



ISSUE 2

OPENING UP THE SKIES

REAPING THE BENEFITS OF SINGAPORE'S LIBERAL AIR SERVICES REGIME

With 86 airlines operating more than 4,900 weekly flights to 201 cities in 60 countries, Singapore Changi Airport is undoubtedly one of the world's busiest airports. The country's excellent connectivity to the world has seen a marked increase in traffic from passengers and shippers alike, both of whom use Changi as a hub to respond to rising market opportunities around the globe with speed and efficiency.

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The Ministry of Transport and the Civil Aviation Authority of Singapore's (CAAS) commitment to air services liberalisation has resulted in an open and free trade and investment environment. To date, Singapore has concluded Air Service Agreements (ASAs) with over 100 countries, of which more than 30 are Open Skies Agreements. The numerous ASAs have facilitated the development of trade and tourism between Singapore and its various partners. More importantly, these agreements have put the nation on the world map and cemented its status as a leading global aviation hub.

CREATING WINDOWS OF OPPORTUNITY

The success of the Singapore-Malaysia ASA is the latest testament to Singapore's liberal aviation policy and pro-business stance. The skies between the two nations have certainly gotten a lot busier, with traffic between the two countries hitting a record 3.9 million passengers in 2009, an astounding 41 per cent increase from 2008.

Such positive figures can be credited to the significant improvements made to the original Singapore-Malaysia ASA. Signed in 1972, the Singapore-Malaysia ASA then allowed only the Singapore Airlines Group and Malaysia Airlines to fly between the two countries, with strict limitations on frequencies and capacities. This inherent limitation caused prices of air tickets to be kept at an artificially high level as demand outstripped supply and consequently inhibited air traffic from realising its full potential. For example, between 1999 and 2007, traffic between Singapore and Kuala Lumpur (KL) fell 28 per cent.

The turning point came in 2007, when both countries resumed air services discussions after a 27-year hiatus. The ASA expansion from the 2007 round of consultations rejuvenated a previously declining air-travel sector, triggering an unprecedented growth spurt in the Singapore-KL sector. The 2007 landmark meeting also kickstarted a series of three successful bilateral air services consultations, which allowed low-cost carriers (LCCs) into sectors such as Kuching, Kota Kinabalu, Langkawi, and Penang for the first time in the countries' bilateral aviation history. Today, frequency restrictions have been completely lifted on the Singapore-Kuala Lumpur sector. Designated Singapore and Malaysia carriers can also operate unlimited frequencies of cargo services between both countries.

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Laying the groundwork for a flourishing business environment has enabled CAAS to create new opportunities for industry players. Choi Shing Kwok, Permanent Secretary for the Ministry of Transport (MOT) and leader of the Singapore delegation at the October 2009 air services consultation with Malaysia, was especially pleased with the breakthrough achieved for cargo services. "Enabling our cargo carriers to transfer cargo between both countries will improve the flow of goods and provide major economic benefits to both countries," he said.

Passenger airlines have also been given a boost, with operators now being able to fly to more destinations in Malaysia with minimal restrictions on frequencies. Singapore-based LCC Jetstar Asia Airways is one such airline which has been reaping the fruits of relaxed bilateral air traffic regulations. Leslie Ng, Head of Commercial, Jetstar Asia Airways, affirmed this. "The developments of the ASA have helped Jetstar Asia Airways increase its footprint across Malaysia," he said, adding, "with two new aircraft joining the fleet in 2010, we have some exciting expansion plans coming up and will definitely be exploring new market opportunities." Air services liberalisation has resulted in a more competitive market, allowing the travelling public to enjoy lower ticket prices and increased travel choices. Tickets to Malaysia have now fallen more than 80 per cent — a sharp contrast to the hefty prices of old. Besides Jetstar Asia, the opening up of the market has attracted more LCC players such as AirAsia, Firefly, Lion Air and Tiger Airways.

LOOKING FORWARD TO FRIENDLIER SKIES

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