

NOTICE 417 OF 2003**COMPETITION COMMISSION****NOTIFICATION OF REASONS FOR DECISION TO
CONDITIONALLY APPROVE THE TRANSACTION
INVOLVING SOUTH AFRICAN AIRWAYS (PTY) LTD (SAA)
AND AIR TANZANIA CORPORATION (ATC)**

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to the conditions set out below.

The Competition Commission (Commission) is of the view that the proposed transaction will substantially prevent or lessen competition in the market for the supply of air services on the Johannesburg-Dar es Salaam route. The acquisition of 49% of ATC by SAA will leave SAA a monopolist in the relevant market.

Although SAA argues potential efficiency and public interest benefits resulting from the transaction, the Commission is of the view that these efficiency and public interest benefits do not outweigh the anti-competitive effects of the proposed transaction. The Commission is further of the view that these potential efficiency and public interest benefits can be attained with a merging structure that addresses the anti-competitive monopolistic outcome.

The Commission has therefore decided to approve the proposed transaction subject to the following conditions:

1. SAA must give up the three frequencies assigned to it by the bilateral air service agreement (BASA) between South Africa and Tanzania and SAA must cease operations on the Johannesburg and Dar es Salaam route if, within one year from the date when SAA is declared the winning bidder for 49% of ATC, the BASA between South Africa and Tanzania does not allow for at least one other independent carrier to fly between Johannesburg and Dar es Salaam at a frequency level that enables the new entrant to provide a competitive constraint to the combined activities of SAA and ATC on the relevant route. No extension of the time-period will be considered.

2. SAA must notify the Commission and the Department of Transport of its status in respect of the bid for ATC within one week of the announcement of the winning bidder. Should SAA not be the winning bidder, the conditional approval falls away. SAA must in its communication with the Department of Transport indicate the conditions imposed by the Commission.
3. SAA must for the twelve month period from the date of being announced the winning bidder supply the Commission with quarterly reports on the status of the bid, implementation of the transaction, and the negotiations around the BASA.

Enquiries in this regard may be addressed to Ms. L. Blignaut at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 482 9050, or Facsimile: (012) 482 9121. (Reference:2002JUL135)