

SAA admission puts a new spin on pilot arbitration

South African Airways (SAA) chairwoman Dudu Myeni not only shot herself in the foot with the competition authorities when she said SAA subsidised Mango, but she may also have blown a hole in a critical arbitration between the SAA Pilots Association, SAA and Mango. SAA pilots are demanding the right to fly for Mango, as career progression in SAA is slowing down as the state-owned airline contracts. On the other hand, Mango has been growing.



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But SAA pilots have conditions and pay way better than those at Mango, which is one of the reasons for Mango's lower costs.

The SAA pilots' claim rests on the "scope agreement" that it has with SAA, stating that SAA pilots will service all flying done by or in the service of SAA. While SAA's case in the arbitration was that Mango is a standalone company as it is a 100% subsidiary of SAA, the pilots argued that SAA subsidised Mango and the two companies were not distinct.

Mango does not publish its financial statements independently, as these are included in SAA's and many major decisions require SAA's authority - proof, they argued - that Mango was operating in the service of SAA. The arbitration ended last week and judgment is expected in two weeks. The SAA statement is unlikely to go unconsidered by the mediators.

The chairman of the SAA Pilots Association, Captain John Harty, declined to comment while the arbitration ruling is being awaited.

On Saturday, SAA issued a statement saying that as "an initial investment to subsidise the start-up of Mango Airlines, SAA subleased 10 aircraft, at a significantly discounted cost to Mango Airlines, while continuing to pay the market-related premium to the lessor. "The aircraft are still in use and comprise the whole of Mango's fleet.

"SAA understands and accepts that this is a necessary investment and a demonstration of shareholder support towards an entity it has exclusive shareholding over."

The admission could open SAA and Mango up to an investigation by competition authorities if it is deemed that Mango is a dominant player in the low-cost market. The statement implies Mango operates aircraft below its actual costs, which could be viewed as predatory pricing.

DA shadow minister of public enterprises Natasha Mazzone said on Monday that "the DA will request that the Competition Commission launch a full-scale investigation into the alleged collusion between SAA and Mango Airlines that has seen the latter being able to offer drastically discounted flights through subleasing of aircraft at discounted rates by SAA".

The DA says it will ask the commission to table its report in Parliament after including a thorough assessment of the leasing arrangements - including the possible cost to taxpayers, the terms of the lease and the total amount of losses to SAA attributed to the subleasing agreement.

Source: Business Day

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