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**Announcement of Preferred Strategy Equity Partner (SEP) for SAA**

- *DPE announces ground-breaking public-private partnership for SAA, which will see 51% assigned to the SEP and 49% to Government*
- *SAA, an iconic brand, to be relaunched as a viable national airline*
- *Black-owned; South African-based Takatso Consortium selected as preferred strategic equity partner (SEP)*
- *Relaunched SAA will no longer need state funding*
- *Potential future listing of SAA to allow all South Africans to participate in its success*
- *SAA domestic and regional services restart later this year, and international flights thereafter*

**10 June 2021:** The Department of Public Enterprises (DPE) announced today that the Takatso Consortium, comprising Harith General Partners, a leading investor in African infrastructure and airports, and airline management firm Global Airways, has been selected as the preferred Strategic Equity Partner (SEP) for South African Airways (SAA).

This follows a rigorous, year-long process undertaken by DPE to identify a suitable SEP for SAA. The Consortium will undertake a normal due diligence exercise before the transaction is finalised.

This partnership between Government and private sector is a demonstration of South Africa's ability to develop an entirely homegrown solution to successfully relaunch SAA as a sustainable, competitive and transformed airline.

Public Enterprises Minister Pravin Gordhan says the selection of the Consortium is a ground-breaking decision for Government. He said, "The partnership brings together South African public and private sector capabilities to reposition SAA. We have looked long and hard at the proposals submitted, and our clear choice of a preferred partner is the Takatso Consortium. The objective of bringing in an equity partner to SAA is to augment it with the required technical, financial and operational expertise to ensure a sustainable, agile and viable South African airline. SAA will contribute to the venture, the brand, the flag, landing slots, route licences, lounges and a successful loyalty program (Voyager).

"With this partnership, we believe we are closer to achieving the important objective of having a sustainable national airline. The new SAA will not be dependent on the fiscus. It will be agile enough to cope with the current uncertainty, and improvement, in global travel. As we recover from the impact of Covid on the aviation industry, African countries will reopen their borders, enabling the movement of people, cargo and trade. We want to relaunch SAA as an iconic South African brand

and are confident that we have the right partner to achieve this objective," said the Minister. He also said "Government will retain a 'golden share' in SAA which will ensure that the flag is retained, that it remains domiciled in the country and issues such as transformation goals remain upper-most."

**Objectives of the partnership:**

- a) To relaunch a viable, scalable, agile and sustainable national South African airline that is no longer dependent on the South African fiscus.
- b) SAA will be a substantial operating business in its own right. The Consortium's platform, intellectual property, experience, expertise and substantial balance sheet will be leveraged to build a world-class airline.
- c) To evaluate and explore the revival and re-establishment of partnerships with African and International airlines and networks, to fully access the growing African aviation market and for SAA to once again become the leading airline on the African continent.
- d) To build a model public-private partnership that leverages the commercial skills of the Consortium, build on the brand name and positive image of SAA, which together will serve the national interests of South Africa.
- e) To build an airline that propels the growth of the South African economy, especially the tourism industry.
- f) To build a strong, uniquely South African culture in the airline that showcases the country's broad skills, talent, and diversity.
- g) To conclude the necessary interim arrangements between SAA and the Consortium and commence with phase one of the airline's relaunch, including key domestic and select regional routes. In addition, to build this network and frequency as demand returns and rebuild a focused long-haul international network as Covid recedes.
- h) In parallel with phase one, complete all the necessary due diligence requirements, obtain all the required approvals and conclude all the legal agreements necessary to consummate this partnership.
- i) A longer-term, strategic objective is to create a listed vehicle/Initial Public Offering (IPO) for the airline in which all South Africans will have the opportunity to participate in its success. This strategy is supported by existing, successful precedents of broad participation by South Africans in listed national assets.
- j) Develop a high-performance culture, befitting of a world-class airline to which SAA aspires to return.

Tshepo Mahloele and Gidon Novick, of the Takatso Consortium, said "They did not doubt that SAA could be built into an efficient airline that catalyses growth in the South African economy especially tourism. The consortium brings a unique combination of skills and infrastructure funding (including airports) and aviation operator experience. This will ensure the development of SAA into a viable and agile commercial airline. In addition, we bring unique access to African markets that we are familiar with, because we have deployed more than a billion dollars into a portfolio of critical

infrastructure assets across the African continent that support regional economies, and our existing investments in rail, airports and bridges across the continent strongly support this regional integration model."

"With SAA, we believe we can leverage, with appropriate partnerships, the potential of the aviation sector in Africa, which is being fuelled by urbanisation, intra-African and inter-city trade." they said.

"The COVID-19 pandemic has presented huge challenges for the aviation industry. However, it has created a momentum to reimagine a future for aviation and its various components, particularly the important role that aviation has played in transporting vaccines and protective and other supportive equipment to other parts of the world. There are great skills and talent available as well as abundance of available aircraft, which makes the quest of creating a world-class airline a lot easier," they said.

### **Key elements of partnership:**

- a) **Ownership:** The Takatso Consortium will own 51% of the airline and Government 49%. The intention is to list the airline in the future to address future funding requirements and enable all South Africans to take part in its success.
- b) **Funding:** The Consortium provides the required capital. There will be no further burden on the fiscus.
- c) **Operational capability:** The Consortium has a significant operational expertise including, aircraft acquisition, operations, IT systems etc.
- d) **Board representation:** Board seats will follow the equity interests of the shareholders.
- e) **Management representation:** The composition of the Management team shall take into account South Africa's national demographics and transformation agenda.
- f) **Golden Share:** The Government will have a 'golden share' of 33% of the entity's voting rights and certain areas of national interest.
- g) **Pre-emptive rights:** Standard pre-emptive rights, rights to match etc., will be included for the benefit of both parties.
- h) **Historical Liabilities:** All historical liabilities will be the responsibility of Government within the amount allocated.
- i) **Subsidiaries:** As part of the due diligence process, the DPE and the Consortium will carry out a joint assessment on the future of the subsidiaries.

### **Transformation an Imperative**

The partnership is fully committed to an inclusive and diverse team representative of our demography at all levels in the airline.

- a) **Majority Black Ownership:** The Consortium is 51% black owned.

- b) **Board and Management:** The composition of the Board, Management and staffing shall, in addition to the appropriate skill-sets, take into account South Africa's national demographics and transformation agenda:
  - a. The Chairperson of the Board shall be a South African.
  - b. There shall be due regard for fostering and promoting capable black and women South African talent to senior operating and management positions.
  - c. The majority of the Executive team shall be South Africans, with either the Group CEO or the Group COO or Group CFO being a South African; ideally, all three.
- c) **Pilots:** The Consortium will prioritise the training and promotion of qualified black pilots as part of a non-racial team of qualified men and women.

Once the due diligence exercise is completed and the definitive sale and purchase agreement is concluded, a further release will be issued.

Minister Gordhan said “Government is pleased that all the elements have been brought together for a leading and sustainable Pan-African airline to emerge and that this will be done without any future reliance on the fiscus.”

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