



Media Release
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SA AIRLINK TO BE PROSECUTED FOR ABUSE OF DOMINANCE

The Competition Commission has referred SA Airlink (Pty) Ltd, a privately controlled regional feeder airline, to the Competition Tribunal for prosecution on charges of excessive and predatory pricing. The complaints were lodged by Mr Khwezi Tiya, Fly Blue Crane (Pty) Ltd and the OR Tambo District Chamber of Business between 2015 and 2017.

The complaints were about the Johannesburg-Mthatha route (the route). The complainants alleged that SA Airlink's prices were excessive before Fly Blue Crane entered the route. It was also alleged that SA Airlink then lowered its prices below its costs (predatory pricing) when Fly Blue Crane entered the route; and it was also alleged that SA Airlink went back to their exorbitant prices (excessive pricing) after Fly Blue Crane exited the route in January 2017.

The investigation subsequently found:

- SA Airlink contravened the Competition Act by abusing its dominance from September 2012 to August 2016 by charging excessive prices on the route to the detriment of consumers;
- Consumers would have saved between R89 million and R108 million had SA Airlink not priced excessively on this route;
- Lower prices would also have resulted in more passengers travelling by air on the route, possibly contributing to the local economy of Mthatha;
- The airline engaged in predatory pricing in that it priced below its average variable costs and average avoidable costs for some of its flights. (Variable costs are those costs which vary with the output. Avoidable costs are those costs that can be avoided if a decision is made to alter the course of a business/project);
- The predatory pricing conduct of SA Airlink contributed to the exit of Fly Blue Crane, their only competitor at the time on the Johannesburg-Mthatha route; and
- The effect of the predation is also likely to deter future competition on this route from other airlines.

The Commission seeks an administrative penalty of up to 10% of SA Airlink's annual turnover for both the conduct of excessive pricing and predatory pricing. In addition, the Commission has asked the Tribunal to determine other appropriate remedies in order to correct the conduct.

"This conduct has had a negative effect on the route, even contributing to the exit of a new competitor that had entered the market in late 2016. Our estimates further show that air travellers in that area overpaid more than R100 million for the 5 years over which the conduct took place. The Commission is concerned about SA Airlink's conduct and will seek the maximum administrative penalty before the Tribunal," said Deputy Commissioner, Hardin Ratshisusu.

[ENDS]

Issued by:

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