



**competition commission**  
south africa

## **Media Statement**

### **For Immediate Release**

**12 May 2023**

### **COMMISSION RECOMMENDS CONDITIONAL APPROVAL OF TAKATSO/SAA MERGER**

The Competition Commission (“Commission”) has recommended that the Competition Tribunal (“Tribunal”) approve the proposed merger between Takatso Aviation Proprietary Limited (“Takatso”) and South African Airways State-Owned Company Limited (“SAA”) with divestiture and employment conditions. The recommendation follows the Commission’s investigation in terms of the large merger notification received on 3 June 2022 in which Takatso intends to acquire 51% of the issued share capital of SAA from the South African Government as represented by the Department of Public Enterprises (“DPE”). If the merger is approved by the Tribunal, the remaining 49% shareholding in SAA will be retained by the DPE.

Takatso is a company newly incorporated for the purposes of this proposed merger. Takatso is a consortium in which Harith General Partners Proprietary Limited (“Harith”), holds the majority shareholding. The minority shareholders in Takatso are Global Aviation Operations Proprietary Limited (“Global Aviation”) and Syranix Proprietary Limited (“Syranix”). Harith is an asset management firm with investments in infrastructure projects across various sectors. Of relevance to this merger assessment is Harith’s investment in Lanseria Airport. Global Aviation leases aircraft and also owns and operates the domestic passenger airline known as ‘Lift’. Syranix co-owns the Lift trademark but does not hold a domestic passenger airline operator’s licence. Syranix provides airlines such as Lift with management support services including commercial, customer support, branding, and associated activities.

The Commission found that the merger is likely to result in a substantial lessening and prevention of competition in the domestic passenger airlines market. That is because the merger will likely facilitate the exchange of competitively sensitive information between SAA and Lift, through Global Aviation and Syranix having shareholding and the ability to appoint directors to Takato’s board of directors. Takatso will have access to SAA’s competitively sensitive information by virtue of its majority stake in SAA, pursuant to the proposed merger. This concern is further exacerbated by the fact that the domestic passenger airlines market is highly concentrated, barriers to entry are high and is amendable to coordinated effects. To remedy this concern, the Commission and the parties have now agreed to a divestiture condition in

terms of which Global Aviation and Syranix will completely divest from Takatso prior to the merger's implementation. The Commission considers that this 'fix-it-first' remedy is appropriate in the circumstances given the extent of the competition concerns identified.

The divestiture and employment conditions were initially rejected by the parties resulting in the Commission first taking a decision to recommend a prohibition of the merger. It was only after the merging parties agreed to the imposition of the remedial conditions initially proposed by the Commission which include divestiture conditions and a moratorium on merger-related retrenchments and to maintain a minimum number of employees at SAA that the Commission has now recommended conditional approval of the merger.

The Commission found that Harith's investment in Lanseria is unlikely to raise vertical (foreclosure) concerns, considering factors such as recent investments to expand and improve the Lanseria Airport and the availability of Johannesburg International Airport as an alternative to Lanseria, amongst other factors.

The Commission found that the merger does not raise any other substantial public interest concerns.

The Commission, therefore, recommends that the Tribunal approve the merger subject to the recommended conditions. The Commission notes that its role in the assessment of large mergers is advisory in nature and its recommendation has been referred to the Tribunal for a final decision.

**[ENDS]**

**Issued by:**

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