

Airlines object to Fastjet's bid for 1time

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Almost all of SA's large airlines are formally objecting to the threat posed by UK-based Fastjet's attempts to enter the local market by taking over the operations of 1time Airline, which is in provisional liquidation, *Business Day* reports.



Attempts to rescue 1time have come to the attention of the Air Services Licensing Council, a state regulator that will meet next month to hear arguments for and against the transfer of 1time's licence to Fastjet, a low-cost pan-African carrier.

State-owned airline Mango said in its affidavit to the council, objecting to the transfer of the licence, that a "high probability (existed) of other domestic airlines, with capital commitments on replacement and new aircraft, defaulting" if Fastjet entered the market.

This would lead to "an increase in the general credit risk for South African-based and state-owned airlines as a whole", which would make obtaining financing difficult, Mango's affidavit said.

Mango is a subsidiary of South African Airways (SAA), which is relying on a R5bn state guarantee to continue operating, and plans to acquire 20 new Airbus A320s.

Mango said SA's aviation sector had had periods of over-capacity "to the extent that two low-cost carriers already exited the market due to commercial and cash-flow constraints brought about by the competitive pricing in a relatively small market driven by price and demand disparities."

SAA acting chief executive Vuyisile Kona also lodged an objection with the council to transferring 1time's licence. He did not provide details, but asked for an opportunity to supplement the objection pending the outcome of an exemption application lodged by Fastjet.

To win regulatory approval for its acquisition of 1time, Fastjet has applied to Transport Minister Ben Martins for an exemption from the Air Services Act, which requires that 75% of the shareholding of the licence holder is held by South African residents. The act gives the minister the power to exempt operators from this requirement.

1time's provisional liquidator, Aviwe Ndyamara, confirmed other airlines had objected to the application, but declined to comment.

"I am not at liberty to discuss these matters under advice from our attorneys," he said.

Comair's chief executive Erik Venter said on Tuesday (22 January) that the airline, which operates British Airways flights and low-cost operator kulula.com, had also filed objections at the Air Services Licensing Council to Fastjet's licence application.



(Image: GQIS)