



MEDIA RELEASE

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CCS ACCEPTS CAPACITY COMMITMENTS BY SINGAPORE AIRLINES AND LUFTHANSA IN CLEARING THEIR PROPOSED JOINT VENTURE

The Competition Commission of Singapore (“CCS”) has accepted voluntary commitments from Singapore Airlines Limited and Deutsche Lufthansa AG (collectively, the “Parties”) in clearing their proposed joint venture (“Proposed JV”). The commitments include (i) maintaining and subsequently increasing passenger seat capacity on the Singapore-Frankfurt and Singapore-Zurich routes; and (ii) carrying a minimum number of Singapore passengers¹ on these two routes. CCS is of the view that the competition concerns identified by CCS on these two routes will be addressed with these commitments, and the Proposed JV will result in net economic benefits² to Singapore.

Proposed JV

2. On 5 February 2016, CCS received a notification for decision with regard to the Proposed JV which relates to the provision of international scheduled air passenger services between certain Asia/Asia Pacific countries (specifically Singapore, Indonesia, Malaysia and Australia) and certain European countries (specifically Germany, Austria, Switzerland and Belgium).

3. Under the Proposed JV, the Parties will cooperate in respect of pricing, inventory management, sales and marketing. The Proposed JV will also involve schedule coordination, capacity coordination and revenue sharing on the following routes involving non-stop or direct services: Singapore–Frankfurt; Singapore–Munich; Singapore–Dusseldorf; and Singapore–Zurich.

4. In assessing the Proposed JV, CCS reviewed information provided by the Parties as well as feedback received from third-parties in a public consultation. In the case of two specific routes, namely the Singapore–Frankfurt and Singapore–Zurich routes, the Parties are the only two airlines operating direct flights from Singapore and their combined market shares exceed 80%. The feedback from the public consultation with which CCS agreed, was that the price and capacity coordination between the Parties would raise competition concerns on these two routes, in particular possible reductions in capacity and an increase of fares after the JV is effected.

¹ Singapore passengers are passengers where the point-of-sale for the ticket is Singapore. It includes one-way and two-way passengers that travel between Singapore and Frankfurt/Zurich only. Passengers travelling from Singapore via Frankfurt/Zurich to another destination (such as New York) are not included.

² The net economic benefit exclusion as set out in section 35 of Competition Act (Cap. 50B) (the “Act”), read together with paragraph 9 of the Third Schedule to the Act. Paragraph 9 of the Third Schedule to the Act provides that the section 34 prohibition shall not apply to “any agreement which contributes to (1) improving production or distribution; or promoting technical or economic progress; but which does not (2) impose on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives; and (3) afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the goods or services in question”.

The Commitments

5. To address the competition concerns identified by CCS, the Parties have provided the following voluntary commitments:

- (a) maintain seat capacity levels on the Singapore-Frankfurt and Singapore-Zurich routes, at levels that existed prior to the Proposed JV;
- (b) increase seat capacity on the Singapore-Zurich route by an additional specified number of seats, by a certain date;
- (c) increase seat capacity on the Singapore-Frankfurt route by an additional specified number of seats, by a certain date;
- (d) carry a minimum number of Singapore passengers on the Singapore-Frankfurt route, in each calendar year;
- (e) carry a minimum number of Singapore passengers on the Singapore-Zurich route, in each calendar year; and
- (f) appoint an independent auditor to monitor compliance with the above, and report periodically to CCS.

6. The full set of commitments from the Parties can be found in Annex A.

7. Having considered feedback from third-parties after the market testing of the commitments, CCS finds that the commitments provided by the Parties would be sufficient to mitigate the identified competition concerns and would provide assurance that the benefits of the Proposed JV to Singapore would materialise. In particular, the commitments would ensure an increase in capacity and frequency on flights between the Singapore–Frankfurt and Singapore–Zurich routes, and would lead to increased passenger numbers and tourists to Singapore, and accordingly benefit Singapore’s economy. Hence, CCS concludes that, as long as the commitments are complied with, the Proposed JV will result in net economic benefits to Singapore. CCS reserves the right to investigate the Proposed JV should the Parties fail to comply with their commitments.

Public Register

8. Further information on the application and CCS’s Grounds of Decision will be made available in due course on CCS’s Public Register at www.ccs.gov.sg.

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About The Competition Commission of Singapore (CCS)

CCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

For more information, please visit www.ccs.gov.sg.

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