

CCS GUIDANCE NOTE FOR PASSENGER AIRLINE ALLIANCE AGREEMENTS RELATING TO PASSENGER SERVICES

I. Introduction

1. Airlines planning to enter into passenger airline alliance agreements¹ may seek CCS's decision on whether the arrangements comply with the Competition Act 2004 (the "**Act**"), via a voluntary notification process. CCS will then assess if the said alliance will result in competition concerns, and if so, whether the benefits of the alliance outweigh its potential impact on competition.

2. Since the Act came into force, CCS has received and assessed a number of passenger airline alliance agreements,² of which 61% were cleared by CCS without any commitments³, and 39% were approved after CCS accepted commitments by the airlines to address the competition concerns.

3. In view of the increasing number of passenger airline alliance agreements notified to CCS for decision, CCS has published this Passenger Airline Guidance Note (henceforth, the "**PAGN 2026**") with a focus on the airline industry in order to better assist airlines in considering their notification to CCS and provide clarity on CCS's review process. CCS will set out its guidance in this PAGN 2026 on issues such as:

- a. CCS's review process for the assessment of all passenger airline alliance agreements with a view to provide faster decisions by CCS and minimising regulatory costs on airlines involved;
- b. CCS's approach in defining the relevant market(s) for passenger airline alliance agreements;
- c. CCS's approach in assessing NEB for passenger airline alliance agreements; and
- d. CCS's approach in assessing commitments for passenger airline alliance agreements.

4. It is highlighted that the PAGN 2026 will not be legally binding and CCS may depart from the approaches set out therein where the specific facts of a case necessitate such deviation.

5. The PAGN 2026 will supersede the former guidance note that CCS published in 2018.⁴

¹ Passenger airline alliance agreements refer to alliance agreements that relate to passenger air services only, excluding other services such as air cargo services.

² As of September 2025, 18 passenger airline alliance agreements have been assessed.

³ This also includes agreements that were cleared on Net Economic Benefit ("**NEB**") grounds.

⁴ The former passenger airline guidance note can be accessed [here](#).

II. Procedural matters for airline alliances relating to passenger services

A. Self-Assessment

6. In Singapore, the notification for a decision for both mergers and airline alliances⁵ operate on a voluntary basis. Airlines⁶ are responsible for conducting self-assessments of their alliances or intended alliances to ensure that these do not infringe the Act and may apply to CCS for an assessment by CCS as to whether their alliances or intended alliances are likely to infringe the Act.

7. On routes where the airlines overlap, they may have low market shares, which indicate that the intensity of rivalry between the airlines is low and the airlines would continue to be subject to intense competition by competitor airlines after the passenger airline alliance agreement has been implemented. Generally, a passenger airline alliance agreement is unlikely to bring about an appreciable adverse effect on competition if the aggregate market shares of the airlines to the agreement do not exceed 20%⁷ on any of the routes affected by the passenger airline alliance agreement. In such a scenario, airlines may consider not submitting a notification to CCS. This 20% market share threshold is only applicable for passenger airline alliance agreements that generate operational efficiencies, and does not apply to anti-competitive agreements between airlines that are detrimental to consumers without any corresponding efficiencies. Airlines may also consider passenger volumes as a screening factor for notification. For example, where the passenger volumes on the overlapping routes may be insignificant⁸, the passenger airline alliance agreement's impact on competition could be limited. It may not be necessary to notify CCS of the passenger airline alliance agreements relating to such routes in some cases.

8. For those passenger airline alliance agreements that are not notified to CCS, CCS has the powers to investigate the cooperation on these routes even after the passenger airline alliance agreement has been implemented if CCS is of the view that the cooperation raises competition concerns. If airlines are uncertain whether their cooperation raises competition concerns, they can consider filing a notification including the routes in question with CCS. Airlines may choose to submit their self-assessment to CCS in order to support their case, in the event of a notification or an investigation. Whilst airlines may submit the decision or relevant papers of an overseas jurisdiction for CCS's consideration of their case, market

⁵ This includes non-passenger airline alliances, such as cargo related services.

⁶ This refers to the legal entity that owns and operates the airline in question.

⁷ For example, see paragraph 92 of CCS's Grounds of Decision for SIA/Vistara (CCS 400/110/2020/001) where CCS noted that the impact of any loss in competition is likely to be small or inconsequential for the revised overlapping indirect routes where the parties' combined market share was below 20% for certain routes (e.g. Singapore to Dibrugarh and Singapore to Guwahati).

⁸ For example, see paragraph 91 of CCS's Grounds of Decision for SIA/Vistara (CCS 400/110/2020/001) where CCS noted that the impact of any loss in competition for Singapore-Ahmedabad route is likely to be small due to relatively low levels of yearly passenger traffic.

information and data relevant to Singapore should also be provided, as the considerations including the market structure and competition dynamics may differ across jurisdictions.

9. Screening factors that airlines should consider when deciding whether to notify their passenger airline alliance agreement to CCS or to narrow the scope of the notification to CCS, include factors such as:

- a. whether the airlines have overlapping routes;
- b. market shares of the notifying airlines and other airlines on the overlapping routes as an indicator of the intensity of rivalry; and
- c. passenger volumes to determine the impact on competition.

10. In particular, airline code-share and interline agreements generally require a lower level of cooperation and need not be notified to CCS unless the agreement relates to issues such as coordination on pricing, schedule or capacity.

B. CCS's review process

11. For passenger airline alliance agreements that clearly do not raise competition concerns, the Phase 1 review of 30 working days applies.

12. For passenger airline alliance agreements that are likely to raise competition concerns, the Phase 1 review of 30 working days and Phase 2 review of 120 working days apply. For the avoidance of doubt, in the absence of commitment discussions, CCS envisages that both Phase 1 and Phase 2 review will take a maximum of 150 working days. CCS will adopt the following approach, which features specific steps for airlines to keep track (the “**3 Step Approach**”):

- a. **1st step:** By Day 30⁹ of Phase 1, CCS will identify and communicate the competition concerns (if any) to the airlines involved, following which they will have the opportunity to offer commitments to address the competition concerns. Airlines should consider initiating discussion of commitments with CCS from this step onwards or any time earlier when they are aware of potential competition concerns arising from their alliance.
- b. **2nd step:** By Day 70 (i.e. Day 40 of Phase 2), airlines should ensure that their commitments proposal is ready and submitted to CCS for market testing purposes. CCS may discuss the commitments proposal further with the airlines. After discussion(s) with CCS, airlines are to make the necessary changes to the commitments proposal. If necessary, CCS will

⁹ This is from the time when CCS deems that Form 1 is complete, i.e. the indicative timeframe of 30 working days for Phase 1 review commences on the working day after the day of receipt of the application.

further engage with the airlines after market-testing to seek further information or refinements to the commitments proposal.

- c. **3rd step:** By Day 120 (i.e. Day 90 of Phase 2), airlines should submit the final set of their commitments proposal and ensure that these commitments sufficiently address the competition concerns raised by CCS.

13. Based on these steps, CCS will then decide whether to accept the commitments or proceed to issue an unfavourable decision. CCS may also terminate the review of the commitments and proceed to issue an unfavourable decision if the 2nd or 3rd step is not met by the airlines.

14. To achieve the timeline envisaged in the 3 Step Approach above, full cooperation of the airlines must be provided throughout the process. Airlines must provide complete, concise and relevant information promptly to CCS during its assessment and adhere to the timelines specified above for Phase 1 and Phase 2.

C. Stopping the clock

15. While the abovementioned process is intended to enable faster assessment and decision-making on the part of CCS, a balance needs to be struck with ensuring the robustness of CCS's analysis and conclusions.

16. In this regard, CCS may from time to time ask the airlines to provide additional information. In situations where the airlines are unable to provide the information within the stipulated timeframe, this may necessitate a "clock-stoppage" mechanism as part of the streamlined process, thereby extending the indicative timeframe for completion of the streamlined process. Commitments may be proposed by the airlines at any point of the process as a suitable remedy to address any identified competition concerns. In cases where there is a need to accommodate the commitments procedure, e.g. incomplete submission or request for time extension by the airlines involved or third parties, it may also be necessary for CCS to "stop the clock".

D. Pre-Notification Discussion

17. Airlines intending to apply for guidance or a decision from CCS on whether a passenger airline alliance agreement is likely to infringe, or has infringed, the section 34 prohibition are encouraged to contact CCS at the earliest opportunity to discuss the content and timing of their intended notification. Such a discussion is generally referred to as Pre-Notification Discussion ("**PND**"). A PND should not be held in relation to speculative or hypothetical scenarios. At the point when airlines approach CCS for a PND, they should be able to show that there is a good faith intention to proceed with a passenger airline alliance agreement.

18. PND may be tailored in form and depth according to the circumstances, taking into account the requirements of the potential applicants, the complexity of

the agreement in question, and the competition concerns that the agreement may raise. A PND will be more fruitful if potential applicants provide CCS with a draft version of CCS's Form 1, which lists the information and supporting documents which must be provided when applications for guidance or decision are made, prior to a PND. Applicants may also wish to refer to this PAGN 2026 for guidance on the specific information to provide if they are interested to seek CCS's guidance or decision on a passenger airline alliance agreement. During a PND, CCS will highlight any gaps in the information provided in the draft Form 1, which can expedite the issuance of CCS's guidance or decision by minimising the risk that the notification will be deemed incomplete.

E. State-of-play meetings

19. The time taken by CCS to furnish guidance or decisions will depend on the nature and complexity of the application, as well as the volume of applications that have been filed with CCS at that time. Airlines may request state-of-play meetings with CCS at any time¹⁰ during the course of the assessment of the application for an indication as to when an outcome can be expected. For instance, airlines may consider initiating these state-of-play meetings at any steps outlined under the 3 Step Approach above. Substantive matters faced in the assessment of the passenger airline alliance agreement, may also be discussed at such state-of-play meetings.

F. Confidentiality

20. Airlines can make confidentiality claims by clearly identifying the information they consider to be confidential and stating the reasons why such information should be treated as such. There may be circumstances where commercially sensitive information provided to CCS may be shared with the relevant government agencies under section 89 of the Act. This includes where consent has been obtained or where such sharing with government agencies is necessary to carry out CCS's functions.

III. Substantive matters for airline alliances relating to passenger services

A. CCS's approach to counterfactual analysis

21. Counterfactual analysis serves as a means of assessing whether a given agreement has incremental effects on competition by considering whether a realistic alternative situation in the absence of the relevant agreement would be more competitive.

¹⁰ CCS will consider and grant such requests as and where appropriate/practicable. CCS may also initiate such state-of-play meetings with the airlines involved if necessary.

22. Usually, the appropriate counterfactual is the prevailing conditions of competition as this provides a reliable indicator of competition without the agreement. However, in most cases, the status quo may not be the appropriate counterfactual. CCS takes into account likely and imminent changes in the structure of competition, such as a failing firm, in order to reflect as accurately as possible, the nature of rivalry without the agreement or merger.

23. CCS will consider all available evidence to decide on the relevant counterfactual. In particular, information that will be useful for CCS's consideration of the counterfactual includes internal and external documents, such as briefing and board papers for the Board and/or Senior Management, as well as correspondence with aviation regulators, airport operators and financial institutions¹¹.

B. CCS's approach to market definition

Route-by-route approach to market definition

24. It was submitted by the airlines in some of CCS's past cases that airlines compete not on a route-by-route basis but on a regional basis i.e. broader concept of multiple Origin-Destination ("OD") city pairs in a region.¹² In this regard, the airlines considered that leisure passengers are price-sensitive consumers who are less concerned about travel time, fare flexibility and comfort and are more likely to be open to different destinations within a broader geographic region where such destinations have common attributes for the leisure passenger.¹³

CCS's approach

25. CCS takes the starting point for market definition relating to the provision of scheduled air passenger services for airline alliance agreements to be the OD city pair route. This is because passengers generally want to travel to a specific destination and will not substitute another destination when faced with a small but significant increase in price. Therefore, each combination of a city of origin and a city of destination can form a distinct market. This approach for market definition is consistent with CCS's previous decisions on similar passenger airline alliance agreements and the approach in overseas jurisdictions. In fact, it should be noted that none of the 18 past passenger airline alliance agreements that CCS has

¹¹ Correspondences with financial institutions may contain forward-looking predictions e.g. market entry plans, expected rivals and demand growth which will be useful information in establishing the most appropriate counterfactual for evaluating the competitive situation with and without the passenger airline alliance agreement in question.

¹² For example, the airlines for Qantas/JetStar case (2013) alluded that there might be a market for air travel services acquired by leisure passengers between Singapore and other destinations in Asia (i.e. Singapore-Asia market).

¹³ Paragraph 43 of CCS's Grounds of Decision for Qantas/Jetstar (CCS 400/002/12).

reviewed has departed from this approach for market definition.¹⁴ Should airlines wish to advance an alternative market definition in future cases, the airlines would be required to provide CCS with additional information to satisfy CCS that a departure from the OD city pair route as a starting point for market definition is justified.

Differentiated products/services

26. In some previous notifications to CCS¹⁵, airlines had submitted that differentiated products/services (e.g. indirect flights, Low Cost Carriers (“LCCs”) vs Full Service Airlines (“FSAs”)) may compete within the same relevant market (i.e. OD routes) as direct full-service flights.

CCS’s approach

27. In relation to FSAs and LCCs, CCS is of the view that competition has evolved in a way that the distinction between FSAs and LCCs is generally blurring. Accordingly, CCS will include LCCs in the relevant market at the first instance unless there are unique circumstances which warrant a different approach. This approach is also consistent with CCS’s past decisional practice.¹⁶ In any case, closeness of rivalry would still be considered where FSAs and LCCs fall within the same relevant market.

28. CCS considers whether direct and indirect flight services fall within the same relevant market based on the facts of each individual case. For example, if evidence shows that there are many passengers who take one-stop flights in place of the direct flights for the specific OD route, CCS will consider if these one-stop flights are within the relevant market. Similar approaches have been considered by competition authorities overseas. Currently, CCS first defines the relevant market before conducting a market share analysis to assess whether the differentiated products compete within the same relevant market.

29. In general, competition concerns are more likely to exist if an airline (or group of related airlines) has persistently high market shares, even after taking differentiated products into account. Relative market shares can also be important. For example, a high market share might be more indicative of competition concerns when all other competitors have low market shares.

¹⁴ In the Qantas/JetStar case (2013), the airlines involved alluded that there might be a market for air travel services acquired by leisure passengers between Singapore and other destinations in Asia (i.e. Singapore-Asia market) but was ultimately rejected as the airlines did not provide supporting evidence.

¹⁵ For example, see SIA/ANA (CCS 400/110/2021/001); SIA/LH (CCS 400/110/2022/001); and SIA/GA (CCS 400/110/2024/001).

¹⁶ For example, see paragraph 35 of CCS’s Grounds of Decision for SIA/ANA (CCS 400/110/2021/001); paragraph 66 of CCS’s Grounds of Decision for Cebu Pacific/Tiger Airways (CCS 400/009/14); and paragraph 47 of CCS’s Grounds of Decision for Qantas/Jetstar (CCS 400/002/12).

30. The history of the market shares of all undertakings within the relevant market is often more informative than considering market shares at a single point in time, partly because such a snapshot might not reveal the dynamic nature of a market. Evidence that airlines with low market shares have grown rapidly to attain relatively large market shares might suggest that barriers to expansion are low, particularly when such growth is observed for recent entrants, and vice versa.

31. CCS will continue to use factors such as market definition and market shares iteratively to understand the significance of differentiated products. Information helpful for CCS when performing a market share analysis includes the historical market share data for airlines operating directly and indirectly on the particular OD route(s). Besides market shares, CCS may consider other factors¹⁷.

C. CCS's approach to metal-neutral agreements

32. In notifications to CCS, parties often submit that the passenger airline alliance agreement will not have the effect of appreciably preventing, restricting or distorting competition within Singapore.

33. Passenger airline alliance agreements often contemplate coordination between the parties on pricing, capacity, frequency and scheduling of flights, and/or sharing of revenue according to the capacity output by each airline. Given the restrictions contained within such agreements that are akin to price-fixing or capacity control agreements, as a starting point, such “metal neutral” alliances will likely restrict competition. However, CCS is cognisant that such metal neutral alliances may also generate operational efficiencies and benefits.

34. Therefore, in assessing such passenger airline alliance agreements, CCS will consider the associated harm and benefits when assessing the NEB arising from such agreements.

D. CCS's approach in assessing Net Economic Benefit

Claimed benefits arising from a passenger airline alliance agreement

35. In some previous notifications to CCS, airlines had made submissions on how their alliances could give rise to numerous benefits (e.g. elimination of double marginalisation, scope for efficiencies), but failed to substantiate such benefits and to demonstrate how and when each benefit will be achieved. CCS reiterates that the onus is on the airlines claiming that the NEB exclusion applies to prove that their alliance satisfies the necessary requirements. For the purpose of providing further guidance on this aspect, CCS has set out the analytical framework below on how CCS goes about assessing what are the objective benefits created by a passenger airline alliance agreement; the economic importance of such efficiencies; as well as the type of information that will be helpful for CCS's assessment.

¹⁷ Such factors include the closeness of the parties' business models and route-level operations, businesses' respective positions at the relevant OD airports, and the ease of entry and expansion.

CCS's approach to assessing claimed benefits under the NEB framework

36. 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**”).

37. The purpose of Limb 1 is to define the types of efficiency gains that can be taken into account. The objective of the analysis is to ascertain what are the objective benefits created by the agreement and the economic importance of such efficiencies. The efficiencies are not assessed from the subjective viewpoint of the airlines.¹⁸

38. The efficiency claims must therefore be substantiated as follows:

- a. the claimed efficiencies must be objective in nature;
- b. there must normally be a direct causal link between the agreement and the claimed efficiencies; and
- c. the efficiencies must be of a significant value, enough to outweigh the anti-competitive effects of the agreement.¹⁹

39. In evaluating the third factor, the likelihood and magnitude of the claimed efficiencies will need to be verified. The undertakings will have to substantiate each efficiency claimed, by demonstrating how and when each efficiency will be achieved.

40. For the purpose of providing further guidance on how CCS goes about assessing the claimed benefits arising from a passenger airline alliance agreement, CCS has set out below some of the past instances where claimed efficiencies by airlines have been accepted. For example, CCS has previously accepted expansion of certain airlines' virtual networks as a claimed benefit as the airlines involved were able to show how the expansion would arise from the proposed commercial cooperation. Other claimed benefits that CCS has previously accepted include better offerings for corporate customers; and increase in passenger numbers and tourists to Singapore. These were accepted on the grounds that they were assessed to be adequately substantiated, objective in nature and bore a causal link to the passenger airline alliance agreement in question. However, claimed efficiencies may be assessed to be insufficient to outweigh the potential anti-competitive effects

¹⁸ See paragraph 10.3 of CCS Guidelines on the Section 34 Prohibition.

¹⁹ See paragraph 10.4 of CCS Guidelines on the Section 34 Prohibition.

of the agreements. As a result, additional commitments were required of the airlines involved.

41. CCS will not be prepared to accept unsubstantiated claims of benefits arising from a passenger airline alliance agreement. For guidance purposes, examples of claimed benefits that CCS has rejected include claims of possible increases in frequency or capacity or the introduction of new services arising from certain proposed commercial cooperation where the airlines involved were unable to provide specific estimates of, or internal plans relating to such benefits. Further examples involved claims of improved connectivity with consequential benefits to the aviation and tourism industries; or the provision of more competitive fares through the elimination of double marginalisation. Such claims were rejected as they were inadequately quantified or substantiated.

42. Further, the greater the increase in market power that is likely to be brought about by the passenger airline alliance, the more significant the benefits will have to be to outweigh the anti-competitive effects of the passenger airline alliance agreement in question. In this regard, it is worth highlighting that, to date, there has not been a case where the passenger airline alliance partners that have a high combined market share (50% and above) qualified for the NEB Exclusion without corresponding commitments.²⁰

43. For completeness, CCS does not disregard the claimed benefits entirely when they are assessed to be insufficient to outweigh the harms on competition to qualify for NEB Exclusion, as these benefits can still be considered under CCS's assessment framework for commitments where the harm is addressed and the benefits arising from the passenger airline alliance agreement remain.

44. In the assessment of efficiency claims under the NEB Exclusion framework, CCS currently takes a strict approach that any benefit needs to offset or mitigate competition concerns from the problematic route. However, CCS does not preclude the merits in adopting a network approach where appropriate when assessing NEB for passenger airline alliance agreements. This is because CCS adopts a total welfare approach which considers the overall economic benefits to Singapore. For example, CCS may consider any multiplier or ripple effects beyond the direct economic contribution of the passenger airline alliance agreement that can be demonstrated by the airlines. Such multiplier effects may include off-airport expenditures directly related to air travel brought about by the passenger airline alliance agreement (e.g. the travel and tourism businesses) or consumer spending induced from the additional income earned through either the direct economic activity or off-airport expenditures.

45. CCS will also consider whether feeder routes to a particular trunk route may be considered "closely related" such that benefits generated from other "closely

²⁰ For the avoidance of doubt, this does not mean that passenger airline alliance cases where the combined market share of airline alliance partners fall below 50%, automatically qualify for NEB Exclusion with corresponding commitments.

related” OD routes due to the airline alliance can be used to assess if Limb 1 of the NEB assessment is satisfied. This would be the case if, for instance, an increase in passenger numbers from a feeder route due to the alliance can result in the airlines being able to carry OD passengers on a trunk route at lower costs. For example, an increase in passenger count on a behind-and-beyond route due to the passenger airline alliance agreement can result in the parties being able to channel more transit passengers to the trunk route, and vice versa.

E. CCS’s approach in assessing commitments for airline alliances relating to passenger services

46. In instances where the airlines anticipate that the passenger airline alliance agreement is likely to give rise to competition concerns and are unlikely to satisfy the NEB Exclusion, the airlines may submit commitments to CCS at any juncture during the review process. Commitments may be offered in direct response to specific concerns identified by CCS. Following the submission of a proposed commitment, CCS will engage the airlines through an iterative process (if necessary) to highlight the areas of insufficiency in their proposed commitments. Where CCS is of the preliminary view that the commitments are sufficient in scope, CCS may commence a consultation on the proposed commitments. Subject to the consideration of feedback received during the consultation, CCS may proceed to issue a conditional clearance decision²¹ predicated on the implementation of the agreed commitments.

47. CCS assesses all proposed commitments on a case-by-case basis depending on the specific competition concerns identified. This guidance note outlines key considerations for airlines when formulating commitments for CCS’s assessment. To facilitate the review process, airlines are encouraged to refer to previously accepted commitments in past airline cases where competition concerns are addressed. These are accessible on the public register on [CCS’s website](#). The subsequent section outlines key elements commonly found in commitments from past airline cases.

Capacity commitments

48. Based on CCS’s experience from reviewing past passenger airline alliance agreements, capacity commitments is one of the most pragmatic solutions to address competition concerns arising from an airline alliance. This is because capacity commitments would generally disincentivise airlines from raising prices. Given that capacities are considered sunk and perishable, the airlines involved will have the incentive to sell their capacities at competitive prices rather than risk having unutilised capacities. In addition, as the capacity commitments usually would apply for as long as the passenger airline alliance agreement is in effect, this would serve to mitigate CCS’s concerns about the long-term effects on competition

²¹ Out of the 18 passenger airline alliance agreements notified to CCS, 11 were cleared either on NEB grounds or unconditionally, 7 were cleared with commitments accepted after CCS raised competition concerns. CCS has not blocked any passenger airline alliance agreement to-date.

as a result of the airline alliance agreement. Nevertheless, the proposed capacity commitments should be set by reference to normal or usual operating conditions, and not by reference to exceptional circumstances such as periods where flight operations are reduced due to pandemic or war.

49. In some cases,²² CCS notes that the committed capacity level pertains only to the FSAs of the airlines involved as their LCCs are excluded from the passenger airline alliance agreement. While the airlines involved have the commercial prerogative to structure their alliance as they deem fit, CCS is cognisant that FSAs and LCCs within their respective airline groups remain economically linked, such that the airlines may have the ability and incentive to shift flights away from their LCCs towards their FSAs (or vice-versa). This may in turn circumvent the committed capacity level and have a knock-on impact on the seat availability and fares in the market.

50. Therefore, for such instances²³ where the capacity commitments pertain only to FSAs, the airlines involved can provide their respective LCCs' figures in the monitoring trustee reports as part of their commitment obligations. This would assist CCS in monitoring whether the airlines are shifting capacity on the overlapping routes of concern from their respective LCCs to FSAs. Another alternative would be for the airlines involved to implement a firewall or clean team between the FSAs and LCCs as part of their commitment obligations. This would provide the assurance that the airlines' FSAs and LCCs are operating independently in deciding their respective capacities. CCS also remains open to consider any other forms of commitments from airlines involved to address the concerns arising from such unique circumstances.

Capacity growth factor

51. CCS generally accepts airline capacity commitments that are appropriate and sufficient to address competition concerns based on sustained demand on the relevant routes, without requiring significantly higher initial capacity commitments considering that an initial higher capacity commitment may adversely affect the commercial viability of the airlines along the relevant routes. However, to maintain the relevance of commitments as a market grows, particularly when there is a sustained increase in demand on the relevant route, CCS considers that a mechanism to increase seat capacity by a reasonable amount to be essential. In previous passenger airline cases, CCS has accepted commitments that include growth trigger events, where the airlines would be required to increase their capacity commitments when specific conditions are conjunctively met, indicating a sustained increase in demand on the relevant route over a period. As such, CCS has accepted a capacity growth factor as a means of addressing concerns about the likelihood of claimed benefits being realised.

²² For example, see paragraph 92 of CCS's Grounds of Decision for SIA/ANA (CCS 400/110/2021/001); and paragraph 70 of CCS's Grounds of Decision for SIA/GA (CCS 400/110/2024/001).

²³ SIA/GA (CCS 400/110/2024/001); and SIA/ANA (CCS 400/110/2021/001).

Non-fulfilment period

52. CCS recognises that the dynamic nature of the airline industry necessitates flexibility in meeting capacity commitments. There may be instances where the airlines are temporarily unable to fulfil their weekly capacity obligations. To accommodate for such situations, CCS deems it reasonable for a non-fulfilment allowance to be incorporated where appropriate. CCS has in past cases typically granted no more than three weeks out of 52 weeks in a given year, during which the airlines may fall short of their weekly capacity commitments without it amounting to a breach of their commitments. Such buffer period affords the airlines a degree of commercial flexibility to respond to any temporary change in market conditions should the need arise.²⁴ It should be noted that the grant of a non-fulfilment period is not guaranteed and is determined by CCS on a case-by-case basis.

Other forms of commitments

53. As a general principle, CCS does not accept fare commitments as an alternative to capacity commitments as fare commitments would unduly restrict the airlines' ability and incentive to compete on prices that would otherwise have happened in response to changes in market circumstances. Moreover, fare commitments are subject to several disadvantages regarding its effectiveness and cost.

54. First, defining appropriate parameters for fare commitments may be complex and impractical and the measure may therefore be vulnerable to specification risks. This is especially likely given the dynamic and capital-intensive nature of the airline industry where fare prices can fluctuate due to the volatility of underlying operating costs such as fuel prices. In turn, this would also make it difficult for CCS to provide sufficient clarity internally and externally to airlines involved on what constitutes compliance.

55. Second, fare commitments have the unintended effect of overriding market signals with the result that it may generate substantial distortion risks over time that increase the effective cost of the remedy or reduce its effectiveness. For example, a cap on air fares may deter entry by a potential airline. Fare benchmarks may also have unintended second-order implications e.g., price parity clauses that airlines enter into with price comparison websites.

56. Third, monitoring and enforcement of fare benchmarks may be costly and intrusive and may lack effectiveness especially where the form of remedy is complex.

²⁴ For example, see paragraph 128 of CCS's Grounds of Decision for SIA/Vistara (CCS 400/110/2020/001); and paragraph 64 of CCS's Grounds of Decision for SIA/GA (CCS 400/110/2024/001).

57. Separately, while CCS has received feedback from third parties in past passenger airline alliance cases to consider the divestment of slots from the airlines to its competitors or potential competitors²⁵, this is not a viable option in Singapore's context as airlines do not own the slots allocated to them and hence do not have the ability to divest them. All slots, if unused, are to be returned to the slots pool for reallocation by the Changi Slot Coordinator based on slot requests received at that point in time, which may not necessarily be for the same route. Nonetheless, CCS remains open to considering other types of commitments²⁶.

IV. Concluding remarks

58. A competitive aviation industry is integral to sustaining Singapore's economic growth and access to the global market. To ensure that Singapore remains an efficient and reliable aviation hub contributing to Singapore's economic performance and growth, CCS works closely with relevant government agencies such as Ministry of Transport and Civil Aviation Authority of Singapore in assessing passenger airline alliance agreements.

²⁵ For example, see paragraph 134 of CCS's Grounds of Decision for SIA/Vistara (CCS 400/110/2020/001); and paragraph 78 of CCS's Grounds of Decision for SIA/GA (CCS 400/110/2024/001).

²⁶ Fare combinability, special prorate agreements, etc.