Southern Africa's travelnews by TNW

Can the SA market sustain a new carrier?

Today - By Kiran Molloy

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Despite the loss of low-cost carriers like kulula.com and Mango, aviation experts argue that the South African market's demand is insufficient to support a new entrant.

SA airfares and spending power

Public perception is that competition from a new airline would drive down domestic airfares.

However, **Sean Mendis**, an aviation consultant, debunks this, using average airfare data from 2024.

In 2024, the average one-way fare from Johannesburg to Cape Town was US$97 (R1 710). Mendis compares this to flights of the same distance in Europe. London-Rome was $219 (R3 865), London-Frankfurt was $194 (R3 425), London-Prague was $183 (R3 230), and London-Zurich was $182 (R3 210).

"While these are much smaller markets in terms of the volume of passengers, the airfares on average are double the price for the same distance. This is indicative of South Africa's purchasing power, as most South Africans will earn a lot less than half of what Europeans do," said Mendis.

"I don't think there is the need for an additional competitor as much as there is a need for strengthening of the various competitors already in the market."

Renewal rather than expansion

Addison Schonland, Founder of AirInsight Group, notes that South African airlines are envisaging their growth in the coming years as fleet renewal rather than fleet expansion, with the exception of SAA, which is rebuilding its long-haul network.

"In the domestic market, no new players are needed. There isn't a shortage of seats. If there were, airlines could upsize to larger models. Rather FlySafair is focusing on phasing in B737 Next Generations and Airlink on E2s," said Schonland.

Both Schonland and Mendis note that low-cost carriers have grown to provide a higher proportion of domestic seats in the South African market, compensating for the loss of Mango and kulula.

They explain that this is part of a larger pattern of growth whereby different carriers focus on serving different parts of the market, based on whether they are legacy or low-cost, more domestic, regional or international, and what part of their product they intend to market to remain competitive.

"We've got three reasonably major players – FlySafair, Airlink and SAA. In most major robust markets, three major players are what is needed for a competitive environment," said Mendis.

"FlySafair has about 35 aircraft, SAA is going to have 18, and Airlink has 70. It may not seem like a lot but it's not as though we need an additional entrant as much as we need the existing incumbents to grow their market share. And the only way that they're going to be able to do that is by offering a competitive product, whether that's going to be based on price, service or whatever niche they have chosen."

Improving environment

However, both experts point out that to enable this growth for airlines in the market, South Africa needs to address regulatory shortfalls.

"I think a big challenge that the operating environment in South Africa has seen in recent times has been poor regulation of the airlines through the Air Services Licensing Council, which has not been delivering a professional service in recent years," said Mendis.

Mendis and Schonland also highlight the lack of regulation of direct service providers, such as Air Traffic and Navigation Services, Airports Company South Africa and the South African Weather Service, as well as those in industries critical to airline operations, including the fuel and energy industries.

"They've not been able to keep the supporting resources at the appropriate standards and, consequently, this has affected airlines in terms of their planning ability, their costs and their reliability," said Mendis.

"It is the state's job to regulate the industry and ensure that the infrastructure is adequate to handle current and future requirements," said Schonland. "The airports and air traffic control need to work. Weather reports need to be accurate and fuel and power supply need to be consistent."