Past and Future Development of the Airline Industry in South- and North East Asia

Christian Nau

Research related to the field of airline industry is still a field where the majority of researchers comes from the United States and a lot of research is related to single U.S. airlines or the North American airline industry when focusing at a specific geographic area. As the airline industry as a field that consists of daily changes is an area where you cannot rely on papers and books that have been written years or even months ago. Therefore the paper does not outline literature in depth.

State of the Art

Research related to the field of airline industry is still a field where the majority of researchers comes from the United States and a lot of research is related to single U.S. airlines or the North American airline industry when focusing at a specific geographic area. As the airline industry as a field that consists of daily changes is an area where you cannot rely on papers and books that have been written years or even months ago. Therefore the paper does not outline literature in depth.

Main Facts

By comparing these results of the first pillar from Asia-Pacific and the world, on finds that all three Chinese airlines performed better than the average of Asia-Pacific and the world, both in terms of passenger development as well as in terms of the operating ratio. 

The two Japanese airlines performed inferior to Asia-Pacific and world airlines in terms of traffic development but were at the same level of world airlines regarding their operating ratios. Singapore Airlines achieved a remarkably good operating ratio during the past two decades, the best of all Full Service Airlines in focus of this thesis and much better than the averages of Asia-Pacific and world airlines although the company did not achieve traffic growth as high as many of its competitors. Malaysia Airlines can be regarded as the weakest performing airline that is in focus of this paper, also compared to world- and Asia-Pacific airlines both in terms of traffic development as well as in terms of operating ratios. Last but not least, the Air Asia Group has to be mentioned. It stands out with an operating ratio of 83.5% for the past 8 years and traffic growth rates of more than 20%.

The main facts of the second pillar are concluded below.

Table 1 shows in what extent growth factors of the airline industry have developed during the past two decades and therefore influenced the airline industry of the particular countries.

Results

In regard to the first research question, which countries of South- and North East Asia sport the most pronounced growth in the aviation sector within the last two decades and what factors can be seen as the reasons for this growth. China and its “big three” have to be named in terms of FSC-growth in the aviation sector, driven by changes in the population structure-economic growth and growth in the tourism sector. Regarding South East Asia, Malaysia can be named in terms of growth in the Low Cost Carrier aviation sector driven by falling airfare prices due to increased competition, economic growth, an emerging middle class and increasing tourism.

Answering the second question, which airlines were best able to cope with and profit from the changes in the aviation sector, Malaysia Airlines must be named as it was highly successful with its Cost Aviation strategy. Singapore Airlines on the other hand was also successful by positioning itself as a Full-Service long-haul carrier benefitting from an extreme high reputation and relatively low CASM.

Regarding the third question, why the penetration of South- and North East Asian countries by Low-Cost Carriers is still very uneven and how has the Low-Cost aviation sector in North- and South-East Asia developed within the last years it can be said that this thesis has shown that especially the regulatory conditions have been and still are much better in the South East Asian countries than in China and Japan. Numbers have shown that the LCC-sector now accounts for nearly 60% of intra-ASEAN travel while this figure ranges below 10% for the intra North East Asian travel. Anyhow, especially during the last two years, a lot of LCC have established in North East Asia so that the North East Asian LCC sector is likely to grow in the future.

The paper has shown that China, Japan, Singapore and Malaysia have differently developed airline industries, which will, for various reasons like the different development of airline industry growth factors will continue to develop in different ways. The future for the aviation industry in both regions generally looks very bright, especially if seen in global context. Growth will continue and bring further development, new jobs and better travel opportunities that will also benefit economic connections between countries in the Asia Pacific area.

References

All references can be found in the full version of the MA thesis available at http://theses.univie.ac.at/