

Comair share price doesn't react to FlySafair

 By [Rob Baker](#)

22 Apr 2014

Is the Johannesburg Stock Exchange efficient at quickly transforming news into share price adjustments? Possibly, but it was surprising that Comair's share price rose on a day when the news broke that FlySafair had received its licence from the Air Services Licencing Council (ASLC).



This is the second time that FlySafair has been granted a licence to operate scheduled domestic flights in South Africa. Last year it was granted the licence, but the ASLC was taken to court by Skywise and Comair, and an interdict was granted to prevent FlySafair from starting operations (it had already started to take bookings).

Last week there was the news that the ASLC didn't renew Skywise Airline's Air Services Licence. It shouldn't be a factor that Skywise Airline had taken the ASLC to court last year, and hopefully wasn't, but probably didn't win them any friends either. Skywise is the brainchild of former 1time founders Rodney James, Michael Kaminski and Glenn Orsmond, as well as Johan Bortslap from Sunair. James described the ASLC's decision as "unreasonable" and a "major setback".

South African ownership

South African law requires airlines to have at least 75% South African ownership in order to operate domestic scheduled flights. The main reasons for the interdict being granted against FlySafair last year surrounded the question of whether Hugh Flynn was South African enough, and an inferior class of shares which the South Africans held. Both these issues have now been resolved. Hugh Flynn no longer holds any shares in FlySafair, instead a BEE deal was done giving South African employees a 25.14% stake in the company; the Irish ASL group 25%; and three directors the remaining 49.86% (Elmar Conradie, Dave Andrew and FW Davidson). There is now only one class of share.

It looks like FlySafair plans on initially flying its metal between Joburg and Cape Town, as was the plan last year. The airline is (rightly) proud of the fact that it's had an unscheduled and international licence for nearly 50 years. These guys are not amateurs and will represent serious competition to the existing airlines.

Competitive and sustainable fares between Joburg and Cape Town

"FlySafair is here for the long run. We are eager to provide South Africans with an alternate low-cost airline that is dedicated to offering competitive and sustainable fares between Joburg and Cape Town. The FlySafair team looks forward to our passengers putting our promise of affordability and exceptional service to the test," said Dave Andrew, CEO of Safair.

FlySafair is not the only airline wanting to start domestic scheduled flights in SA. This weekend Global Airways is running its first charter between Joburg and Cape Town, and is in the process of applying for the coveted domestic scheduled licence.

Another airline that hasn't given up on starting up shop in South Africa is Fastjet, the London-listed and Tanzania-based company. As part of a stock market update last week, it said that South Africa was one of the countries it wanted to open up a base in, by 2016.

Today, Comair's share price is slightly down, -0.2%, but trading on a low Price-Earnings ratio of 6.3. So perhaps the market had already priced in the probability of a new airline starting up. The next few weeks will be interesting, from the perspective of whether Comair again challenges the decision of the ASLC. It's unlikely to be joined this time by Skywise Airline, which now has to start from square one again.

ABOUT ROB BAKER

Rob Baker is a semi-retired investment actuary who spends his time running South Africa Travel Online (www.southafrica.to) and doing freelance writing.

- Comair share price doesn't react to FlySafair - 22 Apr 2014
- Rise of the smaller airlines - 24 Feb 2014
- SA Express - still trying to figure out its net asset value - 30 Sep 2013

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>