



Media Statement

For Immediate Release

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SA AIRLINK AND SAFAIR MERGER ABANDONED

On 20 February 2018, the Commission prohibited the proposed merger between SA Airlink (Pty) Ltd (SA Airlink) and Safair Operations (Pty) Ltd (FlySafair). The Commission found that the proposed transaction is likely to result in a substantial prevention or lessening of competition in the market for scheduled passenger services.

The Commission found that the merger is likely to result in the removal of an effective competitor (FlySafair) to SA Airlink particularly on the routes in which FlySafair competes against SA Airlink. FlySafair offers competitive prices and has been growing in the market both in terms of its existing routes as well as entering into new routes. On the other hand, SA Airlink has monopoly or near monopoly positions on most routes it currently operates on.

FlySafair is also a potential competitor to SA Airlink on those routes which it has not yet entered but could potentially enter in future and therefore poses a competitive constraint on SA Airlink in this regard. This is especially so bearing in mind FlySafair's current competitive pricing on most routes it operates in. The Commission found that there are significant price differentials between FlySafair and SA Airlink (with FlySafair being cheaper) and that if the merger were to be approved, there is a likelihood of price increases due to the loss of competition from the merger.

The Commission further found that the proposed merger is likely to result in coordinated effects through the potential exchange of competitively sensitive information between South African Airways (SAA) and FlySafair (and SA Airlink) since SAA has a shareholding in SA Airlink. Such structural links through cross shareholdings and the existing operational agreements are likely to facilitate coordinated outcomes in future. SA Airlink currently operates under extensive operational agreements with SAA. In the event that the merger were to be approved, SA Airlink would likely have the ability to adapt the business strategy of FlySafair such that FlySafair could also be incorporated into the existing arrangements between SAA and SA Airlink as well. In this regard, the Commission found that the merger would likely result in the enhancement and facilitation of coordinated conduct in future.

There were no remedies identified that could sufficiently address the competition concerns identified and therefore the Commission prohibited the proposed transaction.

Following the prohibition of the merger by the Commission, on 07 March 2018, SA Airlink and FlySafair brought an application before the Competition Tribunal (Tribunal) for the re-consideration of the Commission's decision. The merging parties argued that the Commission had erred in its findings that the proposed transaction is likely to result in (i) the removal of an effective competitor; (ii) the removal of a potential competitor; and (iii) coordinated outcomes.

The Commission opposed the merging parties' application before the Tribunal. The Commission filed documents, expert and factual witness statements in support of its decision. The hearing of the matter was initially set down for July 2018, however SA Airlink and FlySafair requested for a postponement of the hearing to a later date. The hearing was rescheduled and set down for the end of November 2018. On 26 October 2018, SA Airlink and FlySafair abandoned the merger altogether.

The Commission's decision to prohibit the merger therefore stands.

[ENDS]

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