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Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition & Consumer  
Commission  
GPO Box 313  
CANBERRA ACT 2601

RVPSWP 2296

3 August 2009

Dear Dr. Chadwick,

I refer to your letter C2009/1316 dated 16 July 2009 inviting comments on the application by the Virgin Blue Group (Virgin Blue) and Delta Air Lines Inc (Delta) to cooperate, coordinate and operate jointly on the Trans-Pacific routes. Thank you for granting Singapore Airlines the opportunity to comment.

Singapore Airlines believes that competition should be the key driving force in aviation policy and decision-making. The greatest consumer benefits derive from choice and diversity of products in the Australian aviation market. The test of greatest consumer benefits hinge on whether what is proposed enhances the consumer's choice in routing, frequency, flight times, products, services, frequent flyer programmes, network and of course, price. As we argued before, the ACCC should have a key role in developing national aviation policy so that competition and the resultant benefits to consumers will be the paramount consideration.

Some elements of international aviation in Australia have not yet been genuinely exposed to competition. For years, there were only two carriers on the Trans-Pacific route. This restriction has limited traffic growth on the Trans-Pacific route as compared to other routes that have been liberalized such as the Singapore-Australia route, where capacity, frequency, and carriers have increased. The entry of low-cost carriers on the Australia-Singapore route has only expanded capacity and choice as well as provided access to a new segment of traffic, which had erstwhile shunned inter-continental travel.

After a long while two new entrants have embarked on the route only this year which saw a dramatic improvement to consumer choice and reduction in prices. Meanwhile the quest to secure liberalization of the route has been left on the back burner in aviation policy discussion and evolution. Against this backdrop, we urge that the present application be judged on whether it would enhance this nascent trend towards choice and competition on the route. If the partnership enhances choice and consumer benefits in all its senses then in our view there is no good reason for it to be denied. However if a partnership between the two airlines leads to fewer flights and options than were planned, or the possibility of higher fares, and the sacred consumer purview of choice is constrained, the application should be reconsidered or the route opened up to even more competition to the ultimate benefit of the consumer.

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A STAR ALLIANCE MEMBER



As a member of the Star Alliance, Singapore Airlines is supportive of cooperative agreements that enhance competition and consumer choice. In that regard, customers of Singapore Airlines have undoubtedly benefited from its membership in the Star Alliance that, among other things, allows seamless connections to partner airlines' networks. However, even airline alliances must be scrutinized to ensure that airline cooperation is structured in a manner that is not anti-competitive, but rather beneficial to the consumers.

Conversely, if a partnership between airlines leads to fewer flights or an artificial floor on fares than would be the case if the airlines were operating as individual competitors, then it begs the question if consumers would be better off from such an arrangement.

Singapore Airlines submits that the application for a joint venture between Virgin Blue and Delta should be considered solely on the basis of whether it would result in the promotion of competition to the fullest extent possible, and ultimately, a net benefit for consumers at large. If the Commission is concerned about the operational viability of one or the other carrier and so makes the decision on that basis we suggest that the Commission recommends that the route be opened up to other players who may be in a stronger position to fulfill the mission.

Singapore Airlines is grateful for the opportunity to submit our views and applauds the ACCC for taking all views and inputs into consideration in decision-making.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Subhas Menon', with a long horizontal stroke extending to the right.

Subhas Menon  
Regional Vice President  
South West Pacific