



Section 44 of the Competition Act (Cap. 50B)

Notice of Decision issued by Competition Commission of Singapore (CCS)

Application for Decision by Singapore Airlines Limited and Scandinavian Airlines System

7 November 2012

Case number: CCS 400/001/12

EXECUTIVE SUMMARY

1. On 29 June 2012, CCS received an application for decision made under section 44(1)(b) of the Competition Act (Cap 50B) (“the Act”) as to whether the Proposed Joint Venture (“the Proposed JV”) between Singapore Airlines Limited (“SIA”) and Scandinavian Airlines System Denmark – Norway - Sweden (“SAS”) (collectively referred to as “the Parties”) will infringe the prohibition under section 34 of the Act.
2. CCS’ assessment, based on the submissions and information provided by the Parties and from relevant third parties, is that as there are no existing overlaps between the routes operated by the Parties, and the evidence does not indicate that overlaps are likely in the foreseeable future, the Parties’ Proposed JV will not result in a prevention, restriction or distortion of competition within Singapore, and thus does not infringe the section 34 prohibition. On the contrary, the Proposed JV could strengthen competition on the Singapore-Scandinavian origin and destination city-pair routes. It is also likely to bring about potential benefits of, *inter alia*, creating additional routes thereby widening passengers’ choices on top of strengthening Singapore’s position as an air hub.
3. This Notice sets out CCS’ Grounds of Decision.

TABLE OF CONTENT


INTRODUCTION	3
BACKGROUND TO THE APPLICATION	3
The Notification for Decision	3
Singapore's Aviation Landscape	4
The Parties to the Application	5
Existing cooperation between the Parties	5
The Proposed JV	6
LEGISLATIVE FRAMEWORK	10
Proposed JV does not constitute a merger	10
Section 34 Prohibition	10
COMPETITION ASSESSMENT	10
The relevant markets	10
Prevention, Restriction or Distortion of Competition within Singapore	12
CCS' Assessment	14
Potential Benefits Arising out of the Proposed JV	16
Other Benefits	18
Conclusion	18
Third Party Comments	18
CCS' DECISION ON THE PARTIES' APPLICATION	20

INTRODUCTION

1. This Grounds of Decision sets out CCS' assessment of the application ("the Application") made under section 44(1)(b) of the Competition Act (Cap. 50B) ("the Act"), on whether the Proposed Joint Venture between Singapore Airlines Limited ("SIA") and Scandinavian Airlines System ("SAS") (collectively referred to as "the Parties") will infringe the prohibition under section 34 of the Act.
2. CCS' assessment and decision are based on the submissions and information provided by the Parties and that obtained from relevant third parties.

BACKGROUND TO THE APPLICATION

The Notification for Decision

3. The Application concerns a proposed joint venture between SIA and SAS involving international air passenger transport services between Singapore and the Scandinavian countries of Denmark, Norway, Sweden and Finland. It will be given effect through the execution of a Joint Venture Agreement and various associated agreements, including code-share and a Special Prorate Agreement ("SPA") ("the Proposed JV"). The Proposed JV is intended to be implemented in December 2012.
4. On 11 May 2012, SIA and SAS entered into a JV Agreement in relation to the Proposed JV. On 29 June 2012, the Parties notified the Proposed JV to CCS under section 44(1)(b) of the Act for a decision on whether the Proposed JV would infringe section 34 of the Act. The Proposed JV is intended to be implemented in December 2012 and will last for an initial duration of 1 years.

5. The implementation of the Proposed JV is subject to the requisite approval from CCS and to a self-assessment, which the Parties have indicated they are carrying out, in the European Union under the applicable competition framework of the European Commission.
6. The Parties claim that the Proposed JV falls outside the purview of the section 34 prohibition as it would not have the object or effect of appreciably preventing, restricting or distorting competition within Singapore and will also benefit from the net economic benefit exclusion.

¹ One season's notice covers either 1 April to 31 October or 1 November to 31 March.

Singapore's Aviation Landscape²

7. Singapore is a vibrant air hub with excellent connectivity to the Asia-Pacific region. Today, Singapore is connected to more than 200 cities in some 60 countries by over 90 airlines operating more than 5,000 weekly scheduled flights.³ Through a liberal bilateral and multilateral air services policy, airline policy and superior airport infrastructure, Singapore has become the hub of choice for international travellers and shippers today.
8. International air transport is regulated by a myriad of bilateral and multi-lateral agreements. These treaty-level Air Services Agreements (“ASAs”) govern the provision of air services between and beyond the territories of the two signatories by their respective designated airlines. An ASA is required between two countries or territories before their respective airlines can legally provide air services between and beyond them.⁴
9. To-date, Singapore has established ASAs with more than 100 countries and territories, including about 40 Open Skies Agreements (“OSAs”). OSAs allow carriers to operate any number of flights between and beyond both signatory states, enabling them to tap traffic from third countries to improve the commercial viability of scheduled flights.
10. In this regard, Singapore has signed OSAs with each of the Scandinavian countries of Denmark, Norway, Sweden and Finland. The OSAs between Scandinavia and Singapore do not place any restrictions on capacity, frequencies or type of aircraft. The OSAs allow for carriers designated by the European Union or Singapore, with their principal place of business in an European Economic Area (“EEA”) member state or Singapore, and with regulatory control maintained by either an EEA Member State or Singapore, to fly between Scandinavia and Singapore.
11. The liberal ASA framework between Singapore and these Scandinavian countries mean that legal and regulatory barriers to operating/marketing a service from Singapore to each of these Scandinavian countries is low and carriers from both sides can enter the market to offer direct services in response to demand.⁵

² [http://www.caas.gov.sg/caas/en/About CAAS/Our Strategic Thrusts/Air Hub Development/?_locale=en](http://www.caas.gov.sg/caas/en/About_CAAS/Our_Strategic_Thrusts/Air_Hub_Development/?_locale=en)

³ [http://www.caas.gov.sg/caas/en/About CAAS/Our Strategic Thrusts/Air Hub Development/Airline Policy/?_locale=en](http://www.caas.gov.sg/caas/en/About_CAAS/Our_Strategic_Thrusts/Air_Hub_Development/Airline_Policy/?_locale=en)

⁴ Refer to paragraph 3 of comments by MOT and CAAS dated 11 September 2012.

⁵ Refer to paragraph 5 of comments by MOT and CAAS dated 11 September 2012.

The Parties to the Application

12. There are currently three main global airline alliances, namely oneworld alliance, Star Alliance and SkyTeam. SIA and SAS belong to the Star Alliance.

Singapore Airlines Limited

13. The principal activities of SIA consist (through itself or its subsidiaries) of passenger and cargo air transportation, engineering services, training of pilots, air charters and tour wholesaling and related activities.
14. SIA is the flag carrier of Singapore, operating air passenger services across an extensive international network of 62 scheduled destinations in 35 countries, with a fleet of over 100 aircraft. SIA is a full service airline with a strong reputation for customer service.
15. SIA currently operates direct flight services between Singapore and Copenhagen three times weekly.

Scandinavian Airlines System Denmark-Norway-Sweden

16. SAS is a pan-Scandinavian consortium established and validly existing through a Consortium Agreement between SAS Denmark A/S, SAS Norge AS and SAS Sverige AB. The consortium is regarded as a legal entity under the laws of Denmark, Norway and Sweden.
17. SAS is a Scandinavian airline operating from the 3 major hubs in the Scandinavian capitals of Stockholm (“ARN”), Copenhagen (“CPH”) and Oslo (“OSL”). SAS is active both on the market for scheduled passenger air transport within Scandinavia, between Scandinavia and Europe and between Scandinavia and the USA, Japan, China and Thailand.
18. SAS does not currently operate any flight, direct or one-stop, on the routes between Singapore and the Scandinavian countries.

Existing cooperation between the Parties

19. SIA and SAS have an existing code-share arrangement which has been in place since 1 December 2010. Under this arrangement, SIA code-shares on SAS’ intra-Scandinavia routes between Copenhagen and Oslo; Copenhagen and Helsinki; and Copenhagen and Stockholm. SAS, on the other hand, code-shares on SIA’s Singapore-Copenhagen and Singapore-Bangkok routes.
20. In addition to the above, SIA and SAS have an existing Frequent Flyer Programme (FFP) which allows SIA KrisFlyer and SAS EuroBonus members reciprocal mileage accrual and redemption. As SIA and SAS are also participants of the Star Alliance FFP, SIA’s KrisFlyer and SAS’ EuroBonus

members are able to enjoy reciprocal mileage accrual and redemption in respect of SAS and SIA flights respectively.

The Proposed JV

21. On 11 May 2012, SIA and SAS entered into a JV Agreement which gives effect to the Proposed JV. The parties intend to implement the JV Agreement in

[REDACTED]

⁶

22. The Parties have submitted that the Proposed JV is aimed at enhancing the existing co-operation between the Parties and

[REDACTED]

23. The Parties have also indicated that they will work to align their in-flight amenities and products and services standards on all their code-share flights between Singapore and Scandinavia to create a seamless travel experience for passengers.

Parties' Submissions on the Content of the Proposed JV

24. Under the Proposed JV the Parties will, subject to regulatory approval, cooperate chiefly in the following areas:

- i. [REDACTED];
- ii. Enhancement of the existing code-share agreement;
- iii. [REDACTED];
- iv. [REDACTED];
- v. Joint pricing and scheduling;
- vi. [REDACTED]; and
- vii. Sales and marketing coupled with service and product harmonisation.

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25. Aside from the above, the Parties will also cooperate on [REDACTED] [REDACTED] as well as harmonising [REDACTED] sales practices. The Parties will also enter into an improved SPA with the objective of offering a better value proposition to customers who fly on both carriers.

26. The key elements of the Proposed JV are discussed in more detail below.

[REDACTED]

27. [REDACTED]
[REDACTED]

Enhancement of the existing code-share agreement

28. In addition to code-sharing on the JV routes, the Parties will work towards expanding their current bilateral code-share cooperation so as to afford more travel connection options beyond each other's hubs (i.e. between Southeast Asia / Southwest Pacific and Northern Europe / Scandinavia).

[REDACTED]

29. [REDACTED]
[REDACTED]

[REDACTED]

30. [REDACTED]
[REDACTED]

Joint pricing and scheduling

31. The Parties will harmonise all-inclusive fares and sales practices in order to [REDACTED] create a competitive joint product for their respective markets which each Party is not able to offer on its own. The all-inclusive common fare structure of both Parties will be made transparent to consumers.

32. The Proposed JV will also enable full schedule coordination and planning.

[REDACTED]

- 33.

[REDACTED]

Sales and marketing coupled with service and product harmonisation.

34. The Parties will coordinate their sales activities for the JV routes in their respective markets through [REDACTED]. In addition, the Parties will harmonise service and product standards, service levels, and in-flight amenities to provide a seamless travel experience for passengers.

Joint effort to Compete Effectively for Corporate Government Accounts

35. The Parties submit that the Proposed JV will result in Parties being better placed to compete for corporate and government accounts in a number of ways. In particular, increased flight frequency, better connections, and more competitive fares will ensure that the Parties can better position themselves in such bids *vis-a-vis* other airlines. In this regard, to the extent that the Parties can better succeed in bidding for such accounts, this will in turn drive demand for services that hub via Singapore, thereby reinforcing Singapore's position as an aviation hub, and which will result in spill-over benefits to the Singapore economy.

Commercial Rationale of the Proposed JV

- 36.

[REDACTED]

SIA's Commercial Rationale

37. SIA has been operating direct flight services between Singapore and Copenhagen three times weekly for 34 years. However, the relatively fragmented catchment area in Scandinavia and the small market in Singapore and Southeast Asia to Scandinavia, in addition to increased competition from one-stop carriers, [REDACTED]

[REDACTED]

[REDACTED]
[REDACTED] It has proven to be a challenge for SIA to increase the frequency of its services on this route.

38. While the existing code-share arrangement has seen some success with an increase in sales on the trunk route, [REDACTED]
[REDACTED]
39. Through the enhanced cooperation the Proposed JV will bring about, [REDACTED]
[REDACTED]

SAS's Commercial Rationale

40. Up until 2006, SAS had operated air passenger services between CPH and SIN via Bangkok ("BKK") i.e. a SIN-BKK-CPH vv route. [REDACTED]
[REDACTED]
41. SAS is of the view that the Singapore-Scandinavia market is still relatively under-served, and through deeper cooperation with SIA, SAS sees the potential to expand services between Singapore and Scandinavia. SAS further sees this as an opportunity to extend its network beyond Singapore through code-sharing on SQ operated flights, thereby strengthening SAS's commercial offer to both corporate and retail customers in Northern Europe.
42. As SAS does not currently [REDACTED]
[REDACTED]

LEGISLATIVE FRAMEWORK

Proposed JV does not constitute a merger

43. CCS accepts the Parties' submission that the Proposed JV does not perform *all* the functions of an autonomous economic entity. On the contrary, the Parties will remain autonomous and will retain independent decision-making authority, with a further undertaking to exchange information on a strictly need-to-know basis limited to the objectives contemplated under the proposed JV.
44. Accordingly, CCS considers that the Proposed JV does not fall within the definition of a merger under section 54(5) read with section 54(2)(b) of the Act. As the Proposed JV does not constitute a merger within the meaning of section 54 of the Act, CCS has proceeded to assess the same under the framework of section 34 of the Act.

Section 34 Prohibition

45. Section 34 of the Act prohibits agreements between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore.
46. An agreement will fall within the scope of the section 34 prohibition if it has as its object or effect the appreciable prevention, restriction or distortion of competition unless it is excluded from the section 34 prohibition. Thus, an assessment on whether an agreement infringes the section 34 prohibition requires an analysis of whether an agreement between undertakings has an anticompetitive object or actual or potential restrictive effects on competition.

COMPETITION ASSESSMENT

The relevant markets

Parties' submission

47. The Parties consider that the relevant market for the purpose of this Application is the market for the supply of international scheduled air passenger transport services between Singapore and the Scandinavian countries of Denmark, Norway, Sweden and Finland. Given that the distinctions between different types of passengers, their purpose of travel and the travel characteristics that they display have become less apparent⁷ particularly for long-haul flights such as those under the Proposed JV, the Parties do not consider the need to define

⁷ Refer to European Commission's decision of 12 January 2001 in United Airlines/US Airways, Case M.2401 at paragraph 18.

the relevant market more narrowly as such attempts to reflect the different demand characteristic would not yield meaningful results.

CCS' assessment

48. CCS notes that, typically, the starting point for market definition relating to the provision of scheduled air passenger transport services is the O&D pair, usually a city-pair. Passengers generally want to travel to a specific destination and will not substitute another destination when faced with a small, non-transitory increase in price. Therefore, each combination of a point of origin and a point of destination can form a separate market. This approach is consistent with CCS's previous decisions on similar integrated airline alliance agreements and the approach taken by the European Competition Authorities.⁸
49. Given that the Application specifically concerns the impact of the Proposed JV in Singapore, CCS restricted its consideration and analysis of the Proposed Alliance to air passenger transport services on Singapore-Scandinavia O&D city pair routes which are covered under the scope of the Proposed JV.
50. CCS agrees with the Parties that it would be superfluous to define the relevant market more narrowly as a narrower market definition would not affect CCS' conclusion on the competitive outcomes in this case. A narrower market definition would involve delineating the market according to business passengers who tend to be more time-sensitive but less price-sensitive against leisure passengers who are price-sensitive but less time-sensitive. Narrower definitions could also mean that non-stop and one-stop flights on the identified routes become factors for consideration.⁹ However, the lines between these categories of passengers have become increasingly blurred. In the EC's view, insofar as transatlantic routes are concerned, the distinctions between different types of passengers, their purpose of travel and the travel characteristics that they display have become less apparent.¹⁰

⁸ This is in line with the CCS' past decisions on similar airline cooperation agreements: Refer to CCS Grounds of Decision for cases CCS 400/002/06, CCS 400/003/06, CCS 400/008/10, CCS 400/001/11 and CCS 400/005/11.

⁹ Refer to Transatlantic Airline Alliances: Competitive Issues and Regulatory Approaches, A Report by the EC and the US DOT, 16 November 2010 at page 18. See also "Code-sharing agreements in scheduled passenger air transport – The European Competition Authorities' Perspective" at paragraph 26.

¹⁰ Refer to European Commission's decision of 12 January 2001 in United Airlines/US Airways, Case M.2041 at paragraph 18.

The Prevention, Restriction or Distortion of Competition within Singapore

CCS' Theory of Harm

51. The Proposed JV involves the Parties cooperating on sales, pricing and scheduling. In addition, the Parties will also be engaging in revenue-sharing arrangements. The theory of harm postulates that these elements of cooperation *may* amount to price-fixing, output control and/or market sharing that prevent, restrict or distort competition on the various Singapore O&D routes covered by the Proposed JV.

Parties' Submission

52. The Parties consider that the contemplated cooperation under the Proposed JV would not give rise to concerns in relation to the section 34 prohibition. The Parties take the view that the Proposed Alliance would not have the object or effect of appreciably preventing, restricting or distorting competition within Singapore.
53. Notwithstanding this view, the Parties have identified those clauses in the JV Agreement below which they consider likely to be of primary interest to CCS' assessment of this Application.

Clauses 2.1 and 5.1

54. Clause 2.1 of the JV Agreement provides that the Parties will [REDACTED]
55. In the context of the Proposed JV, the Parties will remain autonomous and will maintain independent decision-making authority. However, for the purpose of implementing the JV Agreement, the Parties intend to establish the governance mechanism and procedures in clause 2.1 of the JV Agreement as set out above. In all matters, the Parties undertake to exchange information on a strictly need-to-know basis only, i.e. limited to the purpose of the JV Agreement, and to the extent required to implement the JV Agreement.
56. As set out at paragraph 24 above, clause 5.1 of the JV Agreement elaborates on the areas of cooperation that the Parties will engage in. These are:
- i. [REDACTED];
 - ii. Enhancement of the existing code-share agreement;

- iii. [REDACTED];
- iv. [REDACTED];
- v. Harmonisation of [REDACTED] Sales Practices;
- vi. [REDACTED] and
- vii. Sales and marketing coupled with service and product harmonisation.

57. Whilst the coordination proposed in clauses 2.1 and 5.1 of the JV Agreement, including [REDACTED] joint pricing and scheduling, may *prima facie* give rise to questions of compatibility with the section 34 prohibition, it is noted that the Parties do not directly operate overlapping services on the same city-pair routes. Accordingly, the Parties consider that the proposed coordination under clauses 2.1 and 5.1 of the JV Agreement would not be in breach of the section 34 prohibition.

Clause 3

58. Under clause 3 of the JV Agreement, the Parties intend to implement the Proposed JV in [REDACTED]

59. [REDACTED]

60. The Parties submit that a [REDACTED] is necessary in order to ensure continued alignment of their incentives to ensure the success of the Proposed JV. However, the Parties submit that they do not regard the extent and the mechanism of their cooperation under the Proposed JV to [REDACTED]

[REDACTED]

[REDACTED] will better allow SIA and SAS to jointly balance their risks while allowing for the consistent advancement of their commercial objectives and delivery of the full benefits of the Proposed JV to consumers.

CCS' Assessment

Minimal impact on existing competition in the relevant market

61. Materially, the Parties do not currently overlap in the provision of direct metal services between Singapore and Scandinavia. Only SIA operates direct services between Singapore and Copenhagen. The Parties do, however, operate flights that complement each other but these do not act as a substitute for usual competitive pressures or outcomes. Their coordination will not have any adverse effect on competition in these markets. Thus the Proposed JV will not have the effect of reducing the number of competitors on any O&D market, as the Parties' operations do not overlap in any O&D market.

62. In addition, CCS notes the Parties' submission that, in the absence of the Proposed JV, [REDACTED]

[REDACTED]

63. An added consideration for SAS is the fact that it [REDACTED]

[REDACTED]

11

64. CCS further notes that the Parties intend to introduce new direct services between [REDACTED]. Thus, the Proposed JV will create many new connections to points beyond the hubs (Singapore, Copenhagen and

¹¹ Refer to Parties' submissions at 3.1.11 and 3.1.13 of Form 1.

Stockholm) where the JV route(s) are operated through the adjustment of the trunk route timetable and/or feeder routes timetables. This will allow the parties to offer “add-on” services that facilitate connection onto wider range of destinations e.g. SIN-CPH/STO/HEL/OSL, and will provide passengers with access to many new city pairs in Southeast Asia and Scandinavia/Northern Europe.

65. CCS observes that, although SAS code-shares with SIA on SIN-CPH vv flights, it does not operate with the full autonomy and risks borne by an airline directly operating its own flights, nor does it bring additional capacity to the route. Further, SAS’ code-share arrangement is with SIA, the same airline, pre- and post-Proposed JV. As such, CCS accepts the Parties’ submission that the impact on the competitive landscape arising from the Proposed JV would be minimal, if any.
66. CCS notes that with the enhanced SPA under the Proposed JV, passengers will gain access to more competitive fare products. This arises as a result of the harmonisation of all-inclusive fares and the elimination of inefficiencies through the removal of double marginalisation (the mark-ups imposed by both Parties on their respective legs of the journey). Passengers are also likely to benefit significantly from the enhanced code-share arrangement under the Proposed JV, in terms of increased connectivity and better scheduling.
67. In light of the above and specifically in this limited context, the Proposed JV is unlikely to result in a reduction of competition, as it creates a product which neither of the Parties could have offered independently. As there are no overlaps between the routes operated by the Parties, and the evidence does not indicate that overlaps are likely in the foreseeable future, CCS is of the view that the Proposed Alliance will not result in a prevention, restriction, or distortion of competition within Singapore.

- [REDACTED]
68. In assessing the potential competition concerns that may arise as a consequence of [REDACTED], CCS has relied on the market share data on the four main Singapore-Scandinavian city pair routes extracted from IATA records (submitted by the Parties) and from market data provided industry regulators.¹²
 69. As stated above, the Parties do not currently overlap in the provision of direct metal services between Singapore and Scandinavia. As such, there will be no

¹² Refer to Annexes A and B. [REDACTED]

reduction in competitors in this market and it is thus likely that there will be no reduction in competition along this O&D market post-JV agreement.

70. Further to the above, there remain strong competitors to the Parties post-JV. In this regard, conservative estimates suggest that SIA currently faces strong competitive pressure on the Singapore-Copenhagen route [REDACTED]

13

However, figures obtained from industry regulators show that SIA's largest market share (at [REDACTED]) is in the Singapore-Copenhagen O&D route, which it serves with direct flights. That said, those same figures also indicate that SIA and SAS nevertheless face competition from one-stop services offered by [REDACTED] in the Singapore-Copenhagen O&D route.

14

71. Taking a holistic view of the market shares and the presence of a large number of competitors that are able to provide strong competitive pressure on the Parties, [REDACTED] between the Parties along the JV routes could serve to intensify competition between the SIA-SAS JV and existing competitors along the O&D routes.
72. Additionally, the existence of low legal barriers to entry by virtue of the liberal ASAs and negligible barriers to entry in terms of acquiring slots at the respective airports and accessing ground services facilitate entry and the Parties' competitors ability to ramp up capacity if need be.
73. Considering the above, CCS is of the view that [REDACTED] between the Parties along the JV route(s) is unlikely to raise any significant competition concerns.

Potential Benefits Arising out of the Proposed JV

The Parties' Submissions

74. The Parties have submitted that under the Proposed JV, SIA will be able to benefit from SAS' strength in Scandinavia to provide better access to the intra-Scandinavian and Northern European areas for Singapore passengers. The

13

Refer to Annex B

strengthening of the Parties' networks will allow both Parties to increase service frequencies and to introduce new services between Scandinavia and Singapore, which would not have been feasible for either Party on its own without the Proposed JV.

75. Consequently, the Parties claim that they will be able to provide passengers with an integrated product offering thereby increasing competition with Finnair and other one-stop carriers which offer indirect services between Scandinavia and Singapore via other hubs.
76. In this connection, the Parties have submitted that the Proposed JV will increase passenger traffic to and from Scandinavia through Singapore. It will strengthen Singapore's position as an air hub in the region by increasing the attractiveness of Singapore for behind and beyond routes as well as for travel to Scandinavia.

CCS' Assessment

77. The Proposed JV is cleared by CCS on the basis that it will not result in a prevention, restriction, or distortion of competition within Singapore. However, in light of Parties' submissions on the benefits that may also accrue from the Proposed JV, CCS will also deal with these points in this Decision. CCS accepts that passengers are likely to benefit from the introduction of new routes¹⁵ as a result of improved flight connections, better flight scheduling, and more competitive fare products. CCS notes that the prospect of increased flight frequencies and new direct services from Singapore to cities in the Scandinavian countries in the near future would be dependent on the applicants' ability to draw in more behind and beyond transfer passengers due to small O&D traffic demand between Singapore and the Scandinavian countries at the moment.¹⁶ The applicants may also be able to draw in more behind and beyond transfer passengers through a more attractive product at competitive prices (for example, through the elimination of double marginalisation¹⁷) and reduced transit times through improved scheduling, as well as coordinated marketing. Joint pricing and coordinated scheduling could potentially generate the claimed efficiencies.

¹⁵ [REDACTED]

¹⁷ Double marginalisation arises when both operators in a supply relationship mark up prices they charge to each other above their respective marginal cost because they seek to maximise individual profits instead of joint profits.

Other Benefits

78. Further to the above, CCS notes that the Proposed JV is likely to create increased competition for corporate and government accounts; expected new frequencies; and increased passenger traffic to and through Singapore.
79. Last but not least, the Proposed JV could benefit Singapore's position as an air hub to the extent that it provides better connectivity to the Scandinavian countries. Better connectivity between Singapore and the Scandinavian countries is likely to allow Singapore to compete more effectively against major hubs in the region and also shift traffic currently channelled through other hubs to transfer in Singapore. As such, the Proposed JV has the potential to strengthen Singapore's position as a gateway for traffic between the Scandinavian countries, and Southeast Asia and Australasia, to the extent that the Proposed JV successfully develops behind and beyond markets through a more attractive product.¹⁸

Conclusion

80. In conclusion, CCS takes the view that the Proposed JV is unlikely to raise significant competition concerns on the Singapore-Scandinavian O&D city-pair routes. It is likely to bring about benefits to Singapore by creating additional routes and thereby widening passengers' choices.

Third Party Comments

81. A summary of the Application and an invitation for comments was placed on CCS' public register on 6 July 2011. The comments received by CCS indicated that key stakeholders are generally of the view that the Proposed JV is unlikely to result in a reduction of competition in the relevant market.
82. CCS also wrote to third parties such as travel associations, key competitors of the Parties, regulators of the industry, as well as other relevant parties such as Vital.org ("Vital"), Changi Airport Group ("CAG"), Ministry of Transport ("MOT") and the Civil Aviation Authority of Singapore ("CAAS"), inviting them to comment on the Application.

¹⁸



Vital

83. One major customer, Vital which organises a large proportion of the Singapore government's travel arrangements, submitted that the Proposed JV would have a positive impact on competition for the market for the Singapore-Scandinavian routes. In particular, they anticipate that there will be an opportunity for better integration of the two airlines' international and domestic routes, resulting in improved flight connections. This is especially so as the bulk of the international sectors are currently made on SIA, connecting onto SAS for the domestic sectors. As such, they believe that the Proposed JV will bring extended route coverage between the two carriers, and a reduction in connection issues due to better schedule alignment.
84. Vital is of the view that with the Proposed JV, there will likely be a wider selection of convenient flight combinations for the passengers to choose from, with the airlines still retaining each of their unique individual service features. This means that travellers will now have better flight schedules, increased capacity for each routing and more competitive pricing of fares. The better scheduling will also bring greater convenience for corporate travellers whose key purposes for such travel are for work and meeting purposes. Corporate travellers may therefore, with the Proposed JV in place, be able to cut down on unnecessary layovers or overnight hotel stays, thus further reducing costs.
85. In light of the above, Vital is of the view that the Proposed JV will be beneficial to all passengers. With the Proposed JV, the airlines may be in a better position to pool and share resources with each other, which may in turn result in greater resource optimization and higher cost savings. These cost savings will then be available for airlines to improve on its product offerings and service standards through possible provision of better training for the crew and maintenance of the aircrafts.
86. Vital also finds that the Proposed JV would reap economic benefits for Singapore such as an increase in the options available in terms of shorter flight connections, reduction in transit time wastage, and more competitive air fares available for the SIN-Scandinavian routes. It will bring forth a healthy contribution of competition with existing carriers flying the SIN-Scandinavian routes.

CAG

87. CAG is of the view that the Proposed JV will still be subject to sufficient competition in the identified markets¹⁹ because of the diverse airline choices available. [REDACTED]
88. CAG finds that the Proposed JV is likely to bring about a net economic benefit to Singapore in terms of tourism stimulation as well as more travel options and competitive fares available to the travelling public. CAG commented that if the Proposed JV is approved and results in an increase in air services between Singapore and Copenhagen, it is very likely that SIA-SAS will increase their marketing efforts in the relevant markets, further enhancing Singapore's air hub status and benefiting Singapore's tourism industry. Additionally, improved connectivity to Scandinavia would also enhance Singapore's position as the preferred regional business hub.

MOT and CAAS

89. MOT and CAAS submitted a joint response on the Proposed JV. Both MOT and CAAS assessed that the Proposed JV is not likely to decrease competition on travel between Singapore and the Scandinavian countries. It was further submitted that the proposed JV could also strengthen Singapore's position as a gateway for traffic between the Scandinavian countries, and Southeast Asia and Australasia, to the extent it successfully develops behind and beyond markets with a more attractive product.

Others

90. Finnair responded to CCS' invitation for its feedback on the Proposed JV by stating that it had no comments on the same.
91. NATAS submitted that the Proposed JV is not an anti-competitive initiative.

CCS' DECISION ON THE PARTIES' APPLICATION

92. Based on the foregoing, CCS concludes that the Proposed JV will not result in a prevention, restriction or distortion of competition within Singapore, and thus does not infringe the section 34 prohibition.

¹⁹ CAG's definition of the relevant market is in accordance with flight sectors. [REDACTED]

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93. For completeness, Section 46 of the Act provides that, if CCS has determined an application under section 44 by making a decision that the agreement has not infringed the section 34 prohibition, CCS shall take no further action with respect to the notified agreement unless:
- i. It has reasonable grounds for believing that there has been a material change of circumstance since it gave its decision; or
 - ii. It has reasonable grounds for suspecting that the information on which it based its decision was incomplete, false or misleading in a material particular.
94. To this end, factors which CCS may consider as material changes of circumstance include, but are not limited to, the following:
- i. changes in parties to the Proposed JV;
 - ii. changes in the operations of the Proposed JV and of the Parties which have a significant impact on the Singapore market;
 - iii. Significant changes to the scope of revenue sharing, for example to include other Singapore O&D routes; and
 - iv. a reduction in the number of competing carriers in the respective point-to-point routes for the scheduled passenger air transport market.



Yena Lim
Chief Executive
Competition Commission of Singapore

Market Share for OD Travel between Singapore and the Capital Cities of the Scandinavian Countries Provided by Parties ()

Market Share on the SIN-CPH Route

Airline	Number of Passengers	Passenger Volume
Singapore Airlines		
Thai Airways		
Finnair		
Lufthansa		
SAS		
Qatar Airways		
Turkish Airlines		
KLM		
Emirates		
Qantas Airways		
Air France		
British Airways		

Market Share on the SIN-OSL Route

Airline	Number of Passengers	Passenger Volume
Thai Airways		
Singapore Airlines		
Lufthansa		
KLM		
Finnair		
Qatar Airways		
Qantas Airways		
SAS		
British Airways		
Air France		
Turkish Airlines		
Emirates		
Etihad Airways		

Market Share on the SIN-STO Route

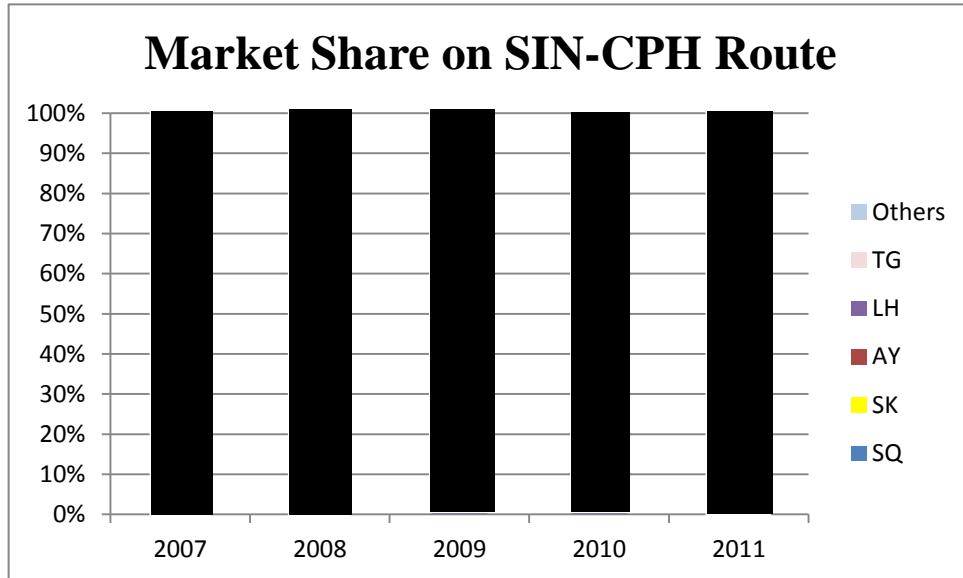
Airline	Number of Passengers	Passenger Volume
Thai Airways	████	████
Singapore Airlines	████	████
Finnair	████	████
Lufthansa	████	████
Qatar Airways	████	████
KLM	████	████
Air China	████	████
Qantas Airways	████	████
Turkish Airlines	████	████
Air France	████	████
SAS	████	████
British Airways	████	████
Malaysia Airlines	████	████

Market Share on the SIN-HEL Route

Airline	Number of Passengers	Passenger Volume
Finnair	████	████
Lufthansa	████	████
Singapore Airlines	████	████
Turkish Airlines	████	████
KLM	████	████
Qantas Airways	████	████
Air France	████	████
British Airways	████	████
Etihad Airways	████	████
SAS	████	████

Market Share for OD Travel between Singapore and the Capital Cities of the Scandinavian Countries Provided by MOT and CAAS

(a) Singapore-Copenhagen, Denmark (CPH)



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

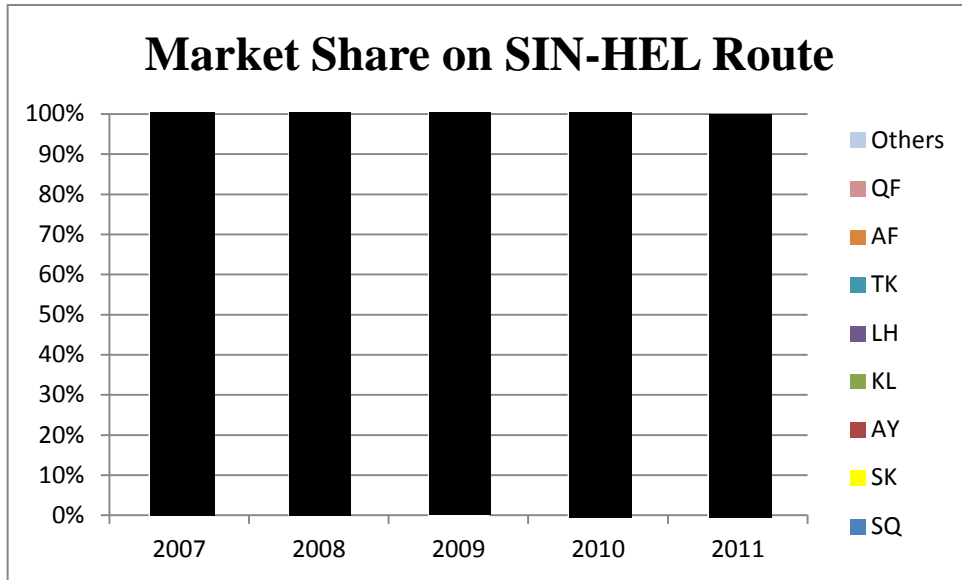
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(b) Singapore-Helsinki, Finland (HEL)

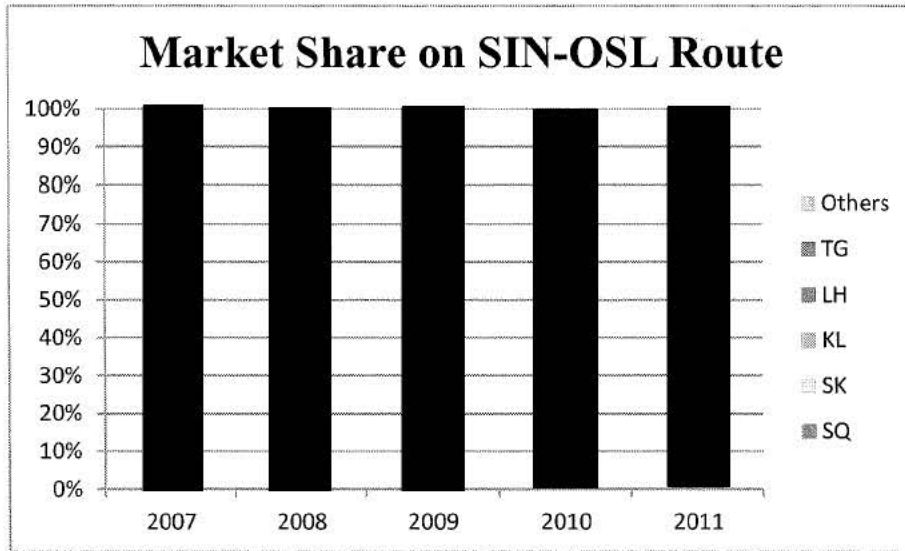


[REDACTED]

[REDACTED]

¹ [REDACTED]

(c) Singapore-Oslo, Norway (OSL)



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

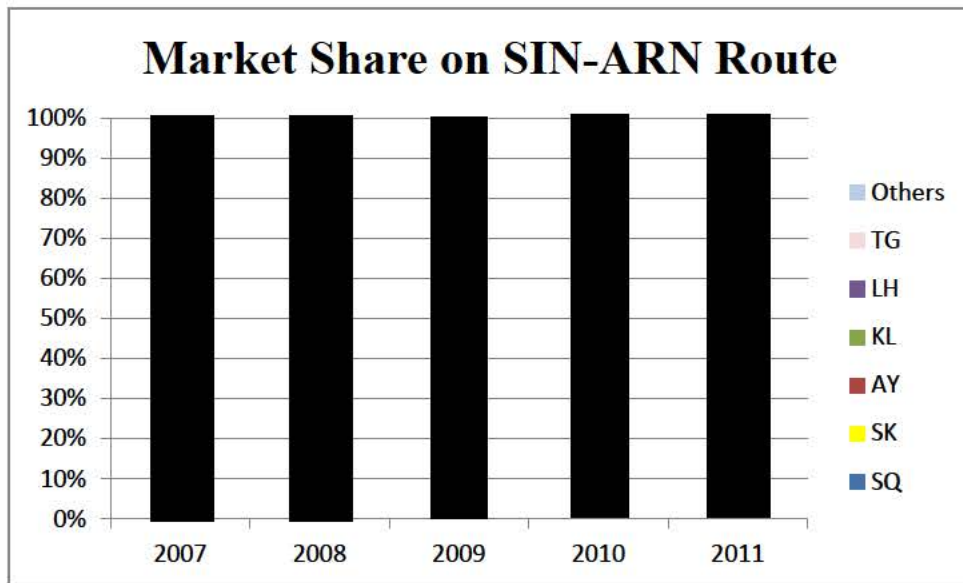
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(d) Singapore-Stockholm, Sweden (ARN)



[REDACTED]

[REDACTED]