

sa express

Brief to Portfolio Committee on Public Enterprises

Private and Confidential

16 March 2010

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Alleged Collusion on Ticket Prices

Update:

- ▶ Letter received from Competition Commission on 28 Jan 2010 regarding investigation of alleged collusion
- ▶ On 28 Jan 2010, sa express responded to letter, stating the following:
- ▶ sa express received summons from the Competition Commission requiring documents and correspondence relating to the 2010 World Cup by 15 Feb and sa express duly submitted required information

- ▶ sa express:
 - » has only participated in discussions on transport capacity requirements for the Soccer World Cup at meetings convened by the South African Department of Transport (ASSTT). These discussions were confined to airlines' readiness (capacity availability) for the world cup
 - » has never participated in any discussion with any other airline(s) regarding pricing strategies

Baggage Mishandling Incidents

Year	Baggage mishandling incidents
2007/08	21.5 bags for every 1,000 passengers
2008/09	20.2 bags for every 1,000 passengers (reduced by 6% vs. previous year)
2009/10	15.4 bags for every 1,000 passengers (reduced by 23.7% vs. previous year)

- ▶ Problems mainly at ORTIA and to bags connecting to regional destinations
- ▶ Initiatives have been taken by the airline over and above airport initiatives
- ▶ Appointment of two (2) additional security staff at ORTIA to monitor movement of bags in basement
- ▶ Process of reconfirming number of bags at departure and at landing

Baggage Incidents

- ▶ Overall incidents for the 2009/10 year reduced by 35% year-on-year (2009/10 vs. 2008/09)
- ▶ The following shows an increase in lost and pilfered incidents, however, it's of a small base

	Pilferage	Damaged	Lost	TOTAL
2008/09	82 (17.7%)	276 (59.5%)	106 (22.8%)	464 (100%)
2009/10	107 (35.3%)	106 (35.0%)	90 (29.7%)	300 (100%)

Factors affecting Pricing Decision

- ▶ Costs: fixed and variable
- ▶ Oil price fluctuations
- ▶ Inflation
- ▶ Market and demand
- ▶ Competition
- ▶ “Monopolistic” supplier charges (e.g. ATNS, ACSA)
- ▶ Economic conditions

Passenger Surcharges and Taxes (included in air travel)

▶ DOMESTIC

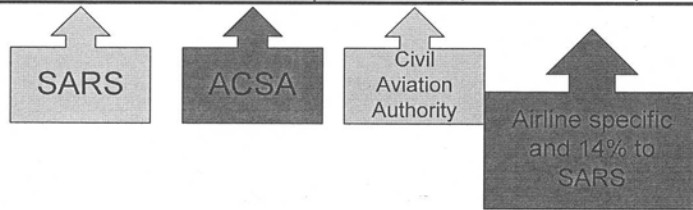
- » Value Added Tax (14%) of fare
- » Airport Tax (ACSA and Private Airports)
- » CAA Tax: South African Civil Aviation Authority
- » Fuel Levy (charged by airline)

▶ REGIONAL

- » BW: Botswana departure tax
- » CD: DRC departing tax
- » LF: Mozambique departure tax
- » NA: Namibia departure tax
- » CAA tax: South African Civil Aviation Authority (for departures ex South Africa)
- » Fuel Levy (charged by airline)

e.g. Cape Town – Port Elizabeth (one way)

Class	Base fare	Vat @ 14%	Airport Tax (ZA)	CAA Tax (EV)	Fuel Surcharge (YR)	Total (incl. all taxes, charges)
Y	950	133	86	11	163	1343
K	820	115	86	11	163	1195
H	720	101	86	11	163	1081
Q	600	84	86	11	163	944
V	480	67	86	11	163	807
L	420	59	86	11	163	739
G	350	49	86	11	163	659



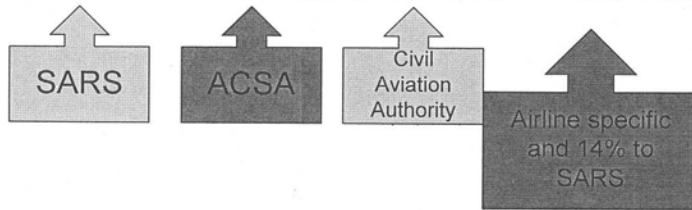
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e.g. Cape Town – East London (one way)

Class	Base fare	Vat @ 14%	Airport Tax (ZA)	CAA Tax (EV)	Fuel Surcharge (YR)	Total (incl. all taxes, charges)
Y	1230	172	86	11	163	1662
K	1110	155	86	11	163	1525
H	980	137	86	11	163	1377
Q	810	113	86	11	163	1183
V	540	76	86	11	163	876



THANK YOU.

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