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**Section 44 of the Competition Act 2004**

**Grounds of Decision issued by the Competition and Consumer Commission of Singapore (“CCCS”)**

**Application for Decision by Singapore Airlines Limited and PT Garuda Indonesia (Persero) Tbk on their commercial cooperation in the provision of scheduled international air passenger services between Indonesia and Singapore**

**5 July 2024**

**Case number: CCCS 400/110/2024/001**

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**TABLE OF CONTENTS**

INTRODUCTION ..... 3

THE FACTS AND THE APPLICANTS’ SUBMISSION ..... 4

    The Applicants ..... 4

    The Proposed Commercial Cooperation ..... 5

LEGISLATIVE FRAMEWORK ..... 8

COMPETITION ASSESSMENT ..... 9

    Theory of Harm ..... 9

    The Relevant Market(s) ..... 9

    Market Share Figures ..... 12

    Object or Effect of the Prevention, Restriction or Distortion of Competition within Singapore  
    ..... 15

    The Net Economic Benefit Exclusion ..... 21

COMMITMENTS BY THE APPLICANTS ..... 29

CCCS’S ASSESSMENT OF THE APPLICANTS’ COMMITMENTS ..... 31

CCCS’S DECISION ON THE PROPOSED COMMERCIAL COOPERATION ..... 35

## INTRODUCTION

1. On 15 January 2024, CCCS received a joint application for decision from Singapore Airlines Limited (“**SIA**”) and PT Garuda Indonesia (Persero) Tbk (“**Garuda**”) (collectively the “**Applicants**”) made pursuant to section 44 of the Competition Act 2004 (the “**Act**”) as to whether the proposed commercial cooperation framework between SIA and Garuda will infringe section 34 of the Act (the “**Proposed Commercial Cooperation**”).<sup>1</sup> CCCS accepted the application as complete on 19 February 2024.
2. As part of CCCS’s assessment, Requests For Information (“**RFIs**”) were sent to third parties, namely [REDACTED], [REDACTED] and other industry players, including ten customers,<sup>2</sup> five competitors,<sup>3</sup> and two [REDACTED]<sup>4</sup> for their views on the Proposed Commercial Cooperation. CCCS also conducted a public consultation between 14 March 2024 and 27 March 2024 to obtain public feedback on the Proposed Commercial Cooperation. CCCS received substantive feedback from [REDACTED], [REDACTED], four customers, two competitors and three members of the public.<sup>5</sup> RFIs were also sent to the Applicants to seek further information and clarification for the purposes of conducting CCCS’s assessment. CCCS’s decision is based on the submissions and information provided by the Applicants, as well as information obtained from third parties.
3. CCCS subsequently conducted a limited consultation between 13 June 2024 and 26 June 2024 to obtain feedback on the draft commitments submitted by the Applicants to address potential competition concerns arising from the Proposed Commercial Cooperation. CCCS received feedback from [REDACTED], [REDACTED], one competitor, one customer, and one member of the public.<sup>6</sup>

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<sup>1</sup> The decision sought from CCCS is only in relation to the Proposed Commercial Cooperation between SIA and Garuda, and excludes the respective Low-Cost Carriers (“**LCCs**”) of SIA and Garuda (i.e., Scoot Pte. Ltd. (“**Scoot**”) (being a wholly owned subsidiary of SIA) and PT Citilink Indonesia (“**Citilink**”) (being a majority owned subsidiary of Garuda), given that the Proposed Commercial Cooperation as currently contemplated will not extend to include Scoot and Citilink. Email from the Applicants’ joint representative dated 12 June 2024.

<sup>2</sup> [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

<sup>3</sup> [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

<sup>4</sup> [REDACTED], [REDACTED].

<sup>5</sup> [REDACTED] (6 May 2024, 29 May 2024 and 11 June 2024), [REDACTED] (12 April 2024, 22 May 2024 and 10 June 2024), [REDACTED] (3 April 2024), [REDACTED] (15 April 2024), [REDACTED] (7 May 2024), [REDACTED] (18 April 2024), [REDACTED] (9 April 2024), [REDACTED] (7 May 2024), [REDACTED] (14 March 2024), [REDACTED] (14 March 2024), [REDACTED] (17 March 2024).

<sup>6</sup> [REDACTED] (13 June 2024), [REDACTED] (19 and 26 June 2024), [REDACTED] (20 June 2024), [REDACTED] (20 June 2024), [REDACTED] (13 June 2024).

## CONFIDENTIAL

### THE FACTS AND THE APPLICANTS' SUBMISSION

#### The Applicants

##### SIA

4. SIA is a Singapore-based company operating a Full-Service Airline (“FSA”) that offers scheduled international air passenger services to 75 destinations using a fleet of 147 aircraft.<sup>7</sup> It is also a public company listed on the Mainboard of the Singapore Exchange Securities Trading Limited.<sup>8</sup> The principal activities of SIA comprise (through itself and its subsidiaries) the provision of scheduled international air passenger and international air cargo transportation services, engineering services, training of pilots, air charters, and tour wholesaling and related services.<sup>9</sup>
5. Scoot is a wholly owned subsidiary of SIA which positions itself as a LCC offering scheduled international air passenger services to 67 destinations using a fleet of 57 aircraft.<sup>10</sup>
6. The global and Singapore turnover<sup>11</sup> for SIA and its subsidiaries for FY 2023 (i.e., 1 April 2022 to 31 March 2023) was S\$17.77 billion and S\$[§<] respectively.<sup>12</sup>

##### Garuda

7. Garuda is an Indonesian-based company operating a FSA that offers scheduled international air passenger services to more than 50 destinations using a fleet of 69 aircraft.<sup>13</sup> Garuda is also publicly listed on the Indonesian Stock Exchange. The principal activities of Garuda comprise (through itself and its subsidiaries) the

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<sup>7</sup> Paragraph 3.3 of the Revised Form 1 submitted on 9 February 2024. As at 23 September 2023.

<sup>8</sup> Paragraph 3.3 of the Revised Form 1 submitted on 9 February 2024.

<sup>9</sup> Paragraph 3.3 of the Revised Form 1 submitted on 9 February 2024.

<sup>10</sup> Paragraphs 3.4 and 3.5 of the Revised Form 1 submitted on 9 February 2024. As at 23 September 2023. For completeness, SIA completed an internal restructuring in September 2021, pursuant to which SilkAir (Singapore) Private Limited (“SilkAir”) was merged back into the SIA Group, and SilkAir ceased to operate as a separate carrier. Any flights operated by SilkAir will be treated as being operated by SIA (or Scoot, where applicable) as to reflect SIA’s restructuring.

<sup>11</sup> Total group Singapore turnover represents total revenue (including carriage of passenger, cargo, mail, and air chartering fees, and inflight sales, properties rental, lease of aircraft to related third party, and premiums received, investment income) derived from all SIA entities – SIA, SilkAir, Scoot, SIA Engineering, SIA Cargo, and other entities. Footnote 35 of the Revised Form 1 submitted on 9 February 2024.

<sup>12</sup> Paragraph 15.1 of the Revised Form 1 submitted on 9 February 2024.

<sup>13</sup> Paragraphs 3.6 and 3.7 of the Revised Form 1 submitted on 9 February 2024. As at 9 February 2024.

## CONFIDENTIAL

provision of scheduled and non-scheduled airline services, repair, overhaul, and line maintenance services, and other services related to flight operations.<sup>14</sup>

8. Garuda has a 99.9 per cent shareholding in a subsidiary, Citilink, which positions itself as a LCC with a fleet of 61 aircraft.<sup>15</sup>
9. The global and Singapore turnover for Garuda and its subsidiaries for FY 2022 (i.e., 1 January 2022 to 31 December 2022) was S\$2.2 billion and S\$[~~3~~] respectively.<sup>16</sup>

### The Proposed Commercial Cooperation

#### Scope and nature of cooperation

10. The Proposed Commercial Cooperation between SIA and Garuda is implemented through the execution of a Commercial Cooperation Framework Agreement dated 1 September 2023 (“**Framework Agreement**”).<sup>17</sup> The Applicants submitted that the Framework Agreement involves cooperation between SIA and Garuda in the following areas:
  - (a) expanded codeshare cooperation between SIA and Garuda [~~3~~];
  - (b) enhancement of the existing Special Prorate Agreement(s) (“**SPA**”) [~~3~~];
  - (c) joint participation in tourism promotional initiatives [~~3~~];
  - (d) implementation of a cross-participation Frequent Flyer Programme (“**FFP**”) and other mutually beneficial FFP cooperation opportunities, where feasible;
  - (e) possible service and product cooperation, to the extent feasible, in the areas such as [~~3~~]; and
  - (f) establishing a joint venture arrangement for routes between the Approved Markets which envisages a metal-neutral alliance with the following features (the “**Joint Venture Agreement**”):

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<sup>14</sup> Paragraph 3.6 of the Revised Form 1 submitted on 9 February 2024.

<sup>15</sup> Paragraph 3.7 of the Revised Form 1 submitted on 9 February 2024. As at 9 February 2024.

<sup>16</sup> Paragraph 15.2 of the Revised Form 1 submitted on 9 February 2024; paragraph 2.1 of the Applicants’ response to CCCS’s 20 May 2024 RFI submitted on 28 May 2024.

<sup>17</sup> Paragraph 13.2 of the Revised Form 1 submitted on 9 February 2024.

**CONFIDENTIAL**

- i. revenue-sharing which involves the creation of a revenue share model;
  - ii. network planning and schedule coordination with the objective of optimising travel options for customers and increasing travel between markets served by both airlines;
  - iii. pricing coordination which involves the alignment, development, coordination and harmonisation of fare structures;
  - iv. distribution coordination with the objective of maximising each airline’s visibility of each other’s fares in their respective distribution systems;
  - v. inventory management coordination which involves the coordination of inventory management strategies with the objective of realising efficiencies; and
  - vi. joint sales and marketing which involves coordination in the area of sales and marketing to offer an improved joint service.<sup>18</sup>
11. Schedule 3 to the Framework Agreement defines “Approved Markets” and “Agreed Markets” as follows:
- (a) **“Approved Markets”**: Singapore and Indonesia, covering flights between Singapore and Jakarta, Denpasar and Surabaya in Indonesia, [~~✗~~].
  - (b) **“Agreed Markets”**: As mutually agreed between SIA and Garuda for cooperation, to the extent that any approvals and/or competition law compliance assessments are not required. The Applicants submitted that the markets included are Europe, India, South Africa and United States and can be expanded to include other markets upon mutual agreement.<sup>19</sup>

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<sup>18</sup> Paragraph 13.3 of the Revised Form 1 submitted on 9 February 2024. See also Clause 4.5 of Annex 1 (Framework Agreement between SIA and Garuda) to the Applicants’ response to CCCS’s 19 February 2024 RFI submitted on 25 March 2024.

<sup>19</sup> Schedule 3 to Annex 1 (Framework Agreement between SIA and Garuda) to the Applicants’ response to CCCS’s 19 February 2024 RFI submitted on 25 March 2024; paragraph 3.2 of the Applicants’ response to CCCS’s 19 February 2024 RFI submitted on 25 March 2024.

## CONFIDENTIAL

12. Schedule 2 to the Framework Agreement contemplates the subsequent execution of other implementing agreements, including an expanded codeshare agreement, an enhanced SPA, a FFP cross-participation agreement, a revenue share agreement and a capacity/frequency change management agreement.<sup>20</sup> The Applicants submitted that the expanded codeshare agreement [§<] have been implemented.<sup>21</sup> CCCS notes from SIA's media release dated 20 May 2024 that SIA and Garuda had entered into the FFP cross-participation agreement and revenue share agreement on 20 May 2024.<sup>22</sup> However, the Applicants submitted that [§<], which relate specifically to the Joint Venture Agreement, will not be implemented until a clearance decision in respect of the Proposed Commercial Cooperation has been obtained from CCCS.<sup>23</sup>
13. Based on the Applicants' submissions, the Proposed Commercial Cooperation relates only to scheduled international air passenger services.<sup>24</sup> Scheduled international air passenger services are distinct from other modes of transportation and refers to the carrying of revenue passengers by airline operators, i.e., flights scheduled and performed for remuneration according to a published timetable which is open to direct booking by members of the public.<sup>25</sup>

### Duration

14. Clause 10.1 of the Framework Agreement provides that the Framework Agreement shall continue for a period of [§<].<sup>26</sup> Clause 10.2 of the Framework Agreement provides that either SIA or Garuda may [§<].<sup>27</sup>

### Purpose and objective

15. The Applicants submitted that where seat capacity and flight frequency on routes between Singapore and Indonesia have not yet fully recovered to the pre COVID-19 pandemic levels, the Proposed Commercial Cooperation increases the

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<sup>20</sup> Schedule 2 to Annex 1 (Framework Agreement between SIA and Garuda) to the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

<sup>21</sup> Paragraphs 5.1 and 6.1 of the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

<sup>22</sup> "Garuda Indonesia and Singapore Airlines Strengthen Commercial Partnership", *Singapore Airlines*, [https://www.singaporeair.com/en\\_UK/de/media-centre/press-release/article/?q=en\\_UK/2024/April-June/jr0724-240520](https://www.singaporeair.com/en_UK/de/media-centre/press-release/article/?q=en_UK/2024/April-June/jr0724-240520).

<sup>23</sup> Footnote 20 of the Revised Form 1 submitted on 9 February 2024.

<sup>24</sup> Paragraph 8.14 of the Revised Form 1 submitted on 9 February 2024.

<sup>25</sup> According to the International Civil Aviation Organisation's ("ICAO") glossary of definitions at [https://www.icao.int/dataplus\\_archive/Documents/20130807/GLOSSARY%20v1%202.pdf](https://www.icao.int/dataplus_archive/Documents/20130807/GLOSSARY%20v1%202.pdf).

<sup>26</sup> Clause 10.1 of Annex 1 (Framework Agreement between SIA and Garuda) to the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

<sup>27</sup> Clause 10.2 of Annex 1 (Framework Agreement between SIA and Garuda) to the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

## CONFIDENTIAL

likelihood of an expedited and more sustainable reinstatement of capacity. In the longer term, the Applicants submitted that the purpose and objective of the Proposed Commercial Cooperation is to create efficiencies that neither Applicant can achieve on their own, allowing the Applicants to expand and enhance the products and services provided to passengers, including a more seamless travel experience for customers travelling on Origin-Destination (“OD”) routes involving SIA’s and Garuda’s networks.<sup>28</sup>

16. More specifically, the Applicants submitted that the metal-neutral alliance created by the Joint Venture Agreement contemplates a deeper form of cooperation between the Applicants, whereby each is equally incentivised to sell fares on each other’s aircraft, rather than being incentivised to self-preference (i.e., favour itself), which would always be the case in the absence of the alliance. These incentives arise from the alliance components (i.e., inventory access, fare harmonisation and revenue sharing) all acting contemporaneously. The Applicants submitted that the commercial outcomes from the metal-neutral alliance that would not be achievable in its absence include: (i) a large increase in the number of fare and inventory combinations; (ii) more availability of competitive fares; (iii) a fairer proration arrangement than is achievable in the absence of the metal-neutral alliance; and (iv) better offerings to corporate customers in terms of overall network offerings, fares, centralisation of frequent flyer benefits, and a single point of commercial negotiation rather than two.<sup>29</sup>

## LEGISLATIVE FRAMEWORK

17. Section 34 of the Act prohibits agreements between undertakings<sup>30</sup>, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore (the “**section 34 prohibition**”), unless they fall within an exclusion in the Third Schedule to the Act or meet all of the requirements specified in a block exemption order. Specifically, section 34(2) of the Act states that:

*“... agreements ... may, in particular, have the object or effect of preventing, restricting or distorting competition within Singapore if they —*

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<sup>28</sup> Paragraph 13.11 of the Revised Form 1 submitted on 9 February 2024.

<sup>29</sup> Paragraph 4.3 of the Applicants’ response to CCCS’s 19 February 2024 RFI submitted on 25 March 2024.

<sup>30</sup> Section 2 of the Act defines “undertaking” to mean “any person, being an individual, a body corporate, an unincorporated body of persons or any other entity, capable of carrying on commercial or economic activities relating to goods or services”. The key consideration in assessing whether an entity is an undertaking for the application of the section 34 prohibition is whether it is capable of engaging, or is engaged, in commercial or economic activity.



## CONFIDENTIAL

(a) *directly or indirectly fix purchase or selling prices or any other trading conditions;*

(b) *limit or control production, markets, technical development or investment; ...”.*

18. Given that each of the Applicants is an undertaking carrying on commercial and economic activities related to the provision of international air transport services, the Proposed Commercial Cooperation constitutes an agreement between undertakings, capable of being assessed within the scope of section 34 of the Act.

## COMPETITION ASSESSMENT

### Theory of Harm

19. As discussed at paragraph 10 above, the Applicants intend to engage in revenue sharing, and coordinate on network planning, scheduling, pricing, inventory management and sales and marketing in respect of the Approved Markets pursuant to the Proposed Commercial Cooperation.
20. On the spectrum of alliance cooperation, the level of cooperation envisaged in the Proposed Commercial Cooperation is of a very high level and goes beyond basic, arms-length code-sharing agreements. This would accordingly require a higher level of scrutiny where any overlapping routes between the Applicants are involved. Further, the elements of coordination relating to price and capacity that are present in the Proposed Commercial Cooperation involves restrictions of competition by object. As set out in paragraph 2.24 of the *CCCS Guidelines on the Section 34 Prohibition*, agreements involving restrictions of competition by object will always have an appreciable adverse effect on competition.<sup>31</sup>

### The Relevant Market(s)

21. The Applicants submitted that the Proposed Commercial Cooperation involves the following overlapping services (“**Overlapping Routes**”) as set out in Table 1 below.

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<sup>31</sup> Paragraph 2.24 of the *CCCS Guidelines on the Section 34 Prohibition*.

**CONFIDENTIAL**

<b>Table 1. Applicants’ Overlapping Routes<sup>32</sup></b>	
<b>Direct<sup>33</sup> (collectively, the “Overlapping Direct Routes”)</b>	
1.	Singapore to Jakarta (SIN-CGK) vv
2.	Singapore to Denpasar (SIN-DPS) vv
3.	Singapore to Surabaya (SIN-SUB) vv
<b>Indirect<sup>34</sup> (collectively, the “Overlapping Direct Indirect Routes”)</b>	
4.	Singapore to Balikpapan (SIN-BPN) vv
5.	Singapore to Medan (SIN-KNO) vv
6.	Singapore to Praya (SIN-LOP) vv
7.	Singapore to Manado (SIN-MDC) vv
8.	Singapore to Pekanbaru (SIN-PKU) vv
9.	Singapore to Makassar (SIN-UPG) vv
10.	Singapore to Yogyakarta (SIN-YIA) vv

22. Based on the Applicants’ submissions and third parties’ feedback, CCCS considers the relevant markets for the purpose of this assessment to be the provision of direct scheduled bi-directional passenger transport services along OD city pair routes between (i) Singapore and Jakarta (“**SIN-CGK vv**”); (ii) Singapore and Denpasar (“**SIN-DPS vv**”); and (iii) Singapore and Surabaya (“**SIN-SUB vv**”) (collectively, the “**Relevant Markets**”).
23. For the purpose of assessing the Proposed Commercial Cooperation, CCCS is of the view that:
- (a) **Indirect services do not belong to the same relevant market as direct services.** This is given the short haul nature of the flights as the Overlapping Routes all involve a flight time of less than three hours for direct services.<sup>35</sup> Feedback from [X] also noted that one stop services are unlikely to represent a strong substitute for a majority of travellers between points in Indonesia that have direct links to Singapore.<sup>36</sup> This is corroborated by feedback from [X] and [X], which noted that indirect services are not considered to be viable alternatives to direct services in the

<sup>32</sup> For completeness, SIA also markets services between Singapore and Indonesia by way of codeshare arrangements with Garuda including SIN-CGK vv, SIN-DPS vv, SIN-SUB vv and SIN-KNO vv. Garuda also codeshares on SIA on the following routes: Singapore to London (SIN-LHR vv), Singapore to Mumbai (SIN-BOM vv) and Singapore to Johannesburg (SIN-JNB vv). Paragraphs 7.6 and 7.7 of Revised Form 1 submitted on 9 February 2024.

<sup>33</sup> This refers to direct routes between Singapore and Indonesia on which SIA and Garuda operate their own aircraft.

<sup>34</sup> This refers to indirect routes between Singapore and Indonesia on which SIA operates direct services and Garuda operates indirect services with one stop, either in CGK or DPS.

<sup>35</sup> Paragraph 8.4 of the Revised Form 1 submitted on 9 February 2024.

<sup>36</sup> Response from [X] to CCCS’s 26 March 2024 RFI submitted on 7 May 2024 (Question 7).

## CONFIDENTIAL

Relevant Markets and indirect flights will only be considered where direct flights are not available.<sup>37</sup> This is also consistent with CCCS's decisional practice in relation to short haul flights.<sup>38</sup>

- (b) **No further segmentation is required between business and leisure travellers or time sensitive and non-time sensitive travellers.** This is given the short haul nature of the flights involved in respect of the Overlapping Direct Routes and because there would not be any meaningful way to identify any accurate and usable information with regards to the split, given that the various classes of travel on an airline do not map accurately against purpose of travel or time sensitivity.<sup>39</sup>
- (c) **No further segmentation is required between LCCs and FSAs.** Mixed feedback was received from customers and competitors on the substitutability between the services provided by LCCs and FSAs in respect of the Overlapping Routes. [X] stated that it did not view LCCs as viable alternatives to FSAs due to the premium services offered by FSAs such as upgraded meal services and business lounge facilities.<sup>40</sup> [X] similarly stated that LCCs and FSAs provide different kinds of services and are therefore aimed at different types of travellers, each with their own preferences, rather than being substitutes.<sup>41</sup> On the other hand, [X] stated that FSAs and LCCs are viable substitutes for passengers who could either trade up to the FSA service or for the right discount move to the LCC service.<sup>42</sup> [X] also noted that as long as an airline was not on its company's "safety and security" banned list, LCCs would also be considered alongside FSAs.<sup>43</sup> Given the short haul nature of the flights involved in respect of the Overlapping Direct Routes, CCCS is of the view that FSAs and LCCs compete on the Overlapping Direct Routes and no further segmentation is required between them. This is also consistent with CCCS's decisional practice, which has noted that the distinction between LCCs and FSAs is becoming increasingly blurred, as products offered by LCCs have become more comparable to that of FSAs.<sup>44</sup>

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<sup>37</sup> Response from [X] to CCCS's 26 March 2024 RFI submitted on 3 April 2024 (Question 6c); response from [X] to CCCS's 26 March 2024 RFI submitted on 15 April 2024 (Question 6c).

<sup>38</sup> See for example, paragraph 65 of the Grounds of Decision for *Cebu Pacific / Tiger Airways* (CCS 400/009/14).

<sup>39</sup> Paragraph 8.8 of the Revised Form 1 submitted on 9 February 2024.

<sup>40</sup> Response from [X] to CCCS's 26 March 2024 RFI submitted on 15 April 2024 (Question 6d).

<sup>41</sup> Response from [X] to CCCS's 26 March 2024 RFI submitted on 9 April 2024 (Question 7b).

<sup>42</sup> Response from [X] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 7b).

<sup>43</sup> Response from [X] to CCCS's 26 March 2024 RFI submitted on 3 April 2024 (Question 6d).

<sup>44</sup> See for example, paragraph 66 of the Grounds of Decision for *Cebu Pacific / Tiger Airways* (CCS 400/009/14) and paragraph 47 of the Grounds of Decision for *Qantas / Jetstar* (CCS 400/002/12).

## CONFIDENTIAL

24. Given the above and CCCS's assessment that indirect flights between Singapore and Indonesia do not belong to the same relevant market as direct flights, CCCS will not consider the Overlapping Direct Indirect Routes. Accordingly, CCCS's assessment focuses on the competition assessment on the Overlapping Direct Routes as set out below.

### Market Share Figures

25. Tables 2, 3 and 4 below list the market share figures and the actual number of passengers carried on each of the Relevant Markets, for the period of October 2022 to September 2023 and the period of October 2023 to January 2024.<sup>45</sup> For the purpose of assessing the effects on competition in Singapore arising from the Proposed Commercial Cooperation, CCCS will consider the market shares of SIA and its LCC, Scoot, collectively (hereafter the "**SIA Group**") and Garuda and its LCC, Citilink collectively (hereafter the "**Garuda Group**"). Although Scoot and Citilink are not participants in the Proposed Commercial Cooperation, CCCS notes that they operate on separate commercial strategies from SIA and Garuda, and considers that their activities are still relevant to the assessment of each group's market power. This is because Scoot and Citilink cannot be regarded as independent competitors to SIA and Garuda respectively, given that they remain under the control of their respective parent companies. Further, as stated in paragraph 23(c) above, CCCS has considered that no segmentation is required between FSAs and LCCs in the relevant markets defined. Therefore, for a comprehensive analysis of competitive dynamics, it is appropriate to consider the market presence of Scoot and Citilink alongside SIA and Garuda.

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<sup>45</sup> Annex 1 (MIDT data for direct flights of Overlapping Direct Routes) to the Applicants' response to CCCS's 10 May 2024 RFI submitted on 28 May 2024.

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<b>Table 2. Market shares and actual number of passengers carried on SIN-CGK vv<sup>46</sup></b>				
<b>Carrier</b>	<b>October 2022 – September 2023</b>		<b>October 2023 – January 2024</b>	
	<b>Passengers</b>	<b>Market Share</b>	<b>Passengers</b>	<b>Market Share</b>
Singapore Airlines (SIA)	[X]	[X20-30]%	[X]	[X20-30]%
Scoot (TR)	[X]	[X0-10]%	[X]	[X0-10]%
Garuda (GA)	[X]	[X10-20]%	[X]	[X10-20]%
Citilink Indonesia (QG)	[X]	[X0-10]%	[X]	[X0-10]%
<b>SIA Group and Garuda Group combined</b>	[X]	<b>[X50-60]%</b>	[X]	<b>[X50-60]%</b>
Jetstar (3K)	[X]	[X0-10]%	[X]	[X0-10]%
Batik Air (ID)	[X]	[X10-20]%	[X]	[X10-20]%
KLM Royal Dutch Airlines (KL)	[X]	[X0-10]%	[X]	[X0-10]%
Indonesia AirAsia (QZ)	[X]	[X20-30]%	[X]	[X20-30]%
Others <sup>47</sup>	[X]	[X0-10]%	[X]	[X0-10]%
<b>Total</b>	[X]	<b>100.0%</b>	[X]	<b>100.0%</b>

<sup>46</sup> Main competitors to the Applicants on the SIN-CGK vv route include: Jetstar (LCC), Batik Air (FSA), KLM Royal Dutch Airlines (FSA), Indonesia AirAsia (LCC).

<sup>47</sup> The *Others* category for SIN-CGK vv in October 2023 – January 2024 only includes TransNusa (8B).

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<b>Table 3. Market shares and actual number of passengers carried on SIN-DPS vv<sup>48</sup></b>				
<b>Carrier</b>	<b>October 2022 – September 2023</b>		<b>October 2023 – January 2024</b>	
	<b>Passengers</b>	<b>Market Share</b>	<b>Passengers</b>	<b>Market Share</b>
Singapore Airlines (SIA)	[X]	[X20-30]%	[X]	[X20-30]%
Scoot (TR)	[X]	[X20-30]%	[X]	[X20-30]%
Garuda (GA)	[X]	[X0-10]%	[X]	[X0-10]%
Citilink Indonesia (QG)	[X]	[X0-10]%	[X]	[X0-10]%
<b>SIA Group and Garuda Group combined</b>	[X]	<b>[X40-50]%</b>	[X]	<b>[X50-60]%</b>
Jetstar (3K)	[X]	[X10-20]%	[X]	[X10-20]%
Batik Air (ID)	[X]	[X0-10]%	[X]	[X0-10]%
KLM Royal Dutch Airlines (KL)	[X]	[X0-10]%	[X]	[X0-10]%
Indonesia AirAsia (QZ)	[X]	[X30-40]%	[X]	[X20-30]%
Others	[X]	[X0-10]%	[X]	[X0-10]%
<b>Total</b>	[X]	<b>100.0%</b>	[X]	<b>100.0%</b>

<sup>48</sup> Main competitors to the Applicants on the SIN-DPS vv route include: Jetstar (LCC), Batik Air (FSA), KLM Royal Dutch Airlines (FSA), Indonesia AirAsia (LCC).

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<b>Table 4. Market shares and actual number of passengers carried on SIN-SUB vv<sup>49</sup></b>				
<b>Carrier</b>	<b>October 2022 – September 2023</b>		<b>October 2023 – January 2024</b>	
	<b>Passengers</b>	<b>Market Share</b>	<b>Passengers</b>	<b>Market Share</b>
Singapore Airlines (SIA)	[X]	[X10-20]%	[X]	[X20-30]%
Scoot (TR)	[X]	[X20-30]%	[X]	[X20-30]%
Garuda (GA)	[X]	[X0-10]%	[X]	[X10-20]%
Citilink Indonesia (QG)	[X]	[X0-10]%	[X]	[X0-10]%
<b>SIA Group and Garuda Group combined</b>	[X]	<b>[X50-60]%</b>	[X]	<b>[X60-70]%</b>
Jetstar (3K)	[X]	[X10-20]%	[X]	[X10-20]%
Batik Air (ID)	[X]	[X10-20]%	[X]	[X10-20]%
Indonesia AirAsia (QZ)	[X]	[X0-10]%	[X]	[X0-10]%
Others	[X]	[X0-10]%	[X]	[X0-10]%
<b>Total</b>	[X]	<b>100.0%</b>	[X]	<b>100.0%</b>

**Object or Effect of the Prevention, Restriction or Distortion of Competition within Singapore**

Applicants' submissions

26. The Applicants submitted that the structure of the affected market and the entry conditions on the relevant routes, are such that the Proposed Commercial Cooperation would not give rise to an appreciable restriction in competition on the Overlapping Direct Routes generally. This is because the Applicants will continue to be effectively constrained by other strong competitors and low barriers to entry and expansion.<sup>50</sup>

<sup>49</sup> Main competitors to the Applicants on the SIN-SUB vv route include: Jetstar (LCC), Batik Air (FSA), Indonesia AirAsia (LCC).

<sup>50</sup> Paragraph 14.5 of the Revised Form 1 submitted on 9 February 2024.

## CONFIDENTIAL

### *Existing competition*

27. The Applicants submitted that the Proposed Commercial Cooperation would not give rise to an appreciable restriction in competition on the Overlapping Direct Routes because the Applicants will continue to face significant competition from competitors such as Batik Air and Indonesia AirAsia.<sup>51</sup>

### *Barriers to entry and expansion*

28. The Applicants submitted that they would also be constrained by potential entry on the Overlapping Direct Routes given the low barriers to entry on the Overlapping Direct Routes, as carriers (including carriers from other countries) are able to operate services along the Overlapping Direct Routes by virtue of liberal air service agreements.<sup>52</sup> The Applicants added that there are no regulatory barriers to increase capacity on routes between Singapore and Indonesia by Singaporean or Indonesian carriers and carriers have the ability to deploy larger aircraft types for existing flights and/or deploy new services at off peak periods as these airports do not have curfews.<sup>53</sup> The Applicants noted that TransNusa, a LCC based in Indonesia, commenced a new service between Singapore and Jakarta, in November 2023.<sup>54</sup>

### Third parties' responses

29. [REDACTED], [REDACTED], two customers and one member of the public responded that they did not have concerns with the Proposed Commercial Cooperation.<sup>55</sup> [REDACTED] was of the view that competition would remain strong, particularly for the Overlapping Direct Routes, as they are also well served by other carriers.<sup>56</sup> [REDACTED] was of the view that [REDACTED].<sup>57</sup>

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<sup>51</sup> Paragraph 14.6 of the Revised Form 1 submitted on 9 February 2024.

<sup>52</sup> Paragraph 14.13 of the Revised Form 1 submitted on 9 February 2024.

<sup>53</sup> Paragraph 14.13 of the Revised Form 1 submitted on 9 February 2024.

<sup>54</sup> Paragraph 14.12 of the Revised Form 1 submitted on 9 February 2024.

<sup>55</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 18 April 2024; response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 7 May 2024; response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 6 May 2024 (Summary of Inputs and Question 9); response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 12 April 2024 (Page 16); response from [REDACTED] dated 14 March 2024.

<sup>56</sup> Response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 6 May 2024 (Question 9).

<sup>57</sup> Response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 12 April 2024 (Page 14).



## CONFIDENTIAL

30. Two competitors, two customers and two members of the public responded to raise concerns with the Proposed Commercial Cooperation.<sup>58</sup> These third parties generally submitted that the Proposed Commercial Cooperation may have an adverse impact on competition on the Overlapping Routes given that SIA and Garuda already enjoy significant market shares on the Overlapping Routes.

### CCCS's assessment

#### *Object of preventing, restricting or distorting competition*

31. As mentioned in paragraphs 10 and 20 above, the Proposed Commercial Cooperation, which involves coordination on pricing, scheduling, marketing, distribution and revenue sharing, amongst other things is restrictive of competition by object. Such agreements will always have an appreciable adverse effect on competition.
32. CCCS highlights that where an agreement is found to have the object of preventing, restricting or distorting competition, it would not be necessary to determine the actual effects of such agreements, given that “object” and “effect” are alternative and not cumulative requirements of the section 34 prohibition.
33. Nevertheless, CCCS further notes that there are demonstrable appreciable adverse effects on competition in Singapore arising from the Proposed Commercial Cooperation in respect of the SIN-CGK vv and SIN-SUB vv routes as set out in the following paragraphs.

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<sup>58</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 9 April 2024 (Question 17); response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Questions 17 and 19); response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 3 April 2024 (Question 10); response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 15 April 2024 (Question 10); response from [REDACTED] dated 14 March 2024; response from [REDACTED] dated 17 March 2024.

*SIN-CGK vv*

34. CCCS is of the view that the Proposed Commercial Cooperation is likely to have a demonstrable appreciable adverse effect on competition in respect to the SIN-CGK vv route, in light of the following:

- (a) **High combined market shares of SIA and Garuda at the group level with SIA Group and Garuda Group each having significant market shares.** With reference to Table 2 above, the SIA Group and Garuda Group have sustained high combined market shares of between [X<50-60]% and [X<50-60]% over an extended period of time (i.e., between October 2023 and January 2024 and between October 2022 and September 2023 respectively). Based on the market shares for the period between October 2023 and January 2024, SIA Group and Garuda Group each had a significant market share at [X<20-30]% and [X<20-30]% respectively. CCCS also assesses that the effect from the loss of competition for SIN-CGK vv is likely to be significant in view that SIA and Garuda are each other's closest competitors along this route (see paragraph 34(b) below). The Proposed Commercial Cooperation will therefore significantly alter the competitive dynamics on the SIN-CGK vv route.
- (b) **SIA and Garuda at the group level are each other's closest competitors.** With reference to Table 2 above, CCCS is of the view that SIA Group and Garuda Group are effectively each other's closest competitor with each having sizeable market shares over an extended period of time and SIA Group and Garuda Group are also the only carriers with both FSA and LCC offerings. Feedback from [X<], [X<] and [X<] also indicate that the SIA Group and Garuda Group are each other's closest competitors.<sup>59</sup> In particular, [X<] noted that both SIA and Garuda provide FSA offerings which are similar based on capacity, frequency, product offering and, to a certain extent, price.<sup>60</sup>
- (c) **While there are other competitors and evidence of new and potential entrants in recent years, there remains some barriers to entry and expansion in light of slot<sup>61</sup> constraints.** With reference to Table 2 above,

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<sup>59</sup> Response from [X<] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 15); response from [X<] to CCCS's 26 March 2024 RFI submitted on 3 April 2024 (Question 7); response from [X<] to CCCS's 26 March 2024 RFI submitted on 15 April 2024 (Question 7).

<sup>60</sup> Response from [X<] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 15).

<sup>61</sup> According to the International Air Transport Association, slots are defined as a permission given by an airport coordinator for a planned operation to use the full range of airport infrastructure necessary to arrive or depart at an airport on a specific date and time.

## CONFIDENTIAL

CCCS notes the existence of other competitors with growing market shares, such as Batik Air and Indonesia AirAsia. Batik Air's and Indonesia AirAsia's market shares grew from [§<10-20]% to [§<10-20]% and [§<10-20]% to [§<20-30]% between the period from October 2019 to September 2020 and the period from October 2023 to January 2024 respectively. In relation to new and potential entrants, CCCS notes that TransNusa is a recent entrant as it commenced operating services along this route in November 2023.<sup>62</sup> Feedback from [§<] additionally noted that [§<].<sup>63</sup> Nevertheless, there appears to remain some barriers to entry and expansion in light of slot constraints. CCCS notes that [§<].<sup>64</sup>

### *SIN-SUB vv*

35. CCCS is of the view that the Proposed Commercial Cooperation is likely to have a demonstrable appreciable adverse effect on competition in respect to the SIN-SUB vv route, in light of the following:

- (a) **High combined market shares of the SIA and Garuda at the group level, with SIA Group and Garuda Group each having significant market shares.** With reference to Table 4 above, the SIA Group and Garuda Group have sustained high combined market shares of between [§<50-60]% and [§<60-70]% over an extended period of time (i.e., between October 2022 and September 2023 and between October 2023 and January 2024 respectively). Based on the market shares for the period between October 2023 and January 2024, SIA Group and Garuda Group each had a sizeable market share at [§<50-60]% and [§<10-20]% respectively. CCCS also assesses that the effect from the loss of competition for SIN-SUB vv is likely to be significant in view that SIA and Garuda are each other's closest competitors along this route (see paragraph 35(b) below). The Proposed Commercial Cooperation will therefore significantly alter the competitive dynamics on the SIN-SUB vv route.
- (b) **SIA and Garuda at the group level are each other's closest competitors.** With reference to Table 4 above, CCCS is of the view that SIA Group and Garuda Group are effectively each other's closest competitor with each having sizeable market shares over an extended period of time and SIA Group and Garuda Group are also the only carriers with both FSA and LCC

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<sup>62</sup> Response from [§<] to CCCS's 13 March 2024 RFI submitted on 12 April 2024 (Page 8).

<sup>63</sup> Response from [§<] to CCCS's 13 March 2024 RFI submitted on 12 April 2024 (Page 8). [§<].

<sup>64</sup> Response from [§<] to CCCS's 13 March 2024 RFI submitted on 6 May 2024 (Question 3); response from [§<] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 9).

**CONFIDENTIAL**

offerings. Feedback from [REDACTED] and [REDACTED] also indicate that the SIA Group and Garuda Group are each other's closest competitors.<sup>65</sup> In particular, [REDACTED] noted that both SIA and Garuda provide FSA offerings and are similar based on capacity, frequency, product offering and, to a certain extent, price.<sup>66</sup>

- (c) **Recent cessation of operations by Batik Air and Indonesia AirAsia resulting in Jetstar being the sole remaining competitor to the SIA Group and Garuda Group.** CCCS notes from [REDACTED] that Indonesia AirAsia and Batik Air recently ceased operating on this route in October 2023 and January 2024 respectively.<sup>67</sup> With reference to Table 4 above, this means that Jetstar is the sole remaining competitor to the SIA Group and the Garuda Group. In this regard, CCCS notes [REDACTED].<sup>68</sup> However, CCCS notes that competition along this route remains dynamic as reflected by the entry [REDACTED] and exit of competitors. [REDACTED],<sup>69</sup> [REDACTED].<sup>70</sup> [REDACTED].

***SIN-DPS vv***

36. CCCS is of the view that the impact of the Proposed Commercial Cooperation in respect of the SIN-DPS vv route is likely to be small or inconsequential, in light of the following:

- (a) **Garuda Group has a small market share which suggests that the impact of any loss in competition is likely to be small or inconsequential.** With reference to Table 3 above, the SIA Group had a market share of about [REDACTED]40-50)% while the Garuda Group had a market share of about [REDACTED]0-10)% for the period between October 2023 and January 2024. Based on the market share figures, it is unlikely that the Garuda Group exerts a strong competitive constraint to the SIA Group. The Proposed Commercial Cooperation will therefore not significantly alter the competitive dynamics on the SIN-DPS vv route that existed prior to the Proposed Commercial Cooperation.

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<sup>65</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 15); response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 15 April 2024 (Question 7).

<sup>66</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 15).

<sup>67</sup> Response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 12 April 2024 (Page 10). Based on [REDACTED], [REDACTED]. See response from [REDACTED] to CCCS's 20 May 2024 RFI submitted on 29 May 2024 (Question 3b).

<sup>68</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 7 May 2024 (Question 17).

<sup>69</sup> Response from [REDACTED] to CCCS's 26 March 2024 RFI submitted on 9 April 2024 (Questions 3 and 5).

<sup>70</sup> Response from [REDACTED] to CCCS's 20 May 2024 RFI submitted on 29 May 2024 (Question 4b).

## CONFIDENTIAL

- (b) **Presence of other competitors with higher market shares as compared to the Garuda Group.** With reference to Table 3 above, CCCS notes the presence of other competitors with higher market shares as compared to the Garuda Group including Indonesia AirAsia and Jetstar with market shares of [X]20-30]% and [X]10-20]% respectively for the period between October 2023 and January 2024. CCCS also notes the feedback from [X] which identified Indonesia AirAsia and Jetstar as competitors to the SIA Group in respect of this route.<sup>71</sup> Therefore, existing competitors would continue to serve as strong competitive constraints on SIA and Garuda at the group level following the Proposed Commercial Cooperation.

### The Net Economic Benefit Exclusion

37. Section 35 of the Act read with paragraph 9 of the Third Schedule to the Act provides that the section 34 prohibition does not apply to “any agreement which contributes to (1) improving production or distribution; or promoting technical or economic progress (“**Limb 1**”); but which does not (2) impose on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives (“**Limb 2**”); or (3) afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the goods or services in question” (“**Limb 3**”) (collectively, the “**NEB Exclusion**”). The three limbs are cumulative.<sup>72</sup>

### Applicants’ submissions and CCCS’s assessment

38. The Applicants submitted that the Proposed Commercial Cooperation would result in the following efficiencies, each of which CCCS has assessed in turn. Given that the Proposed Commercial Cooperation as currently contemplated will not extend to include Scoot and Citilink, CCCS’s net economic benefit assessment is only with respect to the benefits that would result from the co-operation between SIA and Garuda.

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<sup>71</sup> Response from [X] to CCCS’s 26 March 2024 RFI submitted on 3 April 2024 (Question 7).

<sup>72</sup> See also paragraph 10.4 of the *CCCS Guidelines on the Section 34 Prohibition*.

**CONFIDENTIAL**

- (1) Limb 1 – Improving production or distribution; or promoting technical or economic progress

*Increased itinerary options*

39. The Applicants submitted that the Proposed Commercial Cooperation will incentivise both Applicants to grow traffic and optimise capacity on Singapore to Indonesia services. This will result in a greatly increased number of travel options being opened up for travellers between Singapore and Indonesia, with passengers being able to freely construct itineraries by choosing between the full range of flight options of both SIA and Garuda.<sup>73</sup>
40. The Applicants also submitted that on the three Overlapping Direct Routes, the increase in potential itinerary combinations can be quantified as set out in Table 5 below:

<b>Table 5. Possible itinerary options on the three Overlapping Direct Routes<sup>74</sup></b>				
<b>Route</b>	<b>Weekly itinerary combinations<sup>75</sup> without the Proposed Commercial Cooperation</b>		<b>Weekly itinerary combinations with the Proposed Commercial Cooperation</b>	<b>Net increase</b>
	<b>SIA</b>	<b>Garuda</b>	<b>Applicants Combined</b>	
SIN-CGK vv	[X]	[X]	[X]	[X] ([X]90-100]%)
SIN-DPS vv	[X]	[X]	[X]	[X] ([X]30-40]%)
SIN-SUB vv	[X]	[X]	[X]	[X] ([X]60-70]%)
<b>Total</b>	[X]	[X]	[X]	[X] ([X]60-70]%)

41. With reference to Table 5, the Applicants submitted that [X] additional itinerary combinations will become generally available to passengers across the

<sup>73</sup> Paragraph 18.4 of the Revised Form 1 submitted on 9 February 2024.

<sup>74</sup> Paragraph 1.1 of the Applicants’ response to CCCS’s 10 June 2024 RFI submitted on 12 June 2024.

<sup>75</sup> Footnote 2 of the Applicants’ response to CCCS’s 10 June 2024 RFI submitted on 12 June 2024. Itinerary combinations (both with and without the Proposed Commercial Cooperation are calculated by multiplying the number of possible outbound flights by the number of possible inbound flights for any given week).

## CONFIDENTIAL

Overlapping Direct Routes as a result of the Proposed Commercial Cooperation (being [X60-70]% increase in the general availability of combinable options).<sup>76</sup> CCCS notes that the increase in travel options will be of benefit to a considerable number of travellers, in view that the Applicants carried an aggregated sum of [X] passengers out of the total of [X] passengers on the Overlapping Direct Routes between October 2022 and September 2023.<sup>77</sup>

### *Increased flexibility for travellers*

42. The Applicants submitted that under the Proposed Commercial Cooperation, the Applicants will introduce a [X].<sup>78</sup> The Applicants acknowledged that it is difficult to quantify this benefit in discrete terms as the increased options available to any given traveller will depend on the particular circumstances of their itinerary and changed circumstances.<sup>79</sup>

### *Possible increases in frequency or capacity on routes between Singapore and Indonesia, or the introduction of new services*

43. The Applicants submitted that the Proposed Commercial Cooperation will incentivise the Applicants to grow traffic and optimise capacity on their combined services, leading to a higher likelihood of the Applicants being able to increase capacity through new frequencies, or through the up gauging of aircraft.<sup>80</sup> The Applicants also submitted that it would be more feasible to introduce services to new destinations, as the risks of introducing services is shared between the Applicants, and there is an increased ability to sustain such services with the Proposed Commercial Cooperation in place.<sup>81</sup>
44. CCCS notes that the Applicants were not able to provide specific estimates of or internal plans relating to the possible increases in frequency or capacity or the introduction of new services arising from the Proposed Commercial Cooperation.<sup>82</sup> Instead, the Applicants submitted that the likelihood of the Applicants being able to increase capacity through the Proposed Commercial Cooperation can be observed empirically with the observed experiences in SIA's

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<sup>76</sup> Paragraph 18.6 of the Revised Form 1 submitted on 9 February 2024.

<sup>77</sup> Paragraph 14.7 of the Revised Form 1 submitted on 9 February 2024; paragraph 13.1 of the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

<sup>78</sup> Paragraphs 18.7 and 18.8 of the Revised Form 1 submitted on 9 February 2024.

<sup>79</sup> Paragraph 18.9 of the Revised Form 1 submitted on 9 February 2024.

<sup>80</sup> Paragraphs 18.10 and 18.11 of the Revised Form 1 submitted on 9 February 2024.

<sup>81</sup> Paragraph 18.12 of the Revised Form 1 submitted on 9 February 2024.

<sup>82</sup> Paragraph 19.1 to paragraph 19.3 of the Applicants' response to CCCS's 19 February 2024 RFI submitted on 25 March 2024; paragraph 7.1 of the Applicants' response to CCCS's 10 May 2024 RFI submitted on 29 May 2024.

## CONFIDENTIAL

previous metal-neutral alliance arrangements.<sup>83</sup> However, CCCS notes that the change in capacity in the identified past joint ventures differ across routes, ranging from -11% to 113%.<sup>84</sup> The wide disparity in outcomes suggests that the effects of a joint venture can be highly variable and context-specific. The increase in capacity observed in SIA's past joint venture arrangements may not be directly relevant or similarly achieved in the context of the Proposed Commercial Cooperation due to the difference in competitive landscapes and competition concerns identified in each of the various joint venture arrangements. For example, CCCS notes that the SIA-Scandinavian Airlines joint venture and SIA-Air New Zealand joint venture were cleared by CCS (as it then was) through the NEB Exclusion while capacity commitments to address competition concerns were accepted in the SIA-Lufthansa joint venture. CCCS also notes that the Applicants acknowledged that the materialisation of the benefits is ultimately dependent on a number of factors including overall market demand, fuel prices, and overall network planning considerations.<sup>85</sup>

*Expansion of SIA's and Garuda's virtual networks, thereby providing an increased number of service offerings to passengers*

45. The Applicants submitted that the Proposed Commercial Cooperation will result in the virtual networks of both airlines expanding, thereby resulting in increased service offerings to customers. This is because the expanded code sharing arrangements between the Applicants arising from the Proposed Commercial Cooperation would allow SIA to codeshare on services from Singapore to all destinations in Indonesia operated by Garuda. This would enable SIA's reach into Indonesia to increase from 10 destinations to 34 destinations.<sup>86</sup> Similarly, Garuda would be able to codeshare on all SIA services between Indonesia and Singapore. A member of the public has also submitted that the Proposed Commercial Cooperation may bring about greater aviation expansion between Singapore and Indonesia, thus boosting the economies of both countries.<sup>87</sup>

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<sup>83</sup> Paragraph 18.10 of the Revised Form 1 submitted on 9 February 2024.

<sup>84</sup> Annex 10 (Examples of Capacity Increases from Previous Joint Ventures) of the original Form 1 submitted on 15 January 2024.

<sup>85</sup> Paragraph 18.11 of the Revised Form 1 submitted on 9 February 2024.

<sup>86</sup> Paragraph 2.1 of the Applicants' response to CCCS's 10 June 2024 RFI submitted on 12 June 2024.

<sup>87</sup> The member of the public also submitted that the Proposed Commercial Cooperation would bring about increased efficiency and enhanced productivity for the Applicants. Response from [REDACTED] dated 14 March 2024.



## CONFIDENTIAL

### *More competitive fares through the reduction of double marginalisation and better fare combinability*

46. The Applicants submitted that the Proposed Commercial Cooperation will result in enhanced fare combinability where an itinerary involves services operated by both SIA and Garuda. This increased combinability will reduce the double marginalisation effect that would exist in the absence of the Proposed Commercial Cooperation and would allow the Applicants to offer more competitive fares.<sup>88</sup> [X] also submitted that the Proposed Commercial Cooperation would potentially allow the Applicants to introduce more competitive fares (vis-à-vis LCCs) in the market, with an elimination of double marginalisation, thereby benefitting consumers as a whole.<sup>89</sup>
47. However, the Applicants acknowledged that fare levels would still need to be benchmarked against market prices for the Applicants to remain competitive against offerings of other airlines, and are sensitive to fuel prices, demand movements and other exogenous factors.<sup>90</sup> The Applicants further acknowledged that the ability to combine fares may not always result in lower fares.<sup>91</sup>

### *Benefits to corporate customers*

48. The Applicants submitted that the Proposed Commercial Cooperation results in benefits for corporate customers.<sup>92</sup> The joint corporate contracting arrangement gives rise to benefits including access to a wider virtual network (as mentioned at paragraph 45 above), a wider range of corporate fare products, a common incentive scheme where all revenue spent for travel on services of either airline will contribute to one incentive scheme (rather than being split between two), and associated convenience benefits when corporate customers can potentially deal with one, rather than two account managers, for fare quotations.<sup>93</sup> The Applicants submitted that from January 2023 to October 2023, SIA and Garuda had an estimated [X] common corporate customers, and a combined estimated total of [X] corporate customers, who will immediately benefit from the joint corporate contracting arrangement.<sup>94</sup>

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<sup>88</sup> Paragraph 18.16 to paragraph 18.18 of the Revised Form 1 submitted on 9 February 2024.

<sup>89</sup> Response from [X] to CCCS's 13 March 2024 RFI submitted on 6 May 2024 (Question 9).

<sup>90</sup> Paragraph 18.17 of the Revised Form 1 submitted on 9 February 2024.

<sup>91</sup> Paragraph 22.1 of Applicants' Response to CCCS's 19 February 2024 RFI submitted on 25 March 2024.

<sup>92</sup> Paragraph 2.1 of the Applicants' response to CCCS's 10 June 2024 RFI submitted on 12 June 2024. SIA's virtual network reach into Indonesia will increase from 10 destinations to 34 destinations.

<sup>93</sup> Paragraphs 18.23.5 and 18.23.7 of the Revised Form 1 submitted on 9 February 2024.

<sup>94</sup> Paragraph 18.23.5 of the Revised Form 1 submitted on 9 February 2024. CCCS notes that these numbers may also include corporate customers of Scoot and Citilink, however there is no impact to CCCS's assessment of this claimed benefit.

*Benefits to FFP members of SIA and Garuda*

49. As mentioned in paragraph 12 above, the Applicants have entered into a FFP cross-participation agreement which is intended to allow customers to obtain the benefits of the metal-neutral alliance.<sup>95</sup> The Applicants submitted that through the FFP agreement, customers would benefit from reciprocal frequent flyer benefits and the exchange of tier benefits; an enhanced ability to accrue and redeem air miles when travelling on flights operated by the Applicants within the scope of the Proposed Cooperation.<sup>96</sup>

*Scheduling benefits and time savings*

50. The Applicants submitted that the coordination of scheduling and connection requirements for flights between Singapore and Indonesia would result in direct benefits to customers such as added convenience and potential reductions in transit time. This is because the Applicants will have a clear incentive to harmonise their schedules over time in a way that most effectively connects with their combined behind and beyond services, in an attempt to grow traffic and optimise capacity on routes between Singapore and Indonesia.<sup>97</sup>

*Improved connectivity for both Singapore and Indonesia, with consequential benefits to both countries' aviation industry and tourism*

51. The Applicants submitted that the Proposed Commercial Cooperation would improve connectivity between Singapore and Indonesia through the introduction of more flight frequencies and flight capacity. Moreover, the Proposed Commercial Cooperation would [REDACTED]. The resulting increased passenger traffic would create a multiplier effect in the form of increased tourism and off-airport expenditures.<sup>98</sup> The Applicants also submitted that they intend to [REDACTED]. [REDACTED].<sup>99</sup>

52. To support their efficiency claim, the Applicants submitted the number of passengers flying via Garuda's network to [REDACTED] and the [REDACTED] via various air hubs in 2023. Around [REDACTED]% of passengers flying to [REDACTED] and around [REDACTED]% of passengers flying to [REDACTED] in 2023 did not do so via Changi Airport.<sup>100</sup> However,

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<sup>95</sup> Paragraph 18.24 of the Revised Form 1 submitted on 9 February 2024.

<sup>96</sup> Paragraph 18.25 of the Revised Form 1 submitted on 9 February 2024.

<sup>97</sup> Paragraph 18.27 of the Revised Form 1 submitted on 9 February 2024.

<sup>98</sup> Paragraphs 18.30 and 18.31 of the Revised Form 1 submitted on 9 February 2024.

<sup>99</sup> Paragraph 18.32 of the Revised Form 1 submitted on 9 February 2024.

<sup>100</sup> Paragraph 5.1 to paragraph 5.5 of the Applicants' response to CCCS's 10 May 2024 RFI submitted on 29 May 2024; paragraph 3.1 of the Applicants' response to CCCS's 10 June 2024 RFI submitted on 12 June 2024.

## CONFIDENTIAL

the Applicants were unable to quantify or provide any supporting evidence to demonstrate the increase in the proportion of Garuda passengers flying via Changi Airport as a result of the Proposed Commercial Cooperation and the consequent increase in tourism and off-airport expenditures.

### *CCCS's assessment on Limb 1*

53. Having considered the Applicants' submissions, CCCS accepts that the claimed benefits of (1) increased itinerary options; and (2) expansion of SIA's and Garuda's virtual networks, have been adequately substantiated, are objective in nature and bear a causal link to the Proposed Commercial Cooperation.

(2) Limb 2 – restrictions which are indispensable to the attainment of those objectives

54. In relation to Limb 2, the Applicants submitted that Proposed Commercial Cooperation (and more specifically the Joint Venture Arrangement) is indispensable to the net economic benefits claimed in the preceding subsection.<sup>101</sup> This is because the cooperation elements envisaged under the Joint Venture Arrangement are necessary in combination, to provide the requisite incentives for each of the Applicants to work together to make the metal-neutral alliance materialise.<sup>102</sup> More specifically, metal-neutrality ultimately requires revenue sharing between the Applicants to remove the desire that would exist in the absence of the arrangement for passengers to be carried on their own aircraft, and to fairly remunerate both airlines.<sup>103</sup>

55. CCCS accepts that the Proposed Commercial Cooperation is indispensable to the attainment of the benefits of (1) increased itinerary options; and (2) expansion of SIA's and Garuda's virtual networks. This is because the anticipated benefits are dependent on each airline being neutral as to whether its travellers are carried on SIA's or Garuda's aircraft, rather than being incentivised to self-preference, which would be the case in the absence of the Proposed Commercial Cooperation.

(3) Limb 3 – afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the goods or services in question

56. CCCS is of the view that the Proposed Commercial Cooperation would not afford the Applicants the possibility of eliminating competition in respect of a substantial

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<sup>101</sup> Paragraph 18.33 of the Revised Form 1 submitted on 9 February 2024.

<sup>102</sup> Paragraph 18.34 of the Revised Form 1 submitted on 9 February 2024.

<sup>103</sup> Paragraph 18.35 of the Revised Form 1 submitted on 9 February 2024.

## CONFIDENTIAL

part of the services on the SIN-DPS vv route. As summarised at paragraph 36 above, this is because the Garuda Group only has a small market share of [30-10]% for the period October 2023 to January 2024, and there are other competitors with higher market shares as compared to the Garuda Group.

57. However, the Proposed Commercial Cooperation would afford the Applicants the possibility of eliminating competition in respect of a substantial part of the services on the SIN-CGK vv and SIN-SUB vv routes. In this regard, CCCS notes in particular that the SIA Group and Garuda Group are each other's closest competitors and their combined market shares have been persistently high over an extended period of time (see paragraphs 34 and 35 above).

### Conclusion on the NEB exclusion

58. Given CCCS's competition assessment of the Overlapping Direct Routes at paragraphs 34 to 36 above, CCCS is of the view that the two substantiated claimed benefits are sufficient to outweigh the loss of competition in respect of the SIN-DPS vv route. As summarised at paragraph 36 above, this is because Garuda Group only has a small market share of [30-10]% for the period October 2023 to January 2024, and there are other competitors with higher market shares as compared to the Garuda Group.
59. However, the two substantiated claimed benefits are not sufficient to outweigh the competition concerns in respect of the SIN-CGK vv and SIN-SUB vv routes, on which the Proposed Commercial Cooperation would give rise to a demonstrable appreciable adverse effect on competition (the "**Routes of Concern**"). In this regard, CCCS notes in particular that the SIA Group and Garuda Group are each other's closest competitors and their combined market shares have been persistently high over an extended period of time (see paragraphs 34 and 35 above). Therefore, CCCS concludes that the NEB Exclusion is not satisfied.

## COMMITMENTS BY THE APPLICANTS

60. As summarised in paragraphs 34 and 35 above, CCCS has assessed that there are demonstrable appreciable adverse effects on competition in Singapore in respect to the Routes of Concern. CCCS has also assessed that the Proposed Commercial Cooperation is not excluded from the section 34 prohibition given that the NEB Exclusion is not satisfied.
61. On 10 June 2024, the Applicants proposed a set of commitments for CCCS’s consideration under section 60A(2) of the Act (the “**Commitments**”, a copy of which is reproduced in **Annex A**). The key elements of the Commitments are summarised as follows:
- (a) The Applicants will maintain a minimum weekly capacity of [~~X~~] seats in respect of the SIN-CGK vv route<sup>104</sup> and a minimum weekly capacity of [~~X~~] seats in respect of the SIN-SUB vv route<sup>105</sup> (both on an aggregated basis between SIA and Garuda) (collectively, the “**Committed Capacity Levels**”).<sup>106</sup> The Committed Capacity Levels would be deemed fulfilled for each Applicant where the Committed Capacity Levels on each of the Routes of Concern are achieved in [~~X~~] weeks (i.e., up to a maximum of [~~X~~] weeks of non-fulfilment) for each calendar year (“**Report Year**”).<sup>107, 108</sup>
  - (b) The Applicants will appoint, at their own cost, an independent auditor to monitor each Applicant’s compliance with the Commitments and provide CCCS with a written report within three calendar months following the calendar year which the report relates to (the “**Reporting Obligations**”). The appointment of the independent auditor (and the terms and conditions of that appointment) will be subject to CCCS’s approval.<sup>109</sup>

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<sup>104</sup> CCCS notes that this translates to the total fulfilled capacity between SIA and Garuda for the period between October 2022 to September 2023 for the SIN-CGK vv route (comprising of [~~X~~] seats flown by Garuda and [~~X~~] seats flown by SIA). See Annexes 1 (GA Operational Metrics) and 2 (SIA Operational Metrics) to the Applicants’ response to CCCS’s 10 May 2024 RFI submitted on 29 May 2024.

<sup>105</sup> CCCS notes that this translates to the total fulfilled capacity between SIA and Garuda for the period between October 2022 to September 2023 for the SIN-SUB vv route (comprising of [~~X~~] seats flown by Garuda and [~~X~~] seats flown by SIA). See Annexes 1 (GA Operational Metrics) and 2 (SIA Operational Metrics) to the Applicants’ response to CCCS’s 10 May 2024 RFI submitted on 29 May 2024.

<sup>106</sup> Paragraphs 2.2 and 2.3 of the Commitments.

<sup>107</sup> Report Year means twelve (12) calendar months, unless specified otherwise.

<sup>108</sup> Paragraph 2.4 of the Commitments.

<sup>109</sup> Paragraphs 4.1 and 4.2 of the Commitments.

**CONFIDENTIAL**

- (c) The Commitments would apply for as long as the Proposed Commercial Cooperation is in effect.<sup>110</sup>
  - (d) Should the Applicants wish to include their respective LCCs into the Proposed Commercial Cooperation, the Applicants will inform CCCS of the same, it being understood that the inclusion of the LCCs into the Proposed Commercial Cooperation, as well as the sufficiency of the Commitments, would be subject to further review and approval by CCCS.<sup>111</sup>
62. Further, the Commitments are subject to certain conditions which allow for a temporary variation of commitments in circumstances that arise due to events beyond the Applicants' control, summarised as follows:
- (a) The Committed Capacity Levels would be temporarily suspended for the period where specific circumstances, as set out at paragraph 3.3 of the Commitments, arise which are beyond the reasonable control of the Applicants.<sup>112</sup> The Applicants would have the right to effect any required changes immediately as determined by either of the Applicants but would be required to notify CCCS as soon as reasonably practicable.<sup>113</sup>
  - (b) Other than the specific circumstances set out in paragraph 3.3 of the Commitments, where there are any developments or circumstances of outside the control of the Applicants that would materially affect the ability of the Applicants to satisfy the Committed Capacity Levels and/or the Reporting Obligations, the Applicants would be required to notify CCCS in accordance with the timelines and requirements stipulated at paragraph 3.6 of the Commitments.

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<sup>110</sup> Paragraph 3.2 of the Commitments.

<sup>111</sup> Paragraph 1.2 of the Commitments.

<sup>112</sup> Under paragraph 3.3 of the Commitments, these circumstances comprise: (a) Force majeure; (b) Aircraft maintenance requirements where such maintenance requirements indirectly affect the deployment, operation or sustainability of services, and or capacity, on the Routes of Concern for air passenger transport; (c) Delays in aircraft deliveries, resulting from circumstances outside the control of the Parties; (d) Worldwide, regional or local grounding of any aircraft category, class, model or variant, arising from circumstances outside the control of the Parties and which has an impact on the network of the Parties that materially affects their ability to achieve the voluntary commitments; (e) Need for return of slots/traffic rights to aviation regulators which has a direct or indirect impact on the commitments, including but not limited to seat capacity; (f) Any development that could potentially have an adverse financial impact on either airline, requiring a cancellation or variation of services to ensure the continued financial viability of either airline.

<sup>113</sup> Paragraph 3.4 of the Commitments.

## CCCS'S ASSESSMENT OF THE APPLICANTS' COMMITMENTS

### CCCS's assessment

63. CCCS is of the view that the Committed Capacity Levels in the proposed commitments would disincentivise the Applicants to raise prices post-Proposed Commercial Cooperation. Given that capacities are considered sunk and perishable, the Applicants will have the incentive to sell their capacities at competitive prices rather than risk having unutilised capacities. Further, CCCS notes that the Committed Capacity Levels are pegged to the total fulfilled capacity between SIA and Garuda for the period between October 2022 to September 2023 in respect of the Routes of Concern. CCCS accepts that this is appropriate as it is reflective of the Applicants' current capacity levels. In addition, as the Commitments would apply for as long as the Proposed Commercial Cooperation is in effect, this would serve to mitigate CCCS's concerns about the long-term effects on competition as a result of the Proposed Commercial Cooperation.
64. CCCS notes that the Applicants have proposed a buffer of [~~3~~] of non-fulfilment of the Committed Capacity Levels. CCCS is of the view that the buffer of [~~3~~] of non-fulfilment is reasonable as it affords the Applicants a degree of commercial flexibility to respond to any temporary change in market conditions should the need arise.
65. CCCS also notes that the Commitments are subject to certain conditions as provided at paragraphs 3.3 and 3.6 of the Commitments which allow for a temporary suspension of commitments due to circumstances beyond the control of the Applicants. CCCS accepts that the conditions are clear, specific and relatively narrow in scope and purpose, in that they may only be relied upon where they are outside the Applicants' control and are linked to the Applicants' ability to fulfil the Commitments. Accordingly, CCCS is of the view that the conditions are reasonable.
66. CCCS further notes that paragraphs 3.9 and 3.11 of the Commitments provide that the Applicants may apply to CCCS to seek a variation, substitution or release of the Commitments should the Applicants consider that there has been, or is likely to be, a material change in market conditions or operating circumstances or competitive conditions not already contemplated in paragraph 62 above; or for other reasons as may be stipulated in the application. In the event of such an application, CCCS will take into consideration all relevant factors that may

## CONFIDENTIAL

include, amongst other things, route-specific profit margins<sup>114</sup> and yield<sup>115</sup> in determining whether to grant the approval to vary, substitute or release the Commitments. This is to ensure that the need for a release or variation of the commitments arises from a genuine deterioration or change of market conditions, rather than an exercise of market power by the Applicants to reduce output.

67. CCCS additionally notes that the Applicants did not provide a commitment to increase capacity in the future (i.e., a growth factor). This means that the Committed Capacity Levels would remain unchanged throughout the implementation of the Proposed Commercial Cooperation. CCCS accepts the absence of a growth factor in the Commitments for the following reasons:
- (a) Garuda's load factor is low ([REDACTED]% for SIN-CGK vv and [REDACTED]% for SIN-SUB vv for the period October 2022 to September 2023), and there is room for Garuda to fly more passengers without having to increase capacity;<sup>116</sup> and
  - (b) [REDACTED]. [REDACTED].<sup>117</sup>
68. As such, CCCS's acceptance of the Commitments without a growth factor is specific to the market conditions against which the Proposed Commercial Cooperation is assessed. It is not indicative of whether growth factor would or would not be required in any future review of the Commitments or in the assessment of any other airlines cooperation agreements.
69. CCCS is of the view that the proposed monitoring mechanism provides sufficient safeguards to ensure that any instances of non-compliance are captured objectively and highlighted to CCCS's attention in a timely fashion. CCCS also notes that the appointment of the independent auditor would be done within three months of the Proposed Commercial Cooperation becoming operationally effective and would be subject to the approval of CCCS.
70. Further, CCCS notes at paragraph 4.4 of the Commitments that the Reporting Obligations include the individual capacity levels operated by Scoot and Citilink.

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<sup>114</sup> Defined as  $1 - (\text{Passenger cost per Available Seat Kilometres ("ASK")} / \text{Passenger revenues per Revenue Passenger Kilometres ("RPK")})$ . Unit cost is calculated based on ASK rather than RPK in order to avoid endogenous increase in unit cost caused by an exercise of market power to raise prices and reduce the number of passengers.

<sup>115</sup> Defined as passenger revenues divided by RPK.

<sup>116</sup> Annex 1 (GA Operational Metrics) to the Applicants' response to CCCS's 10 May 2024 RFI submitted on 29 May 2024.

<sup>117</sup> Response from [REDACTED] to CCCS's 13 March 2024 RFI submitted on 6 May 2024 (Question 3).



## CONFIDENTIAL

While the Committed Capacity Levels pertain only to SIA and Garuda, CCCS is of the view that the reporting of the individual capacity levels of the LCCs would enable CCCS to monitor whether the Applicants are shifting capacity on the Routes of Concern from their respective LCCs to the FSAs which would in turn have an impact on seat availability and fares in the market.

71. CCCS assessed that the commitment proposal put forth by the Applicants was acceptable in principle and conducted market testing of the Applicants' Commitments from 13 June 2024 to 26 June 2024 with the third parties who had previously provided feedback on the Proposed Commercial Cooperation.<sup>118</sup>

### Third parties' responses

72. [REDACTED], [REDACTED], [REDACTED], [REDACTED] and one member of the public responded to CCCS's market testing.
- (a) [REDACTED] stated that it had no comments to the Commitments.<sup>119</sup>
  - (b) The member of the public affirmed his view shared during the initial public consultation that the Proposed Commercial Cooperation may bring about benefits including increased efficiency and enhanced productivity for SIA and Garuda.<sup>120</sup>
  - (c) [REDACTED] stated that following the Proposed Commercial Cooperation, there would be reduced competition on the Routes of Concern, with a risk that the Applicants may exploit their increased market power to raise prices. [REDACTED] did not otherwise comment on the substance of the Commitments.<sup>121</sup>
  - (d) [REDACTED] stated that there are benefits to the Proposed Commercial Cooperation and expressed that it was receptive to the Commitments.<sup>122</sup> Nevertheless, [REDACTED] suggested that CCCS continue to monitor capacity levels along the Routes of Concern as it has been fluctuating since 2022.<sup>123</sup> [REDACTED]; and (ii) requiring the Applicants to notify CCCS at the soonest of any capacity reduction in respect of the Routes of Concern due to aircraft maintenance requirements.<sup>124</sup>

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<sup>118</sup> [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

<sup>119</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 13 June 2024.

<sup>120</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 13 June 2024.

<sup>121</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 20 June 2024.

<sup>122</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 26 June 2024.

<sup>123</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 26 June 2024.

<sup>124</sup> Response from [REDACTED] to CCCS's 13 June 2024 RFI submitted on 19 June 2024.

**CONFIDENTIAL**

- (e) [X] stated that the Proposed Commercial Cooperation gives rise to significant competition concerns in relation to air passenger services between Singapore and Indonesia and opined generally that the Commitments fail to address the significant market shares of the Applicants and any increase to barriers to entry or expansion arising from the Proposed Commercial Cooperation.<sup>125</sup>
73. Six other third parties<sup>126</sup> did not respond to CCCS's market testing.
74. In relation to [X], CCCS is of the view that [X] may not be suitable in the present case. [X]. In addition, basing the weekly seat capacity commitments on [X] may be inaccurate as [X] which are based on a six-month period may be influenced by seasonality effects. Commitments to capacity levels that consider data from an entire year can address these concerns related to seasonality since the dataset is for an entire year and any fluctuations due to such effects should be less significant.
75. In relation to [X] suggestion to require the Applicants to notify CCCS at the soonest of any capacity reduction in respect of the Routes of Concern due to aircraft maintenance requirements, CCCS notes that paragraph 3.3(b) of the Commitments already recognises aircraft maintenance requirements as one of the grounds for the temporary suspension or variation of the Commitments (insofar as they arise due to circumstances beyond the control of the Applicants and affect the deployment, operation or sustainability of services, and/or capacity on the Routes of Concern). Pursuant to paragraph 3.4 of the Commitments, the Applicants would be required to notify CCCS as soon as reasonably practicable should such aircraft maintenance requirements necessitating the temporary suspension or variation of the Commitments arise.
76. In relation to [X]'s suggestion to monitor capacity levels along the Routes of Concern, as highlighted in paragraph 70, CCCS will be monitoring the capacity levels operated by SIA, Garuda, Scoot and Citilink respectively on the Routes of Concern.
77. CCCS agrees with [X]'s feedback that Proposed Commercial Cooperation gives rise to significant competition concerns (i.e., Applicants having high market shares) which necessitate the need for commitments to mitigate the competition concerns. As mentioned above in paragraph 63, CCCS is of the view that capacity

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<sup>125</sup> Response from [X] to CCCS's 13 June 2024 RFI submitted on 20 June 2024.

<sup>126</sup> [X], [X], [X], [X], [X], [X].

**CONFIDENTIAL**

level commitments would help to mitigate the competition concerns arising from the Proposed Commercial Cooperation.

78. Separately, in relation to [X]'s feedback that the Committed Capacity Levels do not address any increase in barriers to entry and expansion, CCCS highlights that any increase in barriers to entry and expansion is assessed not to be a competition concern that arises from the Proposed Commercial Cooperation. While there exist some barriers to entry and expansion in the form of slot constraints at various airports including Changi Airport, CCCS notes that slot divestment from the Applicants to competitors or potential competitors is not a viable option. This is because the allocation of airport slots at Changi Airport is centrally coordinated by CAG which allocates available slots to various routes based on a multitude of factors. [X]. [X].
79. In conclusion, CCCS is of the view that the Commitments provided by the Applicants would be sufficient to mitigate the competition concerns identified in relation to the Routes of Concern.

**CCCS'S DECISION ON THE PROPOSED COMMERCIAL COOPERATION**

80. Based on the foregoing, CCCS concludes that, subject to the Applicants' adherence to the Commitments, the Proposed Commercial Cooperation will not infringe the section 34 prohibition.
81. For completeness, section 46 of the Act provides that, if CCCS has determined an application under section 44 by making a decision that the agreement has not infringed the section 34 prohibition, CCCS shall take no further action in respect to the Proposed Commercial Cooperation unless:
- (a) it has reasonable grounds for believing that there has been a material change of circumstance since it gave its decision; or
  - (b) it has reasonable grounds for suspecting that the information on which it based its decision was incomplete, false or misleading in a material particular.
82. To this end, the factors which CCCS may consider as a material change of circumstance include, but are not limited to, the following:
- (a) non-adherence with the Commitments;

**CONFIDENTIAL**

- (b) significant change to the scope of the Proposed Commercial Cooperation, including but not limited to plans to include Scoot and/or Citilink in the Proposed Commercial Cooperation;
  - (c) material changes in the operations of the Applicants which will have a significant impact on the Overlapping Direct Routes;
  - (d) material changes in the state of competition along the Overlapping Direct Routes including but not limited to a reduction in the number of competing carriers along the Overlapping Direct Routes; and
  - (e) material changes in the factual information submitted by the Applicants under this application.
83. Should there be any material change in circumstances, be it arising from the factors listed above or otherwise, CCCS may undertake a further review of the Proposed Commercial Cooperation and if necessary, revoke the antitrust immunity afforded to the Proposed Commercial Cooperation pursuant to section 46(4) of the Act.
84. In addition to the above, taking into account any developments that may take place in respect of the Routes of Concern, under section 60B(6) of the Act, CCCS may review the effectiveness of the Commitments accepted pursuant to section 60A(2) of the Act as it considers appropriate. Such developments include, but are not limited to, any significant increases in fares, or profit margins and/or yields with no corresponding significant increase in capacity.

Alvin Koh  
Chief Executive  
Competition and Consumer Commission of Singapore