



Civil Aviation Economic Guidelines – 203

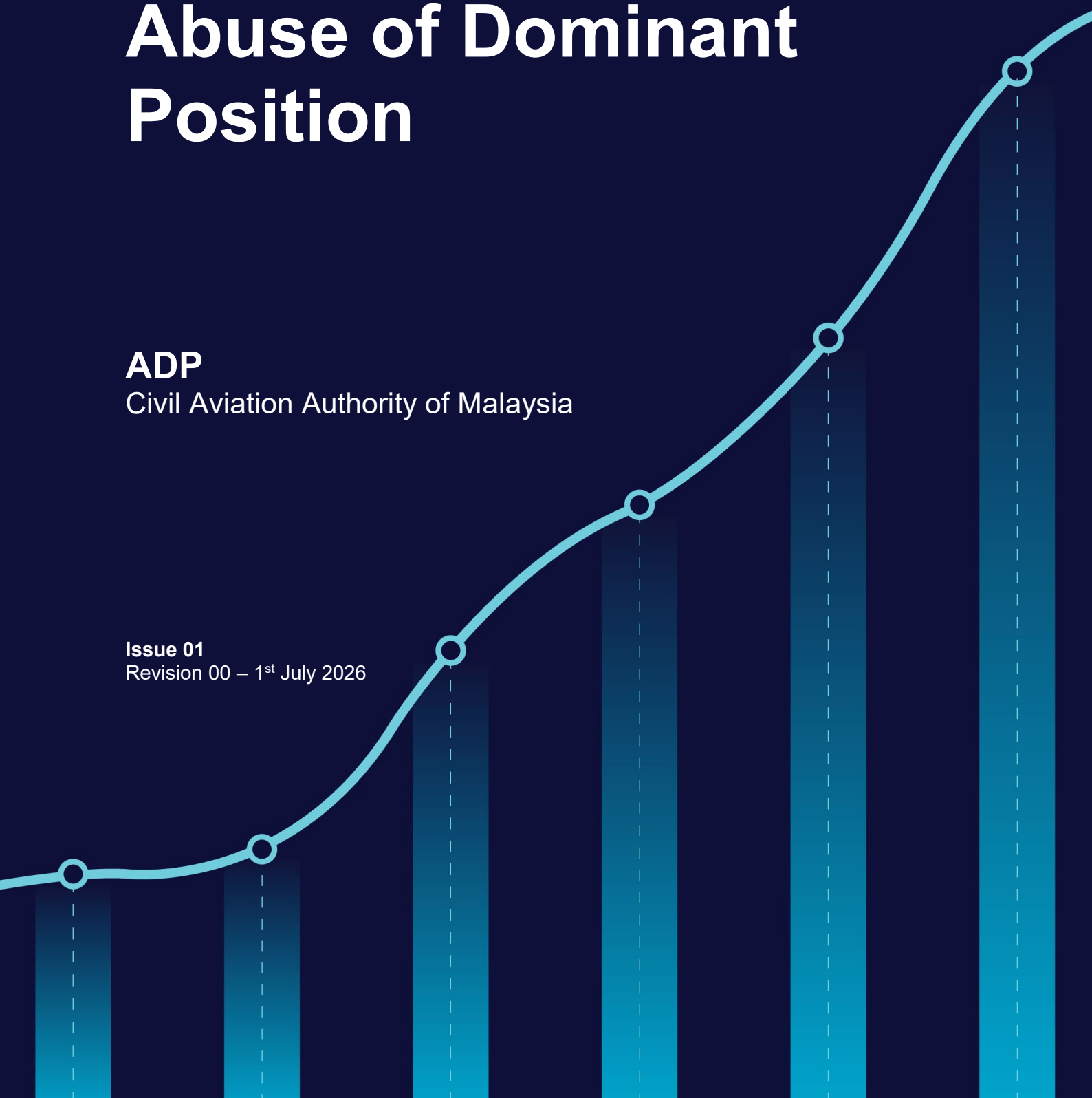
# Abuse of Dominant Position

**ADP**

Civil Aviation Authority of Malaysia

**Issue 01**

Revision 00 – 1<sup>st</sup> July 2026



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## Introduction

In exercise of the powers conferred by section 36ZF of the Civil Aviation Authority of Malaysia Act 2017 [Act 788] (“the Act”), this Civil Aviation Economic Guidelines 203 – Abuse of Dominant Position (CAEG 203 – ADP) is issued to provide guidelines and clarification on the prohibition of abuse of dominant position pursuant to section 36S of the Act.

### Non-compliance with this CAEG

Any person who contravenes any provision in this CAEG may be imposed a financial penalty under Subsection 36ZF (4) of the Civil Aviation Authority of Malaysia Act 2017 [Act 788].



**(Dato' Captain Norazman bin Mahmud)**  
Chief Executive Officer  
Civil Aviation Authority of Malaysia



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## Table of Contents

<b>1</b>	<b>GENERAL .....</b>	<b>9</b>
<b>2</b>	<b>BACKGROUND .....</b>	<b>9</b>
<b>3</b>	<b>THE PROHIBITION UNDER SECTION 36S OF THE ACT .....</b>	<b>10</b>
<b>4</b>	<b>DOMINANT POSITION.....</b>	<b>10</b>
<b>5</b>	<b>ABUSE OF DOMINANT POSITION.....</b>	<b>17</b>
<b>6</b>	<b>GLOSSARY .....</b>	<b>23</b>



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## 1 General

### 1.1 Citation

1.1.1 This Guideline is the Civil Aviation Economic Guideline 203 – Abuse of Dominant Position (CAEG 203 – ADP), Issue 01/Revision 00, and comes into operation on 1 July 2026.

1.1.2 This CAEG 203 – ADP, Issue 01/Revision 00 will remain current until withdrawn or superseded.

### 1.2 Revocation

1.2.1 This CAEG 203 – ADP revokes the guidelines issued pursuant to the Malaysian Aviation Commission Act 2015 [Act 771]:

- a) Guidelines on Abuse of Dominant Position (First published 19 January 2018).

## 2 Background

2.1 These Guidelines are issued by the Authority in the exercise of its power pursuant to subsection 36S(2) and 36ZF of the Act to provide explanation on the prohibition of abuse of dominant position under section 36S of the Act.

2.2 The types of conduct or factors which may be considered by the Authority in evaluating abuse of dominant position provided in these Guidelines are not exhaustive and the examples are for illustrative purposes only. The Authority will consider the specific facts and circumstances of each case and may take into account any other factors that the Authority deems relevant in the implementation of Division 3 of Part VB of the Act.

2.3 These Guidelines serve to supplement Part VB of the Act or any regulation relating to the same. These Guidelines should be read together with all other guidelines issued by the Authority pursuant to section 36ZF of the Act.

2.4 The concepts and principles in these Guidelines are based on the domestic and international best practices relating to competition law.

2.5 The Authority may revise these Guidelines from time to time taking into account developments in competition law and the civil aviation industry.

2.6 Enterprises providing aviation services are advised to conduct self-assessment exercises of their businesses in respect of their conduct, procedures, management and control. Enterprises are also advised to have competition compliance procedures in place for their employees at all levels including the top management and the governing body, where applicable.

- 2.7 Any enterprise in doubt about how its commercial activities may be affected by Division 2 of Part VB of the Act may wish to seek independent legal advice.

### **3 The Prohibition under Section 36S of the Act**

- 3.1 Section 36S of the Act prohibits an enterprise from engaging in any conduct which amounts to an abuse of dominant position in any aviation service market. Such conduct may be carried out by an enterprise independently or by enterprises collectively. For the purpose of these Guidelines, reference to conduct of a dominant enterprise may also apply to that of two or more enterprises that hold a collective dominant position.
- 3.2 Section 36S of the Act does not prohibit an enterprise, either individually or collectively with other enterprises, from holding a dominant position in an aviation service market or striving to attain a dominant position. Section 36S only prohibits the abuse of an individual or collective dominant position.
- 3.3 In assessing whether a conduct of a dominant enterprise amounts to an abuse of dominant position, a detailed assessment of the relevant aviation service market and the effects of the enterprise's conduct on competition will be carried out.
- 3.4 The assessment on whether a conduct of a dominant enterprise amounts to an abuse of dominant position involves the following two-step test:
- a) whether an enterprise is dominant in the relevant aviation service market; and
  - b) if the enterprise is dominant, whether the enterprise is abusing its dominant position.

### **4 Dominant Position**

- 4.1 Dominant position refers to a situation in which one or more enterprises possess such significant power in a relevant aviation service market to adjust prices or outputs or trading terms without effective constraint from competitors or potential competitors. In other words, an enterprise would only hold a dominant position if it has significant market power in a relevant aviation service market.
- 4.2 Dominant position may be held by an enterprise that provides an aviation service or acquires an aviation service. For example, a ground handling operator may hold a dominant position in the relevant aviation service market in providing ground handling services to all or most of the airlines in an airport. On the other hand, an airline may hold a dominant position in the relevant aviation service market as the buyer of aviation services such as the ground handling services in an airport. Section 36S of the Act covers both scenarios and prohibits a dominant enterprise from abusing its dominant position either as a buyer of an aviation service or as an aviation service provider.

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- 4.3 As stated earlier, dominant position may be held by one or more enterprises. A dominant position held by two or more enterprises is known as collective dominance.
- 4.4 In assessing the presence of collective dominance, the links or factors that connect the enterprises in question will be considered to the extent that such enterprises constitute a collective entity in the relevant aviation service market. Such links or factors may be in the form of ownership interests, cooperation agreements or the structure of the market which may cause the enterprises to adopt a common policy to protect their collective dominance in the relevant aviation service market.
- 4.5 If the enterprises constitute such collective entity, the collective entity would subsequently be examined to determine whether it holds collective dominance in the relevant aviation service market.
- 4.6 In practice, collective dominance might not be a common occurrence.
- 4.7 **The Definition and Identification of the Relevant Aviation Service Market**
- 4.7.1 Before assessing whether an enterprise is dominant, the relevant aviation service market should first be defined and identified taking into consideration the following, whichever is applicable:
- b) the service market;
  - c) the geographic market; or
  - d) the temporal market.
- 4.7.2 The Guidelines on Aviation Service Market Definition published by the Authority provide guidance pertaining to the definition and identification of a relevant aviation service market.
- 4.8 **Market Power**
- 4.8.1 After the relevant aviation service market has been defined and identified, the assessment would subsequently determine whether the enterprise in question has market power in the relevant aviation service market and therefore holds a dominant position.
- 4.8.2 The market share of an enterprise is a useful indicator and a starting point in analysing whether an enterprise has a market power and consequently holds a dominant position in a relevant aviation service market.
- 4.8.3 In general, if an enterprise has a larger market share, it is more likely for that enterprise to have market power. A market share above sixty percent (60%) may indicate that an enterprise holds a dominant position in a relevant aviation service market.

4.8.4 However, market share by itself is not conclusive evidence that an enterprise is dominant or otherwise. Instead, market share will be considered together with other relevant factors in totality before concluding whether an enterprise has market power. This means that an enterprise with a market share below sixty percent (60%) may have market power if there is evidence to show that the said enterprise could profit from a price above competitive levels for a sustainable period. On the other hand, an enterprise with a market share above sixty percent (60%) may not have market power if its ability to set prices is constrained by existing or potential competitors.

4.8.5 To determine whether an enterprise has market power in a relevant aviation service market and therefore holds a dominant position, the Authority will also assess relevant factors that would affect competition within the relevant aviation service market. Such factors are –

- a) constraints by existing competitors which affect the ability of the enterprise to exercise its market power;
- b) constraints by potential competitors which affect the ability of the enterprise to exercise its market power; and
- c) other constraints which affect the ability of the enterprise to exercise its market power.

#### 4.9 **Constraints by Existing Competitors**

4.9.1 In assessing whether there are any constraints by existing competitors which can affect the ability of an enterprise to exercise its market power, the Authority will assess any existing competition that the enterprise faces from other enterprises already in the relevant aviation service market and to what extent such competition can constrain the ability of the enterprise to exercise market power.

#### 4.10 **Market Share in Assessing Constraints by Existing Competitors**

4.10.1 For the purpose of assessing constraints imposed upon an enterprise by existing competitors, the market shares of the enterprise and the existing competitors in the relevant aviation service market will be considered. Market shares are useful initial indicators in determining the market structure and the positions of all enterprises operating in the relevant aviation service market. The calculation of market shares depends on the definition and identification of the relevant aviation service market.

4.10.2 Relative market shares may be an important consideration. Substantial market share by one enterprise may be more indicative of market power if every other enterprise in a relevant aviation service market has significantly less market shares. For instance, an enterprise with sixty percent (60%) might be able to

exercise more market power if it encounters eight competitors with five percent (5%) of market share each, as opposed to one competitor with forty percent (40%) of market share.

- 4.10.3 Historical data on market shares is often useful as it indicates the dynamic nature of a relevant aviation service market compared to a snapshot of the market shares at one single point of time. Volatile market shares may indicate a healthy competition in a relevant aviation service market where the enterprises constantly innovate or improve their aviation services to gain a larger market share. An enterprise that has enjoyed a consistently substantial market share over time would be more likely to have market power.
- 4.10.4 There are several methods in calculating market shares. For example, market shares could be calculated based on the following:
- a) Sales revenue or value (in monetary unit)
  - b) Sales volume (in number of units)
    - 1) For airlines, this would refer to the number of passengers or the volume of cargo carried.
    - 2) For ground handling enterprises, the unit applicable would depend on the type of ground handling services provided. For example, for jet fuel suppliers, sales volume would be based on the litres of fuel supplied whilst for in-flight catering enterprises, sales volume would refer to the quantity of food supplied to airlines.
  - c) Capacity (in number of units)
    - 1) For airlines, capacity would refer to the number of available seats.
    - 2) For ground handling enterprises, this would refer to their operating capacity such as the total volume of fuel available for jet fuel suppliers or the quantity of food supplies on a given time frame for in-flight catering enterprises.
- 4.10.5 The appropriate method of calculating market shares may vary from one case to another depending on the relevant aviation service market. When carrying out a market review or an investigation, the Authority may require enterprises in a relevant aviation service market to provide data and information based on the different methods of calculating market shares.
- 4.10.6 Data and information that may be used in determining market share may be obtained from the following:
- a) data from enterprises in the relevant aviation service market<sup>1</sup>;
  - b) data provided by a third-party database;

- c) data from trade associations;
- d) market research reports; or
- e) internal market review.

#### 4.11 Other Factors Affecting Constraints by Existing Competitors

4.11.1 Other than market shares, the ability of existing competitors to constrain an enterprise's exercise of market power could also be affected or limited by other factors, including –

- a) The degree of service differentiation
  - 1) Market share may not provide a good indicator of market power in a relevant aviation service market where there is a high degree of service differentiation. An enterprise with relatively low market share that provides highly differentiated aviation services may have a degree of market power because its buyers do not consider other services as substitutable to the aviation services provided by the said enterprise. In such situations, the manner and degree to which the services are differentiated and are considered as substitutable by buyers will be taken into account in assessing whether there is dominance.
- b) Responsiveness of buyers to the increase in price
  - 1) Enterprises that have similar market shares may not have similar market power if the buyers are less able or willing to switch from one to another aviation service provider in response to a price increase.
  - 2) The low degree of switching by buyers may be due to factors such as high switching cost or brand loyalty.
- c) Responsiveness of the competitors in a relevant aviation service market
  - 1) The degree of constraints that an enterprise encounters from its competitors in a relevant aviation service market depends on the competitors' ability to respond to the higher prices or lower volumes of output in the market. If an enterprise sets its prices above competitive levels and its competitors are unable to respond to such price increase by increasing their volume of aviation services to meet demand, then the enterprise would have a market power.
  - 2) The lack of response by the competitors may be due to the fact that they are already operating at full or near-full capacity or have limited access to the necessary facilities in order to provide a bigger volume of services. For example, in cases where certain routes have limited number of air traffic rights, the ability of airlines to increase their number of flights or seat capacity on those routes in response to a price increase may be curtailed by the limited number of available air traffic rights.

## 4.12 Constraints by Potential Competitors

- 4.12.1 In assessing whether there are any constraints by potential competitors which can affect the ability of an enterprise to exercise its market power, the possibility of other enterprises to enter the relevant aviation service market with ease and in a timely manner would be considered.
- 4.12.2 Constraints by potential competitors could be assessed by the existence and the extent of barriers to entry applicable to the relevant aviation service market. If barriers to entry are low and potential competitors could enter the market with ease and in a timely manner, then the fact that an enterprise has a high market share might not be indicative of a market power. On the other hand, if there are substantial barriers to entry, an enterprise with a large market share would encounter slight or no constraint from its potential competitors and therefore is more likely to have market power.
- 4.12.3 The factors in determining barriers to entry applicable to a relevant aviation service market are as follows:
- a) Sunk costs
    - 1) Sunk costs refer to costs which must be incurred to enter and to compete in a relevant aviation service market but which are irrecoverable upon exiting the market.
    - 2) A potential competitor would only enter a relevant aviation service market if the expected profit from being in the market would exceed any sunk costs. High sunk costs may deter a potential competitor from entering the relevant aviation service market allowing an enterprise to act without constraint in exercising its market power.
  - b) Economies of scale
    - 1) Economies of scale occurs where the average costs of providing services decrease as output increases.
    - 2) In order to achieve economies of scale and compete effectively with the other existing competitors in the relevant aviation service market, a potential competitor may need to enter the market on a large scale, relative to the size of the market and the other competitors. Such large-scale entry may also require high sunk costs.
    - 3) If the provision of the relevant services entails high fixed costs, a potential competitor may need some time to achieve a sufficient volume of output for it to be cost-competitive and effectively compete with other existing competitors in the relevant aviation service market.
  - c) Economies of scope

- 1) Economies of scope are cost advantages that result from an enterprise in a relevant aviation service market providing a range of services rather than specialising in the provision of a single service. For example, airlines may achieve economies of scope by simultaneously providing scheduled air services and ground-handling services. In such a situation, the provision of different aviation services by vertically integrated enterprises may result in productivity gains and cost improvements.
  - 2) A potential competitor that enters a relevant aviation service market may face higher average costs until it could provide a similar range of services as the existing competitors in the relevant aviation service market.
  - 3) A potential competitor may be deterred from entering into a relevant aviation service market if it would take a long period of time for it to attain economies of scope and to provide a similar range of services.
- d) Regulated entry
- 1) A potential competitor may be prevented from entering into a relevant aviation service market by regulation governing the entry into the market.
  - 2) For example, regulation governing the granting of licences or permits may limit the number of enterprises to operate in a relevant aviation service market. Stringent licensing and permit requirements may also make it difficult for potential competitors to enter into the relevant aviation service market in a timely manner. In such circumstances, an enterprise may be able to act without much constraint from its potential competitors.
  - 3) However, this does not necessarily mean that market power exists when entry into a relevant aviation service market is regulated. The said regulation would need to be considered to the extent that it actually acts as a barrier to entry.
- e) Access to essential facilities
- 1) An essential facility refers to a facility where access is essential for the provision of aviation services by the existing enterprises in a relevant aviation service market and where it is not economically efficient or feasible for potential competitors to replicate the facility.
  - 2) In cases where the access to such essential facilities are limited, potential competitors may be prevented from entering a relevant aviation service market if they could not acquire access to those essential facilities.
  - 3) For example, in the case of scheduled air services, access to slots are essential to the provision of aviation services by all airlines and the number of slots available at each airport is limited. Potential airline competitors may be prevented from providing aviation services in a congested airport where all the slots have been allocated to the existing airlines thus preventing them from entering into the relevant aviation service market.

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- f) Conduct by existing enterprises
- 1) A potential competitor may be prevented from entering into a relevant aviation service market if it could anticipate that existing enterprises would react aggressively to its entry.
  - 2) For instance, existing enterprises in a relevant aviation service market could be expected to react predatorily to a new competitor's entry by reducing their prices substantially to force out the said potential competitor out of the market. The low prices introduced by existing enterprises may also deter other potential competitors from entering the market which they may perceive as unprofitable.
  - 3) Examples of other conduct by existing enterprises that may amount to barriers to entry include providing discounts designed to foreclose market to other competitors, margin squeezes, and refusal to supply.

#### 4.13 Other Constraints

- 4.13.1 The Authority may also consider other constraints which could affect the ability of an enterprise to exercise its market power in determining whether such enterprise is dominant in a relevant aviation service market.
- 4.13.2 An example of such other constraints is buyer power. An enterprise may face competitive constraints from buyers that have countervailing buyer power.
- 4.13.3 Countervailing buyer power refers to the bargaining strength of the buyers relative to an enterprise due to the buyers' size, the commercial significance and the ability to switch to alternative enterprises. Countervailing buyer power could offset or considerably diminish the ability of an enterprise to charge high prices or set trading terms.

## 5 Abuse of Dominant Position

- 5.1 Where it is established that an enterprise is dominant in a relevant aviation service market, the next step is to evaluate whether the dominant enterprise is abusing its dominant position.
- 5.2 In evaluating whether a dominant enterprise is abusing its dominant position, the actual or likely adverse effects of the conduct of a dominant enterprise on consumers and the competitive process would be considered.
- 5.3 Pursuant to subsection 36S(3) of the Act, a conduct of a dominant enterprise would not amount to abuse of dominant position if the conduct —
- a) has reasonable commercial justification; or

- b) represents a reasonable commercial response to the market entry or market conduct by a competitor.

5.4 The onus for proving the above lies with the dominant enterprise invoking such claim.

5.5 It is not necessary for the dominant position, the abuse and the effects of the abuse to be in the same market. For example, a dominant enterprise in one aviation service market may commit the abuse in another market where it is not dominant. It is also possible for an abuse committed by a dominant enterprise in one aviation service market to affect a separate market.

5.6 Abuse of dominant position may occur through exclusionary conduct or exploitative conduct by a dominant enterprise. The types of exclusionary conducts and exploitative conducts and the examples provided in these Guidelines are not exhaustive in nature.

## 5.7 **Exclusionary Conduct**

5.7.1 Exclusionary conduct refers to conduct by a dominant enterprise to dictate the level of competition in a relevant aviation service market —

- a) by preventing equally efficient competitors from entering into the said market; or
- b) significantly harming the existing competitors either by driving them out of the said market or preventing them from effectively competing.

5.7.2 Exclusionary conduct by a dominant enterprise would ultimately harm the consumers by excluding competition from existing or potential competitors and consequently strengthening its dominance and ability to increase its prices to the consumers.

5.7.3 Exclusionary conduct will be assessed in terms of its effects on competition i.e. its effect on the competitive process and not on the competitors. A dominant enterprise, however, is not stopped from engaging in competitive conduct that would benefit the consumers even if it would harm the inefficient competitors. This is consistent with subsection 36S(3) of the Act which allows a dominant enterprise to take any step that has reasonable commercial justification or represents a reasonable commercial response to the market entry or market conduct of a competitor.

5.7.4 In general, in assessing whether an exclusionary conduct would have anti-competitive effects, the following aspects would be evaluated:

- a) whether the conduct would exclude a competitor that is just as efficient as the dominant enterprise; and

- b) whether the conduct adversely affects the consumers.

5.7.5 Below are examples of exclusionary conduct by a dominant enterprise that could amount to abuse of dominant position:

- a) Predatory pricing

- 1) Predatory pricing occurs where a dominant enterprise intentionally sets very low prices to force the competitors out of the market when the competitors are unable to compete with such low prices.
- 2) In doing so, the dominant enterprise may deliberately incur losses in the short term by imposing low prices in anticipation that it would be able to set high prices beyond the competitive levels in the long term after it has successfully forced its competitors out of the market. Predatory pricing is more likely in markets that have high barriers to entry. Once a dominant enterprise has successfully forced out a competitor, it may be unlikely that the competitor would re-enter the market due to barriers to entry.
- 3) Whilst consumers may benefit from the low prices in a short period, the consumers would be harmed in the long term by the imposition of higher prices beyond competitive levels as well as the possible reduction in terms of the quality of services and the available choices to the consumers.
- 4) In evaluating predatory pricing, consideration would be given to whether a dominant enterprise is pricing below the relevant measure of cost.
- 5) Several cost measures are potentially relevant in evaluating an alleged predatory pricing. The method or cost measure to be used would depend on the circumstances and particular conditions of the relevant aviation service market. The different methods include but are not limited to the following:

- i) Average Variable Cost (“AVC”)

*AVC refers to the sum of all the costs that would change following any change in output (variable costs) divided by the total quantity of output. All fixed costs are excluded.*

- ii) Average Avoidable Cost (“AAC”)

*This covers all the costs, i.e. both variable costs and the fixed costs directly related to an aviation service under investigation, that could have been avoided if the dominant enterprise had not priced its service so low in order to engage in the alleged predatory strategy.*

*If a dominant enterprise does not cover its AAC, then it would be foregoing its profits.*

- iii) Long-Run Incremental Cost (“LRIC”)

*This is the change in total costs from the production of an increase in output which could either be the total output or simply the increase in output due to the predatory conduct.*

*LRIC includes all costs associated with the aviation service under investigation even if those costs were sunk before the alleged predatory pricing conduct was engaged in.*

iv) Average Total Cost

*This is the sum of fixed and variable costs divided by total output.*

- 6) In addition to evaluating whether the prices imposed by a dominant enterprise are below the relevant cost measure, consideration would be given to whether the pricing conduct would likely lead competitors to exit the relevant aviation service market. Evidence of the dominant enterprise's intent to force a competitor out of business may be indicative of predatory conduct but is not conclusive by itself.

b) Discriminatory conduct

- 1) Discriminatory conduct refers to a conduct by a dominant enterprise applying different conditions to equivalent transactions with other enterprises.
- 2) Discriminatory conduct by a dominant enterprise may be carried out by price or non-price discrimination.
- 3) Price discrimination occurs when a dominant enterprise provides the same aviation service at different prices to buyers and such difference does not reflect any differences in the cost, quantity, quality or any other characteristics of the aviation service provided. This includes the provision of the same aviation service to different buyers at different prices and the provision of the same service to the same buyer at different prices according to the timing of the service. Price discrimination is more likely to occur when a dominant enterprise is able to differentiate different buyers or groups of buyers, and there is no arbitrage amongst the buyers.
- 4) In general, price discrimination is a usual business practice, including in aviation service markets that have effective competition, and may be beneficial to consumers at large.
- 5) However, price discrimination may amount to abuse of dominant position if a dominant enterprise were to apply different conditions to equivalent transactions with other enterprises in an aviation service market to an extent that may —
  - i) discourage new enterprises from entering the said market, or existing competitors from expanding or investing in their operations;
  - ii) oust the existing competitors from the said market or seriously damage an existing competitor which is no less efficient than the dominant enterprise; or

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- iii) harm competition in the market in which the dominant enterprise is participating.
- 6) In evaluating price discrimination, consideration would be given to whether such discriminatory pricing could generate economic efficiencies or benefits such as efficient recovery of fixed costs, the substantial expansion of demand or the opening of new aviation market segments. Ultimately, the assessment would evaluate whether the price discrimination has reasonable commercial justification or has the effect of ousting competition in a relevant aviation service market.
  - 7) Non-price discrimination occurs when a dominant enterprise provides services under unfavourable terms to buyers and such conduct is unrelated with the price of the aviation services. For example, where a dominant enterprise that provides catering services also operates downstream as an airline, such enterprise may provide lower quality catering services to the other airlines in order to distort the competition in a relevant downstream aviation service market. Similar to price discrimination, non-price discrimination would only amount to abuse of dominant position where such conduct would adversely affect competition.
- c) Margin squeeze
    - 1) Margin squeeze may arise when a vertically integrated dominant enterprise provides aviation services that have no good economic substitutes in an upstream aviation service market and sells that service to other enterprises in a downstream aviation service market, while it also competes in that downstream market.
    - 2) Margin squeeze may amount to an abuse of dominant position when there is a narrow margin between a vertically integrated dominant enterprise's price for selling the inputs to a competitor in a downstream aviation service market and the vertically integrated dominant enterprise's downstream price that the competitor cannot survive or effectively compete in that market.
  - d) Exclusive dealing
    - 1) Exclusive dealing refers to an arrangement whereby a dominant enterprise would only deal with another enterprise if the latter agrees to only deal with the former exclusively or to a large extent. Exclusive dealing would cover –
      - i) exclusive purchasing which requires a buyer to acquire services exclusively or to a large extent only from a dominant enterprise; and
      - ii) exclusive supply obligations where a dominant enterprise requires an enterprise to provide its services exclusively to it and not to any other enterprise.

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- 2) Exclusive dealing may amount to abuse of dominant position if it would foreclose a significant part of a relevant aviation service market to other competitors which would affect the ability of competitors to compete with the dominant enterprise.
- e) Refusal to supply and essential facilities
- 1) Enterprises are generally free to do business with other enterprises of their choice.
  - 2) However, a dominant enterprise that refuses the supply of certain aviation services to another enterprise or to allow access to essential facilities may be abusing its dominant position if such conduct would harm competition and exclude competitors and such refusal has no objective commercial justifications.
  - 3) For example, a dominant enterprise that refuses to provide aviation services to a buyer who has not paid for past services that it acquired may rely on commercial justifications for its refusal to supply. Similarly, a dominant enterprise may also invoke commercial justifications for its refusal to grant access to its infrastructure that has already reached full capacity.
- f) Discount schemes
- 1) Discount schemes are commonly carried out by enterprises as a form of price competition.
  - 2) However, a dominant enterprise may abuse its dominant position by offering certain discount schemes that would harm competition.
  - 3) To determine whether a discount scheme would amount to abuse of dominant position, the effect of such scheme on competition will be considered. A discount scheme is likely to be an abuse of dominant position if it would have the effect of harming competition and it does not have other reasonable commercial justification other than such harm to competition. For example, discounts may be used by a dominant enterprise to bring prices down to predatory levels and force competitors out of the market due to their inability to compete with the discounted price.
- g) Tying and Bundling
- 1) Tying occurs when an enterprise refuses to provide an aviation service unless the buyer also acquires another service from it.
  - 2) Bundling refers to the conduct of an enterprise that sells services that are bundled together at a price that is higher compared to the total price of the services if they are acquired separately.
  - 3) A dominant enterprise in a relevant aviation service market may employ tying or bundling in order to obtain a market power in another market.

## 5.8 Exploitative Conduct

- 5.8.1 Exploitative conduct generally refers to a conduct by a dominant enterprise that uses its dominance to exploit or harm the consumers directly.
- 5.8.2 An example of exploitative conduct is excessive pricing. Excessive pricing occurs when a dominant enterprise exercises its market power by consistently imposing excessively high prices beyond the competitive level. Prices are considered excessive only if they have no reasonable relation to the economic value of the aviation service provided.
- 5.8.3 In general, imposition of excessive pricing by a dominant enterprise would only amount to an abuse of dominant position when there is no likelihood that such imposition of excessive pricing would be constrained by existing or potential competitors or any other relevant constraints.
- 5.8.4 The determination of whether a dominant enterprise is imposing excessive prices requires a detailed economic analysis relating to the costs, prices, profit margin, market concentration and other relevant factors. The appropriate method of evaluation and factors to be considered would be determined on a case by case basis

## 6 Glossary

Act	=	Civil Aviation Authority of Malaysia Act 2017 [Act 788] as amended by the Civil Aviation Authority of Malaysia (Amendment) Act 2024 [Act A1723].
Authority	=	Civil Aviation Authority of Malaysia
Buyer	=	A consumer, and/or an enterprise that acquires or uses any aviation service primarily for the purpose of resupplying the service or providing any aviation service.
Collective dominant	=	A situation where two or more enterprises could collectively exercise market power and hold dominant position in an aviation service market
Guidelines	=	Guidelines on Abuse of Dominant Position
Market power	=	The ability of an enterprise to adjust prices or outputs or trading terms without effective constraint from competitors or potential competitors in a relevant aviation service market.



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