

# RBB response to CCS airline alliance consultation

## 1. Overview

On 25 February 2026, the Singapore Competition & Consumer Commission (“CCS”) published a draft for consultation of proposed revised guidance for airline alliance agreements (the “PAGN 2026”). The revised guidance is intended to supersede the earlier version published in 2018 (the “PAGN 2018”).

This response, prepared by RBB Economics, sets out a number of economic observations on the PAGN 2026. While we welcome the broader and more substantial discussion of Net Economic Benefits (“NEB”) that the PAGN 2026 provide, we identify two areas that warrant further consideration. First, the draft PAGN 2026 appears to underweight the key economic efficiencies that are often inherent to airline alliance agreements. Second, it provides limited guidance on the assessment of likely competitive effects, going no further than market shares – despite this forming an essential step in the overall assessment, as recognised in the 2018 guidance.

This response is structured as follows. Section 2 notes that airline alliances inherently give rise to efficiencies. Section 3 explains that market shares are not a substitute for a full competitive assessment. Section 4 considers NEB and the need for a broad perspective when assessing these, notably in light of the total welfare standard that CCS employs. Section 5 concludes.

## 2. Airline alliances inherently give rise to efficiencies

Airlines operate networks. Many airlines operate hub-and-spoke models, providing connections at hubs in order to provide travellers with many direct and connecting travel options. A key feature of such models is that on any given flight, many different traffic flows will be bundled. For example, any given flight from Singapore to Dubai is likely to contain passengers that travel between these cities, *and* other passengers that make connections at Dubai to travel to a variety of other destinations. It is the combination of these different traffic flows that enable airlines to operate routes that might not be economically viable on a stand-alone basis.

Against this background, airline alliances offer substantial scope for efficiencies. These include more efficient scheduling, which can lead to shorter transit times and more frequent flights, benefiting both travellers and airlines. Beyond operational efficiencies, airline alliances expand the scope for passengers to access connections at lower prices. Alliances achieve this by making connections beyond the respective hub of each partner available to the other partner at favourable interlining rates, thereby expanding the range of routes that are economically viable to operate.

A further and distinct source of efficiencies is the elimination of double marginalisation. Absent an alliance, airlines set prices independently, without taking account of the effect of their pricing on demand for the other airline’s services. This likely results in higher combined prices than if the total price were set jointly. An alliance -- often designed as revenue-sharing and therefore “metal-neutral” -- internalises this effect, creating an incentive to use favourable interlining fees to stimulate demand.

While the earlier guidance acknowledged these effects,<sup>1</sup> the draft PAGN 2026 no longer does so. This is unfortunate as the elimination of double marginalisation is a well-established economic mechanism that can be an important source of efficiencies in the context of airline alliances.<sup>2</sup> We would therefore recommend that the PAGN acknowledge these effects as a matter of principle, consistent with the approach taken in CCS’ merger guidelines,<sup>3</sup> as well as in other jurisdictions,<sup>4</sup> and provide guidance on the level of proof required to substantiate such claims in practice.

The broader point is that lower prices on connecting routes stimulate demand, generating economic benefits that extend beyond the travellers themselves — including for the supply side, through increased activity at airports, in hospitality, and in related sectors. These wider economic benefits are relevant to a total welfare assessment and should not be overlooked when evaluating the net economic benefits of an alliance.

We do note that the earlier guidance took the position that “metal neutral” alliances have as their object the restriction of competition,<sup>5</sup> a position that the draft PAGN 2026 appears to have moved away from. This is a welcome development. The economic case for treating airline alliances as object restriction is weak – given their significant potential to generate efficiency benefits, they are better assessed on the basis of the effects that they produce.

1. See PAGN 2018, paragraph 2.

2. See PAGN 2026, paragraph 36.

3. See CCS Guidelines on the Substantive Assessment of Mergers, paragraph 7.5.

4. See, for example, the Non-horizontal merger guidelines of the European Commission, paragraph 13.

5. See PAGN 2018, paragraph 54.

### 3. Market shares are not a substitute for a full assessment

When analysing the competitive effects of airline alliances, competition authorities are usually most concerned with direct routes. This is because an airline alliance, particularly of a metal-neutral nature, may eliminate previously existing rivalry between the alliance partners on such routes.

The PAGN 2018 contained a fairly detailed discussion on this analysis, covering issues such as competition between differentiated products and on multiple dimensions, various possible economic analyses that could be employed to assess this, as well as the counterfactual.

In the draft PAGN 2026, much of this has been dropped. The PAGN 2026 instead propose to base the competitive assessment entirely on market shares.<sup>6</sup> This includes the development of market shares over time. The PAGN 2026 note, correctly, that evidence of new entrants having managed to capture a significant share over a short period of time may suggest that barriers to entry/expansion are low.

It certainly is the case that a dynamic analysis of market shares is more informative than a static picture and can be valuable. However, market shares alone cannot substitute for a proper competitive assessment. For example, two airlines operating complementary flight schedules may exert a lesser constraint upon each other than market shares suggest. A fuller assessment should consider the impact of an alliance on competitive constraints more broadly.

The draft PAGN 2026 provides a safe harbour based on market shares, as the 2018 guidance did. If combined shares do not exceed 20% on any route, CCS will take the view that the alliance is unlikely to restrict competition, provided operational efficiencies are achieved. This is helpful. However, alliances with combined market shares exceeding this threshold should not automatically be viewed with scepticism. This is because market shares offer only a static snapshot of market structure rather than a comprehensive view of competitive dynamics. CCS and international precedent recognise that a fuller assessment should examine, for example, the closeness of the parties' business models and route-level operations, their respective positions at the relevant OD airports, and the ease of entry and expansion.<sup>7</sup>

Related to the lack of recognition of dynamic competition, one of the areas where the PAGN 2026 is less comprehensive than the earlier document concerns the counterfactual. The PAGN 2018 noted that while prevailing competitive conditions are often the best guide to the counterfactual, account would need to be taken of likely and imminent changes in the structure of competition, such as firm entry or exit. Indeed, in competition assessment, counterfactual analysis is essential because it provides the benchmark against which the competitive effects of a conduct, merger, or agreement are evaluated. Such an approach is not only conceptually sound, but also in line with the approach taken by CCS in the context of mergers<sup>8</sup> and the approach taken in other jurisdictions.<sup>9</sup>

We would recommend that the PAGN 2026 reinstate the relevance of counterfactual as it is also an important framework in assessing efficiencies.

### 4. Net Economic Benefits: the need for a broad perspective

The PAGN 2026 contains a somewhat more detailed discussion of the CCS approach to assessing NEB than the 2018 document. As a matter of principle, this is to be welcomed. Competition authorities around the world are in the process of revisiting their approach to assessing efficiencies.<sup>10</sup> Whilst the outcome of these reviews is not yet known, it seems likely that greater weight will be placed on non-price and dynamic efficiencies. Given the importance of efficiencies in terms of economic growth and economic development, properly taking account of these is vital. Non-price efficiencies are particularly relevant in the context of airline alliances. For example, airline alliances may enable more efficient schedules on any given route, thus providing passengers with a better quality of service.

The PAGN 2026 states that whilst CCS currently takes a strict approach that any benefit needs to offset or mitigate competition concerns on the problematic route,<sup>11</sup> it does not preclude adopting a network approach when assessing NEB. In this context, CCS refers to possible multiplier effects, such as increased off-airport spending by additional passengers brought into Singapore.

6. See PAGN 2026, paragraph 27-29.

7. See PAGN 2018, paragraph 57, outlining the constraint exerted by actual and potential entry. See also the UK CMA's [decision on the commitments relating to the Atlantic Joint Business Agreement](#), paragraph 3.38, in which the CMA indicates the relevance to evaluating market power of (i) differences in business models, (ii) closeness with respect to passenger time sensitivity, (iii) flight frequencies, and (iv) position at the respective OD airports (particularly in relation to connecting traffic).

8. See CCS Guidelines on the Substantive Assessment of Mergers, paragraph 2.1.

9. See, for example, the Horizontal Merger Guidelines by the European Commission, at paragraph 9. See also, in the context of market definition, the U.S. Merger Guidelines, at page 42.

10. See the European Commission's consultation on the review of the merger guidelines ([Review of the Merger Guidelines - Competition Policy - European Commission](#)), in particular Topic F (Topic F - Efficiencies). See also the UK CMA's review of its approach to merger efficiencies, [CMA launches review of its approach to merger efficiencies - GOV.UK](#).

11. See PAGN 2026, paragraph 39.

Whilst the PAGN 2018 also made this point, it went further.<sup>12</sup> The PAGN 2018 stated that “*harm to a particular group may be tolerated if the overall economic benefits to Singapore outweigh the overall harm*”.<sup>13</sup> It also cited the CCS Guidelines on the Section 34 Prohibition, which state, at paragraph 10.1, that “*where two (or more) markets are closely related, efficiencies generated in these separate markets may be taken into account*.” The PAGN 2018 went on to indicate that CCS would consider whether feeder routes to a particular trunk route may be considered “closely related”, explaining that an increase in passenger numbers from a feeder route can result in airlines being able to carry OD passengers on a trunk route at lower costs.

In the PAGN 2026, this discussion has been dropped. We would recommend that CCS reinstate it. Where an alliance generates potential competitive harm on specific routes, this should first be balanced against synergies arising from indirect routes before resorting to a broader NEB assessment. For example, if an alliance results in high concentration on a commercially insignificant OD pair but generates substantial synergies on indirect routes, there is a valid economic case for approval. This is particularly relevant given that CCS applies a total welfare standard, under which the overall economic benefits to Singapore are what matter.<sup>14</sup> Under such a standard, there is no requirement for efficiencies to be passed on to consumers, nor for them to be specific to any relevant market – provided the overall economic impact of the alliance is positive.<sup>15</sup> It follows that the competitive assessment of airline alliances should take account of all synergies produced, including operational efficiencies and fixed cost savings that are not specific to any particular route or market. We would recommend that the PAGN 2026 make this explicit.

## 5. Conclusion

Despite being intended to supersede the earlier guidance, the draft PAGN 2026 appears in practice to offer supplementary guidance rather than a comprehensive standalone document – as evidenced by its own reference to providing further guidance.<sup>16</sup> As a result, it no longer reflects many important points contained in the 2018 guidance, including on the competitive assessment, the counterfactual and the evaluation of efficiencies in closely related markets. We would recommend that CCS revisit this. To serve as useful reference for the industry, the PAGN 2026 should be comprehensive and self-standing.

12. See PAGN 2018, paragraph 30-31.

13. See PAGN 2018, paragraph 29.

14. See the PAGN 2026, paragraph 39. See also the PAGN 2018, paragraph 29.

15. As the PAGN 2026 note at paragraph 31, Section 35 of the Competition Act 2004 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”). There is no additional limb requiring pass-on to consumers.

16. Paragraphs 30 and 35 of the PAGN 2026 both refer to providing “*further guidance*.”