



MEDIA RELEASE

4 June 2014

CCS consults on the acquisition by Cebu Air, Inc. Of Southeast Asian Airlines (SEAir) and the strategic alliance between Cebu Air, Inc. And Tiger Airways Singapore Pte. Ltd.

1. The Competition Commission of Singapore (“CCS”) is seeking feedback on the acquisition by Cebu Air, Inc., (“Cebu Pacific”) of Southeast Asian Airlines (SEAir), Inc. (“SEAir”) (collectively “the Parties”).
2. CCS received a notification for decision on 23 May 2014 from the Parties with regard to the acquisition. The notification relates to Cebu Pacific’s acquisition of 100% of the issued and outstanding shares of SEAir from Roar II, a wholly-owned subsidiary of Tigerair Holdings, and other shareholders of SEAir (“the Acquisition”).
3. The notification states that, in connection with and inter-conditional on the Acquisition, Cebu Pacific and Tiger Airways Singapore Pte. Ltd. (“Tigerair Singapore”), Tigerair Holdings’ wholly-owned subsidiary, have entered into a Strategic Alliance Agreement which provides for Cebu Pacific and Tigerair Singapore to:
 - a. Jointly operate common routes between Singapore and the Philippines, and other markets that may emerge, on a metal-neutral basis¹;
 - b. Jointly sell and market common and non-common routes using codeshare or interline arrangements; and
 - c. Cooperate in relation to sales and marketing, distribution, airport operations and ground handling, scheduling, pricing, service policies, innovation, procurement and other matters to improve the overall quality of service offered to passengers on their respective operations and to reduce cost.
4. The notification is made under section 58 of the Competition Act (Cap. 50B), in relation to section 54 of the Competition Act, which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

¹ A state of events where each Party will implement programs and policies that ensure the Parties are motivated to sell and consumers are willing to buy tickets without preference as to which Party is the Operating Carrier

5. CCS understands from the notification that prior to the Acquisition, SEAir operated under the “Tigerair Philippines” low-cost carrier brand and is currently still operating under the “Tigerair Philippines” brand after the Acquisition. The Parties are of the view that the relevant market should be economy-class passengers for full service airlines and all classes of seats for low-cost carriers on each of the overlapping routes between Singapore and the Philippines (the “Relevant Markets”).

The Parties submit that the Strategic Alliance Agreement and the Acquisition are inter-conditional on each other and that the Strategic Alliance agreement is directly related and necessary to the Acquisition. It is therefore submitted by the Parties that the Strategic Alliance Agreement falls within the ancillary restrictions exclusion contained in paragraph 10 of the Third Schedule of the Competition Act. For a restriction to benefit from this exclusion, it must be “directly related” (i.e., connected to the merger but ancillary or subordinate to the main object of the merger) and “necessary” (i.e., in the absence of the restriction, the merger would not go ahead or could only go ahead at substantially higher costs, over an appreciably longer period, or with considerably greater difficulty).

6. The Parties also submit that neither the Acquisition nor the Strategic Alliance Agreement will result in a substantial lessening of competition in view of several factors, including the intense nature of competition in the Relevant Markets, the ability of the customers to switch easily between suppliers, the high price sensitivity of customers in the Relevant Markets and the absence of significant barriers to entry.

Public Feedback

7. CCS is inviting all feedback and views in relation to the Acquisition and the Strategic Alliance Agreement.
8. It would be useful if you can provide comments particularly in relation to the following:
 - a. The current state of competition in the provision of air passenger transport services between Singapore and the Philippines, particularly in the Relevant Markets;
 - b. Whether economy-class air passenger transport services offered by full service airlines and all classes of seats air passenger transport services offered by low-cost carriers on routes between Singapore and the Philippines are substitutable and therefore should be considered to be in the same relevant markets;
 - c. Impact of the Acquisition and the Strategic Alliance Agreement on competition in the Relevant Markets;
 - d. Whether the Strategic Alliance Agreement is “directly related” to and “necessary” for the Acquisition; and



- e. Any benefits as a result of the Strategic Alliance Agreement which may improve production or distribution, or promote technical or economic progress.
9. The consultation documents can be accessed and downloaded from the CCS website at www.ccs.gov.sg under the section "[Public Register and Consultation](#)". The closing date for submissions is on or before **10 June 2014**. If the submission/correspondence contains confidential information, please also provide CCS with a non-confidential version of the submission or correspondence.

About The Competition Commission of Singapore (CCS)

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

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

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