRICA**

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Ref: M3/4/2/2(757/2022)

Hon. RA Lees, MP
DA Member of the Standing Committee on Public Accounts
Parliament of the Republic of South Africa
PO Box 15
CAPE TOWN
8000

Dear Hon Lees,

**RESPONSE TO HON. RA LEES, MP ON THE DISPOSAL OF 51% OF GOVERNMENT'S
SHAREHOLDING IN SOUTH AFRICAN AIRWAYS SOC LTD (SAA) TO A STRATEGIC
EQUITY PARTNER (SEP)**

I refer to your letter dated 22 March 2022 with regards to the abovementioned matter.

On 9 March 2022, during the National Treasury's (NT) presentation to Standing Committee on Public Accounts (SCOPA), the committee requested that NT respond in writing to questions relating to the disposal of the majority of Government's shareholding in SAA. NT was requested to respond within 14 days from the date of its appearance before the committee.

On 18 March 2022, the Director-General of the NT responded to the questions from SCOPA. The Director General's response to SCOPA sought to clarify that NT did not play any role in the selection process of the preferred SEP including the conceptualisation, negotiation and the finalisation of the terms and conditions relating to the transaction.

I must emphasise that as the Minister of Finance, I am required to only note the intention of the Department of Public Enterprises (DPE) to dispose the majority of Government's shareholding in SAA. This is because the Minister of Finance's approval in terms of Section 54(2) of the PFMA is not required for this transaction. Section 54(2) of the PFMA does not find application in this instance as it is the government, as the shareholder selling its stake in SAA. Section 54(2) of the PFMA only finds application where a public entity concludes any of the transactions mentioned under Section 54(2) of the PFMA. In other words, Section 54(2)(c) would apply in an event whereby SAA was seeking to dispose a significant shareholding in any of its subsidiaries or was seeking to acquire significant shareholding in another company. The disposal of a majority shareholding in SAA has already been

approved by Cabinet and thus no approval, concurrence or noting is required from the Minister of Finance in terms of the PFMA.

In addition, NT took the opportunity to raise concerns in relation to some of the terms and conditions entered into between the DPE and the preferred SEP. It must be noted that NT's concerns arose following the perusal of the documents that the DPE had shared with NT including the Share Purchase Agreement (SPA) which had already been executed with the preferred SEP. As part of an inter-departmental collaboration approach, NT sought to highlight its concerns in relation to some of the terms and conditions agreed to. Therefore, given that NT played no role in the conclusion of the SPA which contains the terms and conditions of the disposal of 51% of Government's shareholding in SAA, I submit that the request for a copy the agreement for the sale of SAA shares should be referred to the DPE instead of NT.

Furthermore, given the context within which the concerns by NT were raised, the details of the concerns which were raised by NT in relation to the disposal of 51% of Government's shareholding in SAA should also be requested from the DPE.

Finally, NT's responsibilities in terms of funding for the execution of SAA's business rescue plan of R10.5 billion has been fully discharged. This was executed in terms of a Cabinet resolution of June 2020, which resolved that the DPE and the NT explore and agree on funding solutions to enable the implementation of SAA's business rescue plan.

I trust that you will find the above in order.

Kind regards,

A handwritten signature in black ink, appearing to read 'Godongwana', with a long horizontal flourish extending to the right.

ENOCH GODONGWANA
MINISTER OF FINANCE
DATE: 02/06/2022