

SAA SHOULD GO INTO BUSINESS RESCUE: AVIATION ANALYST

News / Airlines



South African Airways needs to go into **business rescue** to avoid liquidation.

That's the view of at least one aviation industry expert as the airline awaits the Treasury's decision on a key aircraft leasing deal.

SAA wants to restructure its aircraft deal with manufacturer Airbus.

The proposal reportedly championed by chairperson Dudu Myeni is for the planes to now be leased through a third party, instead of purchased directly from Airbus.

Financial services company Quartile Capital is reported to have been identified for the lease deal.

However, this is said to have triggered substantial contract-related penalties on the Airbus deal.

Aviation analyst Joachim Vermooten believes Treasury's options include giving guarantees to enable SAA to borrow from commercial banks.

It can also opt to give the airline a direct cash injection or partly privatise some of its components.

Vermooten however believes business rescue is the embattled airline's best bet.

"Business rescue has been very good for airlines generally. Most of the American large airlines have gone through business restructuring, as has Air Canada," he said.

"And it focuses attention on a single object, and that's actually to turn around the company instead of a myriad other objectives which may not be attainable.

"Secondly, the law provides you a negotiating power with your creditors and you're able to restructure the company at a quicker pace than is possible if you don't put it into business rescue."

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