

26 FEBRUARY 2013

**Comair launches high court challenge to Government's R 5 billion bailout of SAA in 2012**

*Johannesburg, 26 February 2013:* JSE listed, Comair Limited today announced the launch of a High Court legal challenge to the R5-billion government guarantee to South African Airways (SAA). Official government policy and legislation are in place which governs the operation of SAA as a state owned entity and its competitive relationship with the rest of the aviation industry. Comair states that the current and previous bailouts, which now amount to over R11-billion, do not comply with either the Domestic Aviation Transport Policy or the law (the Constitution, the SAA Act, the Promotion of Administrative Justice Act and the Public Finances Management Act).

"We regret that we have had to resort to legal action to achieve compliance and have not done so lightly. However, we have no other recourse," says Comair CEO, Erik Venter.

According to Venter this action taken by Comair, is NOT a challenge to stop all funding of SAA; nor a proposal to privatise, nor challenge the shareholding of SAA; nor an attempt to shut down SAA. It is an action to ensure that government will provide funding to SAA only after consultation with all affected stakeholders (as per the Promotion of Administrative Justice Act) and that any funding is in accordance with government's Domestic Aviation Transport Policy.

Venter says, "Comair's sole objective is to attain a level playing field in the domestic aviation market to ensure that all airlines face the same risks and the same requirements to operate on sound commercial principles. By receiving government bailouts SAA avoids this commercial reality and this negatively impacts on all current and potential airline operators."

According to economist and aviation expert, Joachim Vermooten, the R5-billion guarantee enables SAA to artificially increase its scope of operations and sustain losses as a result of not operating on a commercial basis, as is required by existing National Government policy. "Government subsidies and interventions distort any market; the results in the domestic airline sector have been catastrophic with the demise of 10 out of 11 independent, private airlines since deregulation in 1991, with the latest casualty in November 2012. Fair competition is essential to achieve market-related ticket prices, product innovation and consumer choice," explains Vermooten.

“Comair is the last remaining independent, privately owned domestic scheduled airline operator in South Africa and has a responsibility to its employees, customers and shareholders to secure a level playing field in which to conduct its business,” says Venter.

“Comair appreciates last week’s announcement of a SAA turnaround strategy, however has concern that there has already been eight prior plans, and that this one has a 20-year time horizon. This is unacceptable in an industry where private capital competes with a state owned enterprise. Comair cannot afford to see this plan unfold over another 20 years. A 20-year plan would furthermore absolve anyone of ultimate responsibility to deliver the entire plan,” says Venter.

This high court action is separate from previous legal challenges by Comair and other competitors some of which are still active.

## Ends

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### Notes to Editors:

Supporting documents accompanying this media release:

1. Domestic Air Transport Policy 1990, Air Service Licensing Act 1990, Addendum to Domestic Air Transport Policy 1991, White Paper on National Transport Policy 1996, Airlift Strategy 2006.
2. Infographic “Birds-eye-view of the domestic airline industry”
3. Quick reference to Comair’s high court challenge
4. The Comair story

### About Comair:

South African owned Comair Limited is SA’s only domestic airline listed on the JSE. Proudly local, Comair has been operating successfully in this country for more than six decades with a safety record which is internationally recognised. Since 1996, the company has been the local franchise partner of British Airways Plc operating under British Airways livery in Southern Africa. Comair also operates Africa’s first low-fare airline, kulula.com, which celebrated its 10-year anniversary in 2011. Since inception, this adventurous brand has revolutionised air travel in South Africa by making flying much easier and more affordable to customers. For more information, visit [www.comair.co.za](http://www.comair.co.za).

**For further information, please contact:**

**Atmosphere Communications**

Marise Lerm

**Tel:** 021 469 1568

**Cell:** 082 826 0457

**Email:** [marise@atmosphere.co.za](mailto:marise@atmosphere.co.za)

**Comair Limited**

Susan van der Ryst

Strategic Corporate Communications Manager

**Tel:** 011 921 0377

**Cell:** 083 283 7832

**Email:** [susan.vanderryst@comair.co.za](mailto:susan.vanderryst@comair.co.za)