



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.3: Consumer protection

CONSUMER PROTECTION IN AIR TRANSPORT – SINGAPORE’S EXPERIENCE

(Presented by Singapore)

EXECUTIVE SUMMARY

In recent years, the issue of consumer protection in air transport has attracted increasing attention. As the socio-political and economic context differs from State to State, States have taken different approaches to further the interest of consumers. For Singapore, the interests of consumers are safeguarded by the national consumer protection law, harnessing market forces for competition and promoting consumer education.

Given that different approaches have worked well under different contexts, ICAO should, in developing policy guidance on consumer protection, accord States the flexibility to develop consumer protection policies based on their own unique socio-political and economic context.

Action: The Conference is invited to consider the recommendations presented in paragraph 6.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 The air transport market today is increasingly diverse and competitive, with airlines of different business models offering a range of fare structures and service levels to suit the different travel needs of consumers. These include low cost carriers (LCCs), which provide basic, no frills-service at competitive and unbundled ticket prices, as well as full service carriers (FSCs) which offer a comprehensive array of services, usually at a premium price level. However, it is increasingly difficult now to categorise airlines as LCCs or FSCs as airlines of one category have adopted some practices of the other category and evolved their business models over time.

1.2 As air travel becomes more accessible to the public, especially with the proliferation of low cost travel options, the issue of safeguarding consumers' interests has attracted increasing attention. Some States have chosen to regulate airline service standards, including airlines' obligations when there are unplanned service disruptions such as denied boarding, flight cancellations, re-scheduling and delays. Other States, including Singapore, have opted to safeguard consumers' interest without imposing additional sector-specific regulation.

2. CONSUMER PROTECTION IN SINGAPORE

2.1 In Singapore, consumer interests, including that of air passengers, are safeguarded under a national-level consumer protection framework. While Singapore's framework is fundamentally based on the principle of "caveat emptor", the government has also enacted consumer protection legislation that balances the interests of the consumers and businesses and the costs of regulatory enforcement. While recognising the importance of adequate safeguards for consumers, Singapore is mindful of over-regulation that adds to business costs unnecessarily, especially for the majority of businesses that conduct business fairly. As such, Singapore's Consumer Protection (Fair Trading) Act (CPFTA)¹ does not criminalise unfair trade practices but empowers aggrieved consumers to seek civil remedies against errant traders at the lower court. This approach encourages consumers to be more pro-active and self-reliant and is a more sustainable consumer protection approach in the context of a resource-scarce Singapore.

2.2 In line with this national approach, the Civil Aviation Authority of Singapore similarly does not impose additional sector-specific consumer protection regulatory measures beyond the implementation of the Montreal Convention (1999). Consumers affected by airline service lapses have various means to seek resolution. They can take up the matter directly with the airlines; and if transactions were carried out in Singapore, seek assistance from the Consumers Association of Singapore (CASE)², or lodge a claim with the Small Claims Tribunal³ as provided under the CPFTA.

3. SERVING CONSUMERS' INTEREST THROUGH LIBERAL AIR SERVICES POLICY

3.1 In addition to its national consumer protection framework, Singapore further advances consumers' interests through its liberal air services policy. Such a policy has fostered a vibrant and competitive air transport market that is served by more than 100 scheduled airlines with more than 6,000 weekly flights. In 2012, about 90 per cent of passengers at Singapore Changi Airport travelled on routes served by two or more carriers. Even on routes with one carrier, the threat of competition by new entrants and competition from one-stop services, serve to moderate the behaviour of the incumbents. Singapore's competitive market compels airlines to promptly and effectively respond to customers' needs and expectations on service quality.

¹ The Consumer Protection (Fair Trading) Act is part of a series of consumer protection legislation in Singapore, namely the Misrepresentation Act, Unfair Contract Terms Act and Hire Purchase Act.

² CASE is a non-profit, non-governmental mediation body that looks at promoting fair and ethical trade practices in Singapore. In the event that a consumer is unable to resolve a dispute with a supplier concerned, the consumer can request CASE to step in as a mediator.

³ The Small Claims Tribunals was established in 1985 as one of the Subordinate Courts of Singapore to provide a quick and inexpensive forum for the resolution of small claims. The Tribunals will hear claims less than S\$20,000 made within a year of purchase.

3.2 As a result, the market in Singapore has proven able to match consumers with airlines that offer their desired service standards. Although the majority of airline-related complaints received by CASE pertains to LCCs' service levels, passenger traffic on LCCs surged unabated from 1.8 million in 2005 to 14 million in 2012 as consumers continue to exercise the choice of fare-service trade-off offered by Singapore's competitive air transport market.

3.3 Moreover, Singapore's experience in recent years has seen airlines voluntarily improving their service standards without government regulation. Singapore LCCs are adjusting their products according to market feedback. For example, one Singapore-based LCC established a Customer Task Force and implemented a series of customer service improvements including an enhanced web interface, putting in additional call operators at the call centre and holding service excellence courses for its cabin crew. Another published a customer guarantee commitment to leverage service quality as a competitive tool.

4. SUPPORTING CONSUMERS' INTEREST THROUGH CONSUMER EDUCATION

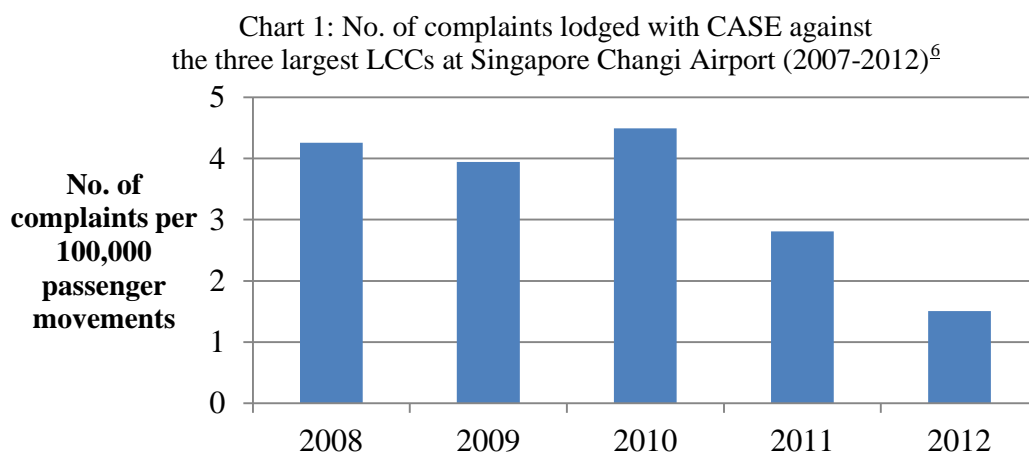
4.1 To the travelling public in Singapore, LCCs are a relatively recent phenomenon and some had been unfamiliar with their modus operandi⁴. Some could be taking air transport for the first time, as LCCs had significantly increased air travel affordability. A sizable group of consumers could also, in switching⁵ from FSCs to LCCs, have mismatched expectations about airline service standards.

4.2 As such, consumer education is a key thrust to help the travelling public make more informed choices. In this regard, the Civil Aviation Authority of Singapore has been working with CASE to educate consumers on the key aspects of air travel, including what to look out for when purchasing air tickets and the avenues of recourse in the event of airline service lapses (see Appendix). Consumers increasingly recognise that Singapore's air travel market presents a wide range of choices with different fares, service standards and contractual obligations during service outage. As with any purchase, consumers need to read the contract ("Conditions of Carriage") to understand their rights and the obligations of airlines before entering into it via the purchase of an air ticket.

4.3 Over time, the gap between consumers' expectations and LCC service levels seemed to have narrowed, as consumers become more familiar with the product and as LCCs respond dynamically to their customers' needs in a competitive market. This is demonstrated by the decline in number of complaints against the three largest LCCs at Singapore Changi Airport per 100,000 passenger movements since 2010 (See Chart 1).

⁴ The inaugural flight of Tiger Airways, the first Singapore-based LCC, was about eight years ago in September 2004.

⁵ In 2012, LCCs account for 29 per cent of total passenger movements at Changi. In particular, LCCs have gained a substantial market share on short-haul routes, which used to be dominated by the FSCs.



5. CONCLUSION

5.1 ICAO should take into consideration that different approaches have worked well under different contexts, and accord States the flexibility to develop consumer protection policies based on their own unique socio-political and economic context. In Singapore, the air transport market has functioned well despite the absence of sector-specific regulations. Several factors specific to Singapore has contributed to this outcome. As described in this paper, these include a national consumer protection framework that encourages consumers to be self-reliant and pro-active; Singapore's competitive and vibrant air transport market that offers a variety of choices for consumers; and a generally well-informed travelling public. Having said that, Singapore continually monitors disputes between consumers and airlines, and may consider the need for specific government intervention in consumers' interests should the need arise as the air transport market continues to evolve.

6. RECOMMENDATIONS

6.1 The following recommendations are proposed for consideration by the Conference:

- a) note Singapore's approach in safeguarding consumers' interests through a national consumer protection framework, market forces by adopting a liberal air services policy, and consumer education;
- b) agree that States should be given the flexibility to develop consumer protection policies according to their unique socio-political and economic context.

⁶ Source: CASE (complaint statistics) and Changi Airport Group (passenger movements figures).

APPENDIX



Brought to you by



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IMPORTANT NOTE:

The information in this brochure provides general information only, and is not legal advice. Legal advice depends on specific facts and circumstances of each individual case and should be sought from qualified legal practitioners.

Statements in this brochure regarding airlines are general observations and are not guarantees, warranties nor representations about airlines and how they conduct their business operations.

RESOLVING DISPUTES WITH AIRLINES

An air ticket is a private contract between a passenger and the airline. If you believe that the airline did not fulfill its obligations under its Conditions of Carriage, you may consider pursuing the following options.

AIRLINE

- Contact the airline as a first step.
- The airline's contact details are usually listed on its website. Some airlines only accept written feedback through mail or fax.

CASE

- If you are unable to resolve your dispute with the airline, you can seek help from the Consumers Association of Singapore (CASE) through phone, fax, walk-in consultation or online submission of your complaint at http://www.case.org.sg/online_complaint.html
- Address: 170 Ghim Moh Road, #05-01, Ulu Pandan Community Building, Singapore 279621
[Opening hours: Monday to Saturday, 9am to 4pm (Excluding Public Holidays)]
- Hotline: +65 6100 0315 [Operating hours: Mondays to Fridays, 9am to 5pm, Saturday, 9am to 12pm, excluding Public Holidays]
- Feedback: soyit@case.org.sg

LEGAL SETTLEMENT

Where the dispute cannot be settled by CASE, you can explore:

- (1) filing a claim at the Small Claims Tribunals. More details are available at <http://www.smallclaims.gov.sg/> or
- (2) instructing a law firm to file a civil suit against the airline in the Subordinate Courts of Singapore. More details are available at <http://app.subcourts.gov.sg/civil/?page=pageIndex=3813>.

THERE ARE A VARIETY
OF AIRLINES IN THE
MARKET TODAY.

BOOKING AIR TICKETS

Read the Conditions of Carriage. It details what you are or are not entitled to.

Make sure your personal particulars are accurate. Airlines contact passengers using this information in the event of changes to flight schedules. A passenger will not be allowed to check-in at the airport if the name on the ticket is not the same as that in the passport.

For online booking, check the services that you need and un-check those that you do not need. Some airlines charge for check-in baggage, seat assignment, priority boarding, meals and travel insurance separately.

Make sure you have ample time for connecting flights. Generally, airlines are not liable for ensuring that you make your connecting flights, especially airlines that sell on an individual sector basis.

Consider whether you need travel insurance to cover flight disruptions that the airline is not liable for.

IT IS IMPORTANT THAT YOU
COMPARE THEIR SERVICES TO
SELECT A TRAVEL EXPERIENCE
THAT BEST SUITS YOUR NEEDS.

BEFORE YOUR FLIGHT

Ensure that your passport has at least a validity period of 6 months from the date of entry (for one-way trip) or from the date of your return (for round trip).

Check your email and mobile phone for any notification of changes to flight schedules. Flights may be cancelled, delayed, diverted or rescheduled due to various technical or operational reasons, which may not be within the airlines' control.

If the airline cancels your flight, you may be transferred to the next available flight, re-routed or offered refunds according to the Conditions of Carriage. **If you choose to make your own alternative flight arrangements,** airlines typically refund only the cost of the original ticket and associated airport charges and taxes.

CHECKING IN, BEFORE BOARDING

Check in early. This will ensure that you have sufficient time to complete all ticketing, baggage check and security procedures.

You are responsible for your valuables and fragile items. Airlines may not be liable for any loss or damage to valuable or fragile items that are checked-in.

If you are "bumped-off" due to an overbooked flight, you will be compensated according to the airline's denied boarding policy stated in the Conditions of Carriage.

As some air tickets are refundable or have flexible travel dates, airlines worldwide typically allow overbooking of their flights to compensate for passengers who do not turn up.

Make sure you are at the boarding gate early. Passengers who arrive late will not be allowed to board and their bags will be offloaded for security reasons.

WHEN YOU ARRIVE

If you do not receive your luggage on arrival, inform the airline immediately. For delayed luggage, some airlines may offer one-off or daily compensation, or reimburse you upon seeing the receipts. Some airlines will not reimburse you if they return your luggage within a stipulated time frame stated in the Conditions of Carriage.

If your luggage is damaged, you should submit your claim on receipt of the luggage. Airlines are generally not responsible for damage to the external fixtures of the luggage (e.g. handles and wheels).

If your luggage is lost, you should submit your claims according to the instructions on the Conditions of Carriage. Airlines will generally require you to list the lost items and their costs and may require receipts as proof.

