

# Airneth seminar

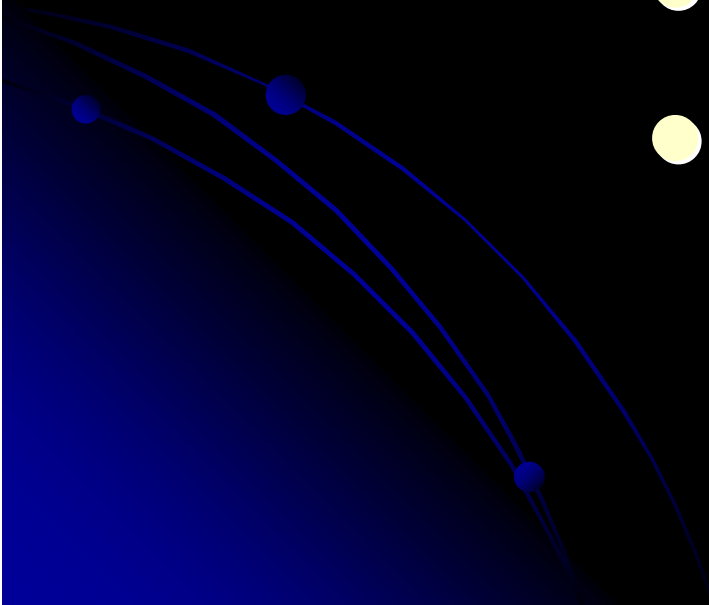
## The impact of the expansion of Dubai International Airport and Emirates on Airline Competition

Professor Anthony Chin

Deputy Head, Department of Economics &  
Deputy Director, Singapore Centre for Applied and Policy Economics  
<http://nt2.fas.nus.edu.sg/ecs/cent/cent.asp>

Department of Economics, National University of Singapore  
1 Arts Link Level 6, Singapore 117570  
Tel: 65-6516 3959, Fax: 65-67752646  
Email: anthonychin@nus.edu.sg

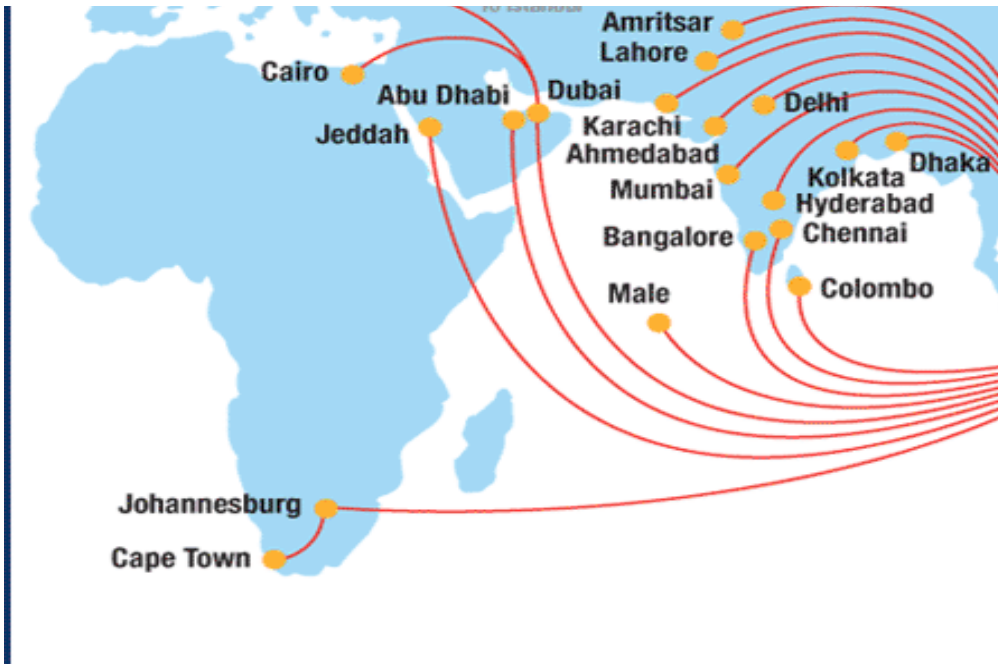
# Outline

- Introduction
  - Airhub strategies
  - Airline strategies
  - Conclusion
- 

**Singapore Airlines  
operates passenger services to 62 cities  
in 34 countries around the world.**



## West Asia and Africa



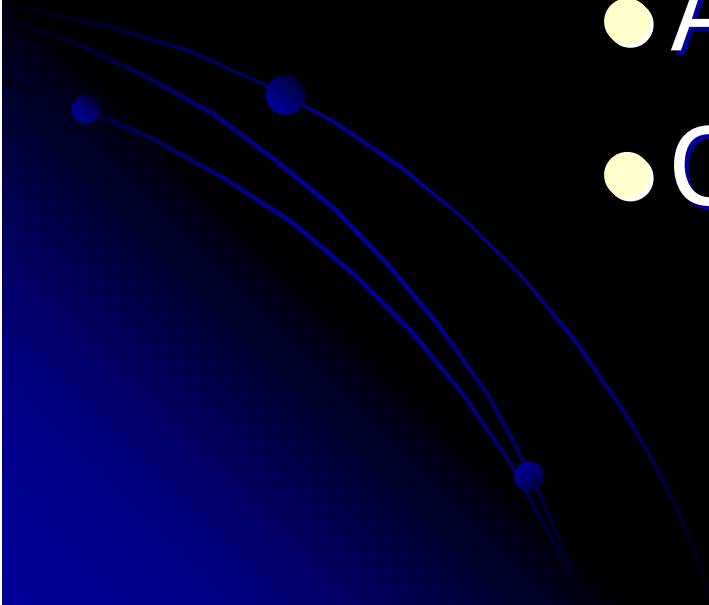
## North and Southeast Asia



## Europe



# Outline

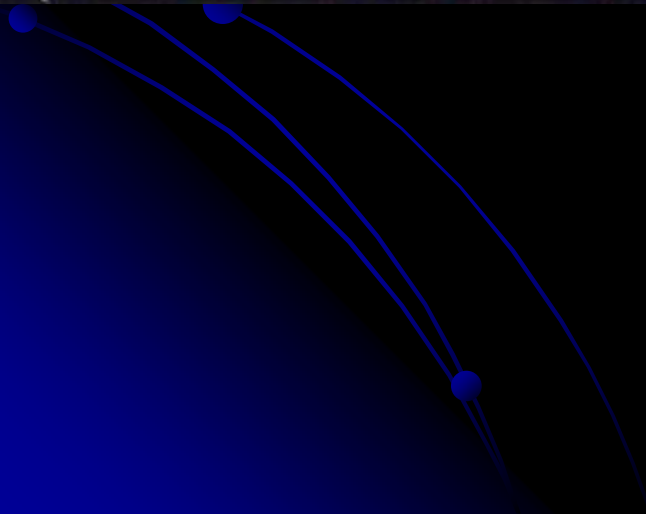
- Introduction
  - Airhub strategies
  - Airline strategies
  - Conclusion
- 

# **Air Network**

## **(As at 1 March 2006)**

- **Scheduled Airlines 83**
  - **Cities 182**
  - **Countries 57**
  - **Weekly Scheduled Flights 4,064**
- 

# Changi Airport Hub



# Air Statistics

	1998	2001	2005
Annual passenger movements	23,803,180	28,093,759	32,430,856
Annual airfreight movements (tonnes)	1,283,660	1,507,062	1,833,721
Annual aircraft movements	165,242	179,359	204,138



# Source of revenue

	1981	2005
<b>Aeronautical revenue:</b> Landing fees, Parking fees, Aerobridge Fees, Passenger Services, Security Tax	60%	40%
<b>Non-Aeronautical revenue:</b> Rental of office and warehouse space Airport concession fees Franchise Fees	40%	60%

# Holistic business strategy 1

- **Strategic Location**
- Located at the heart of Southeast Asia and the crossroads of international shipping routes, coupled with an extensive air network and efficient telecommunications and financial services - the fast growing markets in this region which has rich resources and a market potential of some 300 million people.
- Financial institutions to trade with Japan, Europe and the United States within the same day, providing excellent financial support for corporations which base their headquarters in Singapore.

# Holistic business strategy 2

- **Political and Social Stability**
- Political, economic and social stability. The tripartite cooperation between the Singapore Government, employers and Unions in meeting national economic objectives is another key factor leading to a stable business environment.
- The Political and Economic Risk Consultancy ranked Singapore as the most stable country in Asia, better than its Asian neighbours Japan and Taiwan. 2nd lowest, after Switzerland, by the Business Environment Risk Intelligence in terms of Political Risk Index focusing on sociopolitical conditions of a country.
- Pragmatism, political stability and consistent policies.

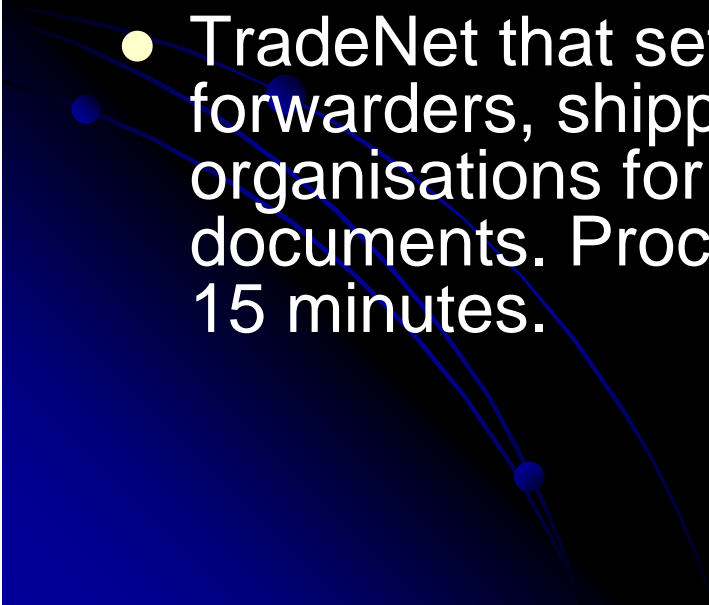
# Holistic business strategy 3

- **International Financial Centre**
- 700 local and foreign financial institutions and financial services account for 11 % of Singapore's GDP.
- Foreign exchange market: 4th largest in the world. Top rankings by the World Economic Forum Global Competitiveness Report and Standards & Poors (AAA award).
- Liberalization of the domestic banking sector.

# Holistic business strategy 4

- **International Maritime Centre**
- The maritime industry handles more than 300 million tonnes of freight each year, 3,360 ships with a total of 24 million gross tonnes have been registered with the Singapore Ship Registry, 7th largest ship registry in the world.
- Connected to over 700 ports in 130 countries worldwide. With more than 400 shipping lines calling at Singapore ports, there are as many as 800 ships with some 150,000 containers in the Singapore ports at any one time. The current 6 shipping terminals can accommodate all types of vessels including container ships, bulk carriers, cargo freighters, coasters, lighters and passenger liners.
- Since 1988, the world's leading bunkering port, providing value-for-money, reliable and efficient bunkering services. Supplied 19 million tonnes of bunker to more than 21,000 vessels

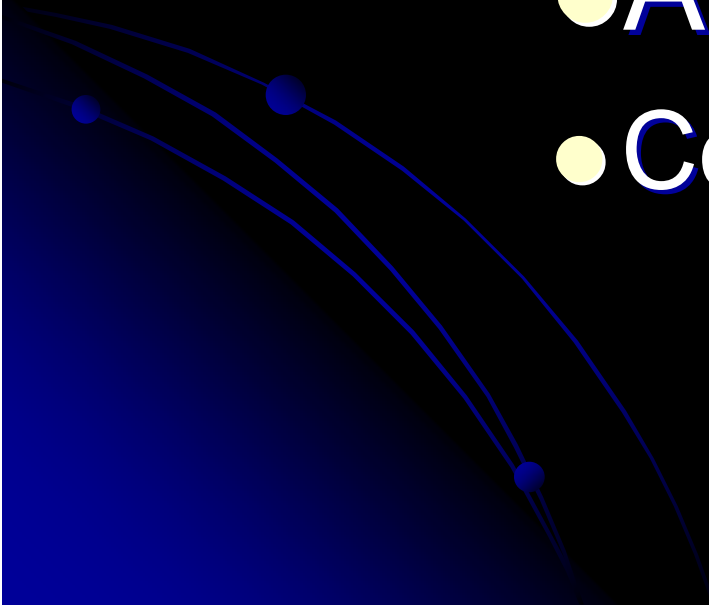
# Holistic business strategy 5

- International Trading Centre
  - Traditionally, a regional entrepot for trade and commerce.
  - Support facilities to swiftly identify market changes, business niches and opportunities.
  - TradeNet that set up in 1989 links traders, freight forwarders, shipping agents and Government organisations for the electronic processing of trade documents. Processing of trade documents within 15 minutes.
- 

# Holistic business strategy 6

- **Telecommunications**
- Liberalized telecommunications services to global competition. Direct telephone connections to over 220 destinations worldwide. Low-cost alternatives such as Internet telephony and digital compression are available.
- Several Internet Service Providers offer Internet messaging via mobile phone, Internet paging, international roaming, on-line stock information and co-location services, among others.
- SingaporeONE-Internet speeds 100 times faster than 56.6 kilobits per second. 59% of the homes own PCs and 42% of the households are Internet subscribers, top three countries in the world in terms of Internet penetration.

# Outline

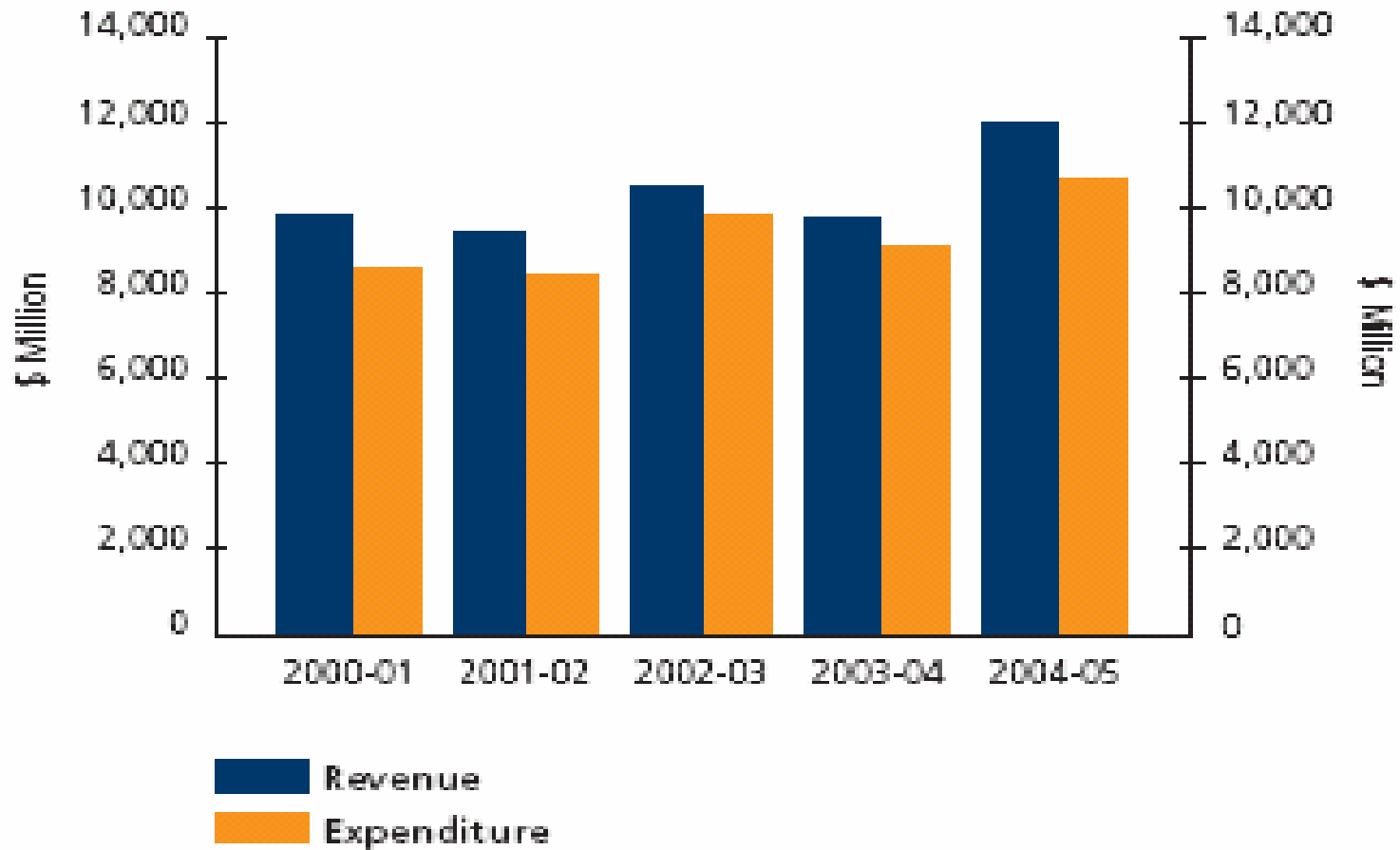
- Introduction
  - Airhub strategies
  - Airline strategies
  - Conclusion
- 



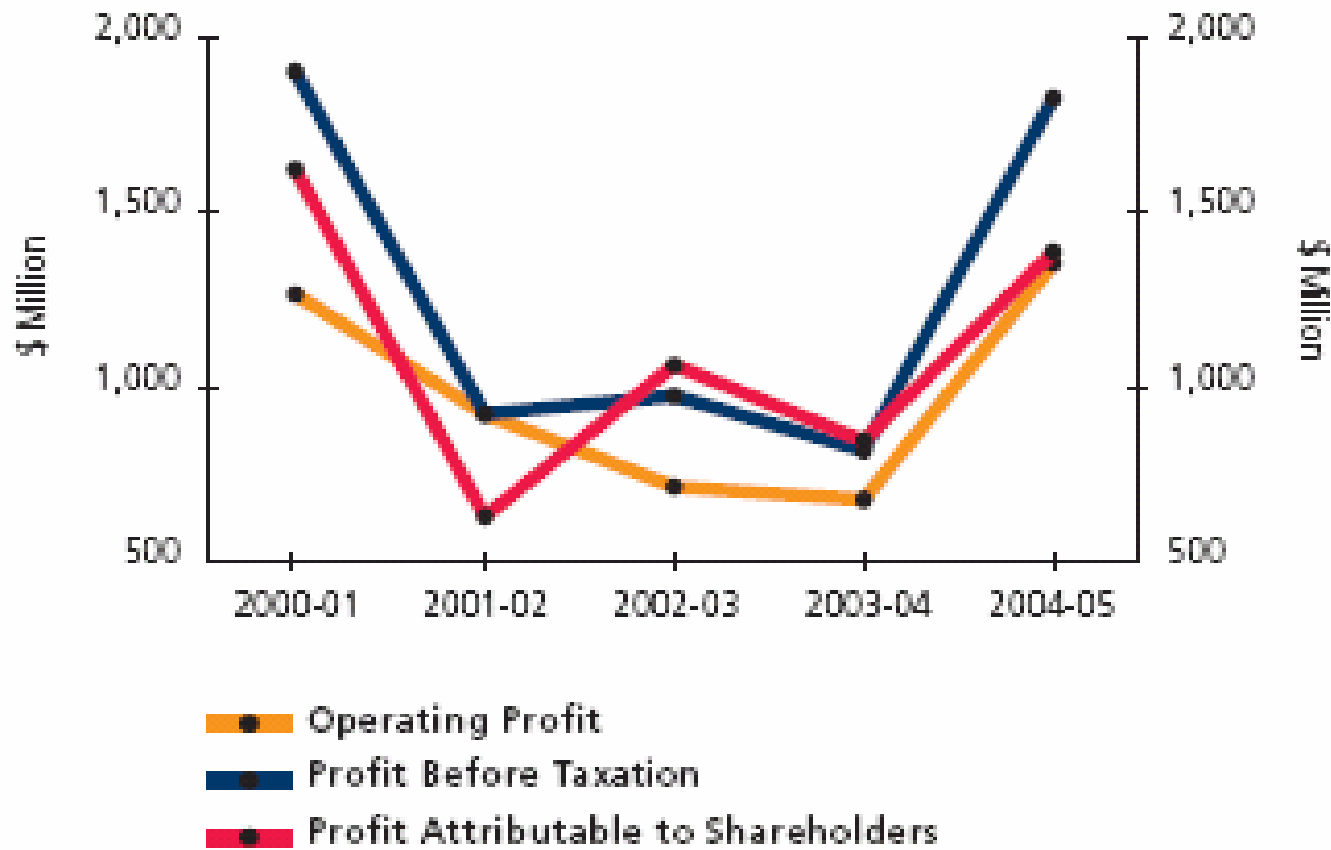


# Singapore Airlines

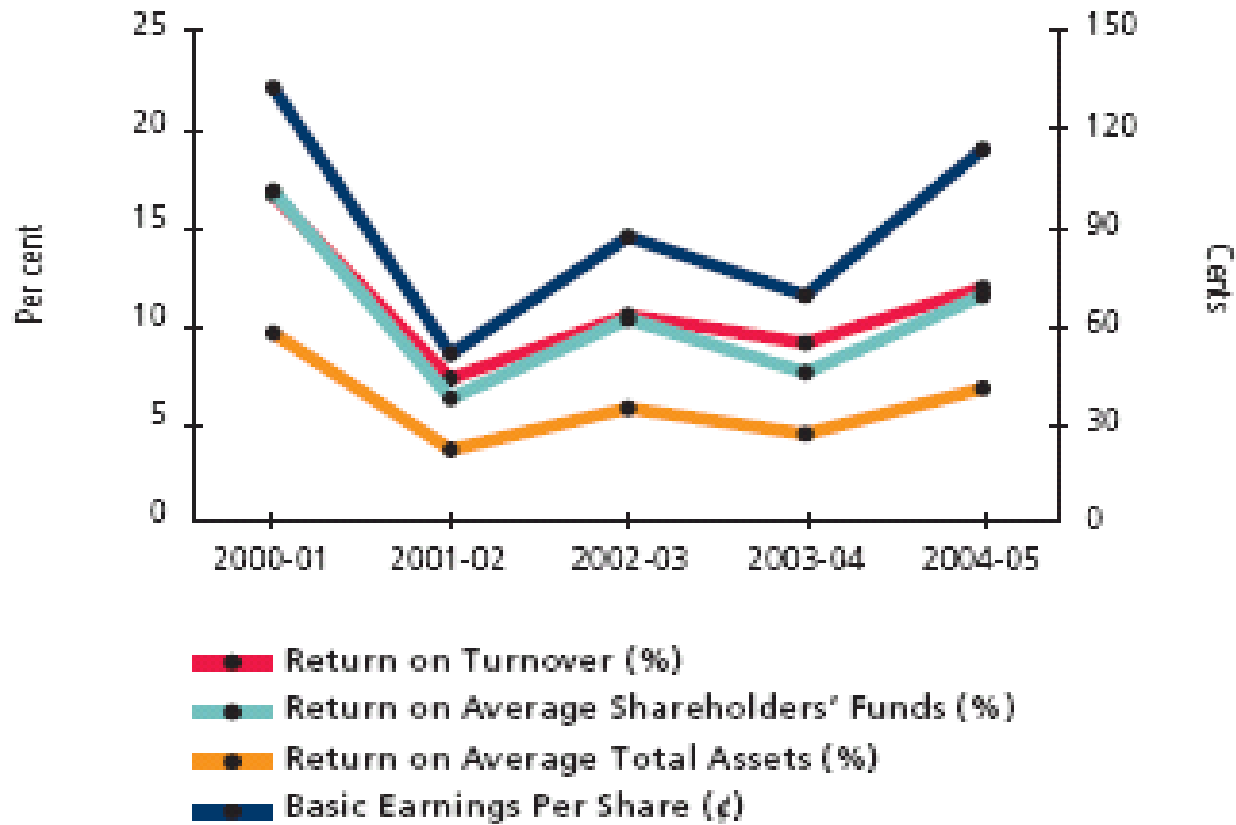
### Group Revenue and Expenditure



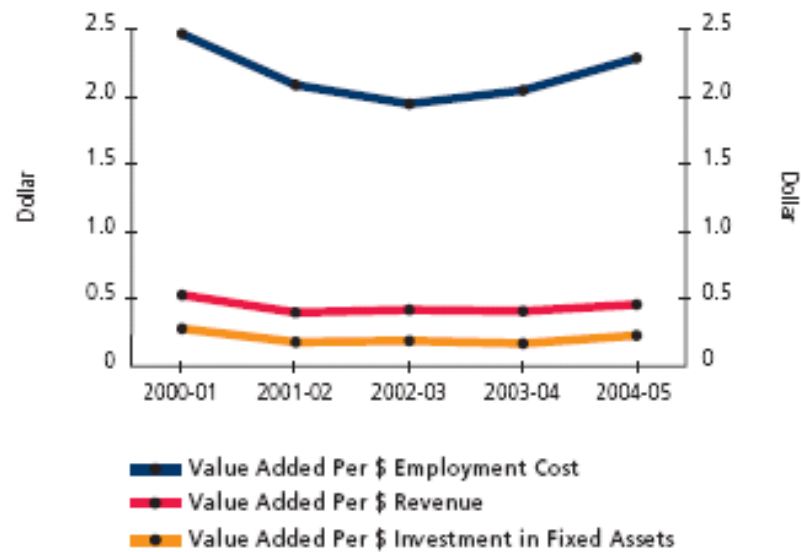
### Group Operating Profit, Profit Before Taxation and Profit Attributable to Shareholders



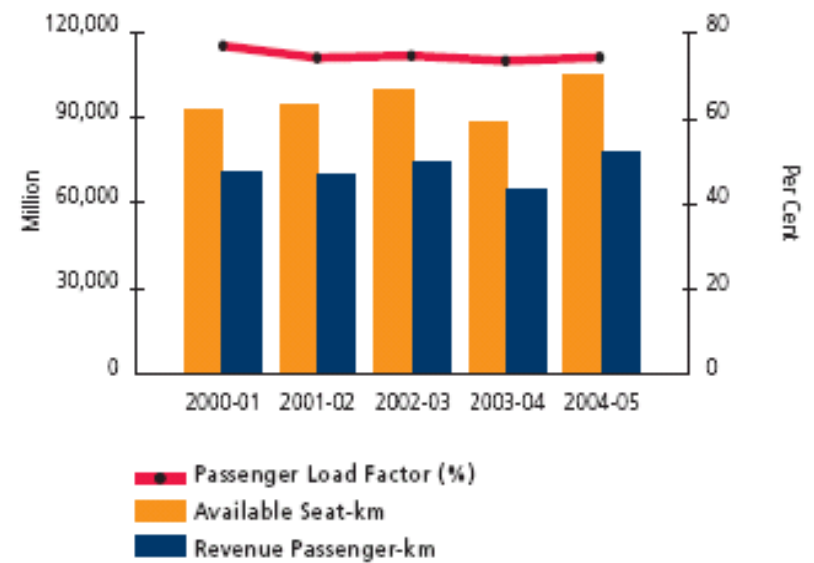
### Group Profitability Ratios



Group Value Added Productivity Ratios



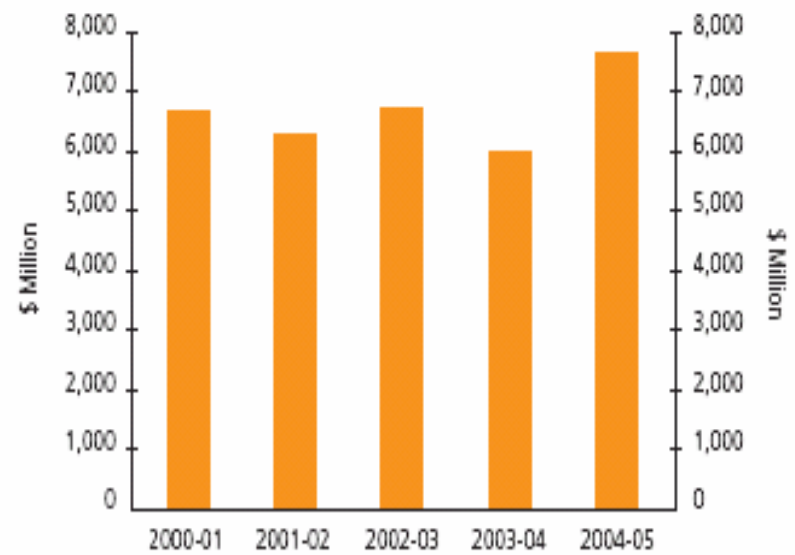
Available Seat Capacity, Passenger Traffic and Load Factor



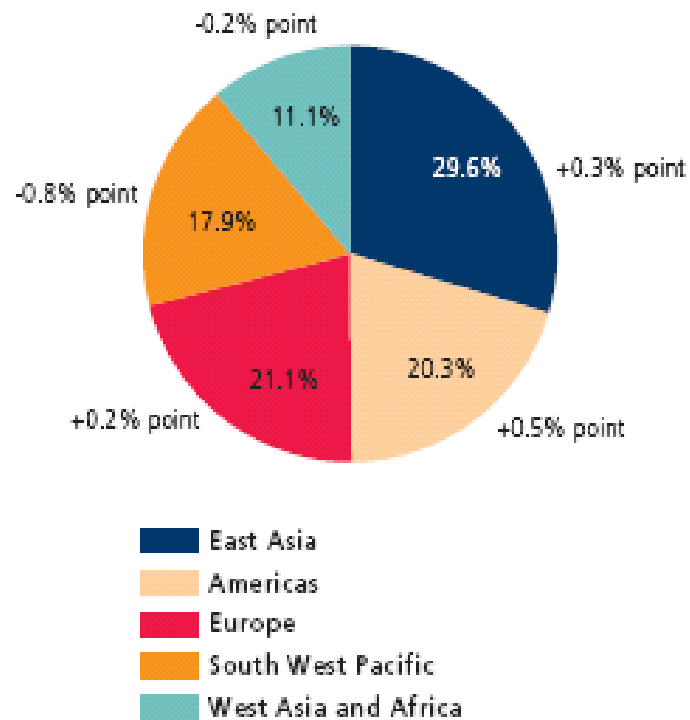
Passenger Load Factor by Route Region



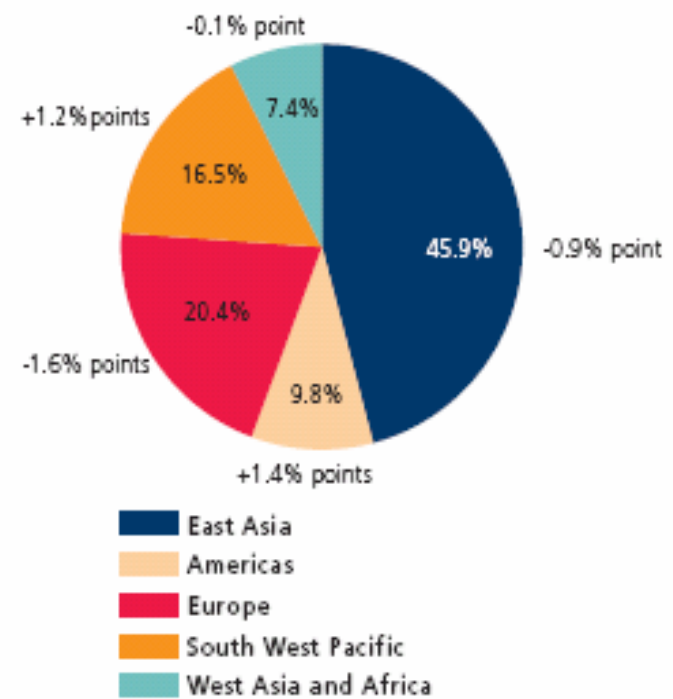
Passenger Revenue



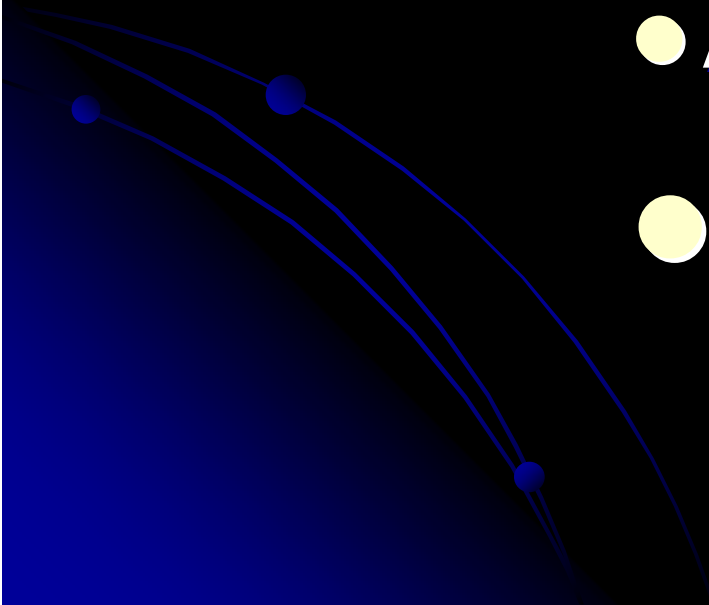
Passenger Revenue Composition by Route Region



Passenger Revenue Composition by Area of Original Sale



# Outline

- Introduction
  - Airhub strategies
  - Airline strategies
  - Conclusion
- 



# Strategic response

- Develop holistic integrated one stop aerospace industry
- Enhanced connectivity and strategic pricing
- Profits = Revenue (markets, fares) –  
Cost (cost control, productivity)
- Service quality through CRM: matching service quality and brand promise
- New markets and strategic pricing
- Employment of technology (FAST and Baggage Drop-off System)
- Divestment
- Focus on core competencies

# Enabling Factors in Super Hubs

- A strong domestic market that can command a certain level of air services.
- Geographical location.
- Absence of ground and air capacity constraints.
- A high standard of service.
- A liberal air environment where changing airline alliances will redirect traffic flows between airport hubs.

# Singapore USA Open Skies 1997

1. The termination of restrictions on pricing, capacity, type of airlines, number of flights and routes;
2. Liberal charters;
3. The right to fly between any point in the US and any point in the other nation and beyond to third nations;
4. Open code-sharing;
5. Prompt conversion and remission of hard currency;
6. Self-handling provisions for carriers to perform or control airport activities that support their operations;
7. Non-discriminatory operation and access to computerized reservations systems;
8. Fair competition in commercial activities such as trucking and airport charges;
9. Membership of international conventions on safety and security.

Businesses will find that without a superior product or where product differentiation is minimal, they have to provide better service or stand to lose customers to competition. But service quality is not the only panacea for all the challenges airlines face. In a highly regulated environment the availability of traffic rights on lucrative routes play a big role in influencing financial fortunes.