

**NOTICE 191 OF 2006**  
**COMPETITION COMMISSION**  
**APPLICATION FOR AN EXEMPTION**

Notice is hereby given in terms of section 10(6)(a) of the Competition Act, No. 89 of 1998, as amended ("Competition Act"), that South African Airways (Pty) Ltd (herein referred to as "SAA"), a state owned company, registered in terms of the Companies Act, 1973 has applied to the Competition Commission in terms of section 10 (1) of the Competition Act for an exemption from certain provisions of Chapter 2 of the Act. SAA is active in the business of providing passenger air transportation services in South Africa, the Southern African region and internationally.

In its application SAA indicated that it intends implementing a code share agreement entered into between itself and Linhas Aereas De Mozambique (herein referred to as "LAM"). The agreement provides for co-ordination of passenger air transportation services between SAA and LAM on the primary route between Johannesburg and Maputo.

The most important features of the code share agreement are that it provides for:

- SAA and LAM to co-ordinate their activities in respect of the route between Johannesburg in South Africa and Maputo in Mozambique;
- a The parties to market their flights on the route on a soft block seat allocation, where each will be allocated five business class seats and fifteen economy class seats or flights operated by the other, with any unsold seats being returned seven days before the flight;

Since SAA and LAM are in a horizontal relationship, that is a relationship between firms operating at the same level of a market, the implementation of the code share agreement may be in contravention of Section 4(1)(a) and 4(1)(b) of the Competition Act.

The application is based on the premise that the code share will allow SAA to remain competitive in the Southern African regional aviation market while providing better service to consumers and business in South Africa intending to visit Mozambique. Passengers will benefit from improved connectivity, as the parties will make available their respective domestic infrastructures to allow passengers proceeding to secondary routes, more points to connect.