

## A Case-based Analytical Study on the Strategic Evaluation of Common Equity Performance of SIA in a Global Organic Environment

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**Abstract:** Singapore Airlines (SIA) is a member of Star Alliance. SIA's passenger route network is covering 35 countries in 65 destinations. The company and its subsidiaries have 98 destinations which are covering Asia, Europe, North America, Middle East, southwest Pacific and Africa. This case study addresses the key strategic issues through a set of analysis tools to evaluate the strategic management performance of SIA.

The objective of this research is to better understand both business and financial performance of SIA as a case study. This would help undergraduate and postgraduate learners to better understand the organisation performance. To achieve this, a secondary research using quantitative analysis on financial and non-financial information, which we believe, is imperative for the analysis. We would also benchmark key performance from the leading competitor and other pertinent issues are considered in financial ratios.

Several business models are used in the analysis of SIA's environment: PESTEL model, Porter's Five Forces model, and management strategies are put into perspective. These business models would enable understanding and behaviour of those ratios computed. Cathay Pacific Airways (CP) was being chosen as a benchmark by its historic accounting records. Recommendations are proposed on the current challenges as encountered.

**JEL Classifications:** G31, G32

**Keywords:** Singapore Airlines, Strategic management performance, Benchmark, Environment analysis

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## 1. Introduction

SIA experienced major challenge and crisis in Asia to the most trying period such as 911-Terrorism in 2001, SARS in 2003, Bird Flu in 2004, Tsunami, US-Iraq war, and the Middle East tension: Egypt political-leadership issues, followed by Libya political issues had an impact on and the volatility in fuel prices, among many others. In 2006, the global airlines industry suffered a net loss of \$500m<sup>3</sup> or 0.1% of revenues, accumulating net losses of \$42bn between 2001 and 2006 (International Air Transport Association, 2007).

In 2011, the global airlines industry gained a net profit of \$8.4b or 2.9% of revenues growth, accumulating net profit of \$ 23bn between 2009 and 2011 (IATA, 2012). Air transportation significantly promoted the economic development of a country and the regions. The airline industry is currently one of the vital industries in the world and it is the heart of global transport, hospitality, travel and tourism, which would affect other economies internationally.

## 2. Literature Review

PESTEL analysis is a useful tool to analyse the environmental audit (Peter F. Drucker, 2006). It is an effective tool for analysis of the macroeconomic environment so as to understand the impact of the organization (Philip Kotler, 1999). It is divided into six major factors: political, economic, social, technical, environmental and legal factors (John Tennent & Graham Friend, 2011).

Porter (1998) in his industry analysis and business strategy are based on the industrial organization economics to deduce the intensity of competition and the market determines by the industry attractive five forces. Kuo-Jui Wua et al. (2012) used Porter's five forces for Case Study in Philip-pines.

SWOT analysis is used in business strategies and strategic approach (Gerry Johnson, et al., 2011). Zhao Xingang, et al. (2013) employed SWOT to analyse shale gas developing in China.

## 3. Research and Analysis

### 3.1 Financial Statement Analysis<sup>4</sup>

In this quantitative analysis, key accounting ratios would be used to evaluate the relative financial strengths and weaknesses. They are categorised into 5 groups: profitability, liquidity, activity, leverage and investment.

#### 3.1.1 Profitability

The ratios related to profitability are shown in Table 1 on the next page. These ratios are classified in three types: Sales growth, Profit margins, and Return on capital employed.

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<sup>3</sup> Loizos Heracleous & Jochen Wirtz (2009)

<sup>4</sup> Ratios are calculated based on SIA's and CP's group financial statements as per annual reports over the 4 accounting years from 1 April 2008 to 31 March 2012 and 1 January 2009 to 31 December 2012 respectively. All ratio computations are independently compounded by the authors.

**Table 1. Profitability Ratios**

Year End		2012	2011	2010	2009
Ratio #1: Sales Growth Rate					
SIA		2.3%	14.3%	-20.6%	0.15%
CP		0.99%	9.9%	33.7%	-22.63%
Ratio #2: Profit Margins					
Operating margin	SIA	1.9%	8.8%	0.5%	5.6%
	CP	1.8%	5.6%	15.7%	8.6%
Net margin	SIA	2.7%	7.9%	2.2%	7.2%
	CP	1.1%	5.8%	15.9%	7.3%
Ratio #3: Return on Capital Employed					
SIA		1.7%	6.9%	0.4%	4.8%
CP		1.6%	5.9%	16.2%	7.3%

**Data Source:** Cathay Pacific Airways (2009-2012), and Singapore Airlines (2009-2012)

#1-Sales growth: Ignore the impact of different accounting year-ends<sup>5</sup>, both airlines achieved sales growths after suffering slump of sales and eventually slowing down of growth rate, but the sales growths of CP was more stable. This suggests that CP's competitive strategies were more suitable to its current strategic position.

Additionally, the revenue in 2012 was still lower than that of 2009 under the circumstance that the global aviation industry had rebounded since 2010. In other words, SIA did gain a remarkable net profit which was 1.15 billion SGD from April 2008 (Y/E 2008) to March 2009 (Y/E 2009) when the industry was suffering loss which was negative 9.9 billion USD in 2008. However, SIA was in a slowdown which showed an increasing by 34.5% from Y/E 2011 to Y/E 2012 of net profit when that of the industry was going up by 43.75% in 2011. Apparently SIA is less influenced by the industry growth.

#2-Profit margins: Although SIA could be in better performance, both organisations' margins were fairly volatile during these four years which were mainly caused by the bad turnover. As fuel price went down steeply from 2008 to 2010, it was still always a major and unavoidable in operating expenses, hence poor load factor would lead to low turnover which could hurt SIA's economies of scale and gave SIA a cost disadvantage.

Though SIA has managed successfully from losses and paid a marginal dividends of 12 ¢ per share in year 2010, but solely focusing and relying on cost control may not be a healthy approach as not raising higher operating income would impact on its profitability. Potential negative impacts would arise when the low morale of pilots as the wages were tightly controlled by the airline (Human Resources Online, 2011) and the reduction of expenses regarding commissions and incentives could further justify. Similarly, cutting maintenance costs of airplane may be unwise when others experienced repeat accidents.

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<sup>5</sup> SIA's year end is 31st March while CP's year end is 31st December.

In year 2012, margins had dropped where the main reason was the continuously increased in operating expenditure, which is a flash point which could translate into potential loss may be carried forward to next year.

**#3-Return on capital employed:** The movements of ROCE were roughly in line with the trend of margins. Noted from our research, substantial profit was not exert using existing capital for the year 2010, which suggests that its present capital used to generate income may not be well utilised.

SIA's depreciation & landing charge got higher percentage to revenue in 2010 comparing those in 2009, 2011 and 2012. We believe the reason why depreciation increase was the progressive delivery of new aircraft when four A380 aircrafts were commissioned in 2010, which resulted in ROCE was lower in short-term.

**Summary:** From our research finding, CP's revenue growth was far below the SIA's in 2012. On one hand, continued decreasing of sales had been translated by a differentiated pricing strategy with the rising fuel costs, which caused revenue growth of SIA slowing down from 2011 to 2012. Hence, the rapid growth of sales was non-sustainable during the recent periods which may be difficult to recover in the future. On the other hand, SIA has remained higher profit margin and ROCE than CP's in both 2011 and 2012, which indicated that SIA's profitability especially the return of investors would be maintained as an optimistic stance.

### 3.1.2 Liquidity

The ratios related to liquidity are shown in Table 2 below. These ratios are mainly in two kinds: Current ratio, and Operating cash flow ratio.

**Table 2.** Liquidity Ratios

<b>Year End</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Ratio #4: Current ratio (times)</b>				
SIA	1.37	1.57	1.45	1.16
CP	1.01	0.85	1.04	0.86
<b>Ratio #5: Cash (Net Operating cash flow) ratio<sup>6</sup> (times)</b>				
SIA	0.40	0.57	0.46	0.33
CP	0.26	0.42	0.54	0.16

**Data Source:** Cathay Pacific Airways (2009-2012), and Singapore Airlines (2009-2012)

**#4-Current ratio:** SIA's current ratio was greater than one over all the four periods and indicated much better results than CP's, especially while SIA had a negative position compare to CP in the past history. SIA's cash flow management seemed to be fairly healthy and active.

The reason why liquidity situation got better even in 2010 was not due to better current assets. Similar to the operating margin, SIA tried to improve the current ratio by significantly reducing the current liabilities through settling the payables especially the trade and other creditors.

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<sup>6</sup> This is computed using "Cash generated from operations" in Statement of Cash Flows divided by "Current Liabilities".

Another noticeable component is that the cash balance was increasing during the first three years, especially in year 2011 where balance was abnormally increased to \$7,434.2m by 66.2%. This could have arisen from operational cash inflows and proceeds from bond issuance.

**#5-Operating cash flow ratio:** This ratio interprets short-term debts using its cash flows generated from the operations. It is notable that unlike the current ratio, for the OCF ratio, the numerator is consisted of both EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) as well as working capital instead of taking a figure directly from the statement of profit or loss.

Almost both organisation's results were lower than 1 during all the four periods and less than half of the current ratios, this suggested that despite the current assets looked satisfactory, their functionality was weak as they are mainly consisted of non-operating items.

We believe certain business portfolios could have imposed a constraint in resources which further impacts liquidity.

**Summary:** Comparing to CP, SIA still got a positive status of cash ratio. However the higher current ratio pointed to not only the good performance on liquidity but also the higher cost of working capital, which is the SIA case.

### 3.1.3 Activity

The ratios related to activity are shown in Table 3 below. These ratios are mainly in two kinds: Accounts receivable turnover, and Fixed assets turnover.

**Table 3.** Activity Ratios<sup>7</sup>

Year End	2012	2011	2010	2009
Ratio #6: Accounts receivable turnover <sup>8</sup> (times)				
SIA	11.0	10.4	9.4	10.8
CP	17.7	16.7	15.2	14.0
Ratio #7: Fixed assets turnover <sup>9</sup> (times)				
SIA	1.0	1.0	0.8	0.9
CP	0.8	0.9	1.0	0.8

**Data Source:** Cathay Pacific Airways (2009-2012), and Singapore Airlines (2009-2012)

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<sup>7</sup> The Statements of Profit or Loss of both SIA and CP are presented by nature rather than by function. Hence due to the lack of "Purchases" and "Cost of Goods Sold", the "Creditors Payment Period" and "Inventory Turnover Period" therefore cannot be calculated, and consequently the "Working Capital Cycle" is not able to be derived. Hence the ART ratio and FAT ratio are computed alternatively.

<sup>8</sup> The whole amount of sales will be regarded as "Credit Sales" and only "Trade Debtors" is regarded as "Receivables" in this paper.

<sup>9</sup> In this paper, we regard the total "Non-Current Assets" (i.e., including other intangible assets and financial assets) as "Fixed Assets".

**#6- Accounts receivable turnover:** Both organisations’ ART ratio was slightly increasing. In year 2010 the debtor collection ability may be worsened as debtors may not be able to pay off their debts in time due to liquidity issues. This affects liquidity as the cash operating cycle was extended.

As long as sales are maintained at an acceptable level, ART shall represent a good performance.

**#7-Fixed assets turnover:** Generally, the major fixed assets are property, plant and equipment<sup>10</sup>, and the aircraft are the main component of PPE which are extremely expensive. Hence this ratio could not be too large, and the movement of the book value of aircraft would be the key driver of the FAT ratio.

During these four years, FAT ratio remained relatively steady and the results of nearly 1 time looked quite ideal. To maintain for a young age of its fleet, SIA always introduces new airplanes to replace some old ones, which generated a great gains.

From 2011 to 2012, the number of aeroplanes significantly reduced; probably a result of setting up low-cost business. While lesser value-added and profit-making might lead to realisation of some aeroplanes.

**Summary:** SIA’s business operation efficiency remained ideally constant. But Comparing to CP, the times of Accounts receivable turnover of SIA were not such favourable, which drag the activity performance down, from which SIA suffered more carry cost.

### 3.1.4 Leverage

Two leverage ratios, Gearing ratio, and Interest cover, are shown in Table 4 below.

**Table 4. Leverage Ratios**

Year End	2012	2011	2010	2009
Ratio #8: Gearing (Debt/Equity) ratio <sup>11</sup>				
SIA	10.4%	9%	10.7%	10.9%
CP	93.7%	67.0%	60.1%	84.9%
Ratio #9: Interest cover (times)				
SIA	3.8	18.1	0.9	10.1
CP	1.1	3.2	8.5	4.0

**Data Source:** Cathay Pacific Airways (2009-2012), and Singapore Airlines (2009-2012)

**#8-Gearing ratio:** SIA’s gearing situation was low as it does not mainly rely on debt capital, the interest expenses were quite marginal and hence the insolvency risk is minimal.

However, the lower Capital Gearing may also mean that SIA didn’t use interest as tax shield totally. Linking with Assets turnover analysis above, we believe that full capacity is unlikely to expand its long term debt as a financial leverage.

<sup>10</sup> As the biggest proportion of fixed assets is “PPE”, discussion on other items (intangible and financial assets) will be ignored.

<sup>11</sup> For SIA, “Long-Term Liabilities” plus “Provisions” are treated as “Long-Term Debt” and “Net Long-Term Liabilities” plus “Other Long-Term Payables” for CP.

**#9-Interest cover:** The more the proportion of stated-owned of a public sector organisation, the lower the risk of going concern would be. The range of effective interest rates from every source of finance was quite low and acceptable (Annual Reports, 2008/09, 2009/10, 2010/11 and 2011/12). The hedging situation in 2011 was better than previous year (Annual Report, 2010/11).

SIA's financing of debt capital was fairly marginal all the time, as in year 2010, the interest coverage was not as fragile as it seemed to be. Hence the risk of inability to repay is minimal.

**Summary:** Any financial risk was quite insignificant to SIA. Obviously SIA didn't enjoy the benefits of the tax shield due to the financial leverage currently. Such choice eroded the growth of ROE without exploiting the role of the income tax deductibility of interest.

### 3.1.5 Investment

Three ratios related to investment are shown in Table 5 below. These ratios are mainly in three kinds: Earnings per share, Price to earnings ratio, and Dividend payout.

**Table 5. Investment Ratios**

Year End		2012	2011	2010	2009
Ratio #10: Earnings per share					
SIA	Basic	28.3 SG ¢	91.4 SG ¢	18.2 SG ¢	89.6 SG ¢
	Diluted	27.9 SG ¢	90.2 SG ¢	18.0 SG ¢	89.1 SG ¢
CP	Basic and Diluted	23.3 HK ¢	139.8 HK ¢	357.1 HK ¢	119.3 HK ¢
Ratio #11: Price to earnings ratio (times)					
SIA		38.06	14.97	83.52	11.16
CP		61.1	9.5	6.0	12.2
Ratio #12: Dividend payout					
SIA		70.7%	153.2%	65.9%	44.6%
CP		34.3%	37.2%	31.1%	8.4%

**Data Source:** Cathay Pacific Airways (2009-2012), and Singapore Airlines (2009-2012)

**#10-EPS:** Both organisations showed volatile results during these four periods. The ratio is directly connected with profitability. For example, a slump at Y/E 2010, due to a poor sales turnover could impact shareholders' confidence.

In year 2012, the EPS dropped again due to the uncomfortable profit making. Hence the unstable profitability directly affects SIA's EPS.

**#11-P/E Ratio:** Theoretically the higher this ratio, the more the investors' gratification should be. A sharp rise at Y/E 2010 may not mean that SIA's performance was good as the EPS was weak. A worsened profitability in 2010 would impact the EPS which is extremely low as the price per share was not the main driver. A similar situation happened in year 2012 for CP of which two large shareholders left in Y/E 2011.

#12-Dividend payout: In Y/E 2011 a higher dividend pay-out was noted where the dividend cover is not less than 1 time. This may appease the disappointed shareholders and encourage investment. Comparably, SIA's profitability looks promising and lucrative while CP remained relatively steady.

**Summary:** Investment in SIA is still a feasible choice based on high P/E ratio.

### **3.2 Macro Environment Analysis**

Political factors: SIA has an outstanding international reputation with agreements of an "Open Skies" with US, Australia and other countries' carriers. SIA has extended its network via code-sharing with fellow members of the Star Alliance marketing partnership, including United Airlines and Air China. This allows airlines to sell tickets on one another's flights and thus offer service to additional destinations (Reference for business, 2012).

Economic factors: As an epitome of the global economy, the airline industry suffered huge losses due to the global financial crisis in 2008 while noted with the increasing of oil price. Overall ticket prices were forced up by the bunker surcharge (iBLOB Articles, 2012).

Domestically, annual inflation rate increased from 0.6% in 2009 to 4.6% in 2012 was considered high (Statistics Singapore, 2013), GDP increased from \$274.7b in 2009 to \$345.6b in 2012 (Statistics Singapore, 2013).

Socio-cultural and socio-economic factors: Territorially, Singapore has a small population where overseas customers are important. A lower birth rate seems unrealistic over shorter term solutions (XinMSN News, 2013), hence, more foreigners are deployed.

As an important airport hub in Asia, the tourism industry looks optimistic with many passengers experienced SIA services based on its wide network.

Technological factors: A380 is a high technology aircraft when SIA introduced it. However, if competitors overtook it, it may lose the competitive advantage as a hi-tech carrier.

Environmental factors: Pressures from global warming as well as noise pollution keep increasing and the whole transportation industry is affected. Specifically the airline industry holds very heavy environmental responsibilities, to the carbon emission for example. Logically reducing the environmental footprint of flights is internationally required.

Legal factors: Airline industry is highly regulated lots of laws and regulations as well as the rules in Singapore Stock Exchange have to be followed. However, different countries or regions have different legislations, based on SIA's wide extent of business, confusions and threats concerning compliance exist and there are potential compliance risks.

In relation to the domestic laws, it is specifically notable that the Singapore Tax Law gives a significant opportunity. For example<sup>12</sup>: low corporate tax rate (17%), tax treaties (e.g., Double Tax Agreement) with many countries (Tan and Oei, 2012) etc.

**Summary:** There are several political and legal opportunities SIA could take advantage of, while bad economic situation creates a very significant threat which is fairly difficult for SIA to overcome.

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<sup>12</sup> By taking the size of SIA into account, only significant tax implications are mentioned here.

### **3.3 Market Industry Environment Analysis**

Threat of new entrants: High barriers for potential new entrants, where excellent reputation and brand loyalty, sound internal systems and economies of scale, great expertise, and high set-up costs, licenses and agreements needed for effective operations.

Bargaining power of suppliers: Higher global fuel prices are experienced and the industry is dominated by two manufacturers: Boeing and Airbus. Hence, their power is moderately weak.

Bargaining power of buyers: There are untold numbers of airlines in the Asian region where many are low-cost airlines. Individual customer has a wide choice and the switching cost is low.

Threat of substitutes: As inflation remains, budget or even full service air ticket prices are relatively stable, this translates as a relatively cheaper source besides other mode of transportation, e.g. bullet trains in other jurisdictions.

Competitive rivalry: The barriers to entry are quite high. Many low-cost airlines like Malaysia Airlines, Qantas Airways and Jet star Airways can gain market share much easier. Hence, then ability raises prices.

**Summary:** The competition within the airline industry is considered to be fairly fierce, strong bargaining power of customers and the growth of low-cost airlines cause serious threats to SIA to protect its market share. However, the high barriers to entry mean that the chance which the existing market further partitioned by new entrances is low.

### **3.4 Management Strategies**

#### **3.4.1 Generic Competitive Strategies**

Based on good services, SIA pursues the differentiation strategy, margin per seat is considered to be fairly high, but the sales volume (load factor) was always quite low compare to other airlines which sell at much lower fare. One of the drawbacks is that under this pricing strategy SIA will suffer in a recession when consumers only require basic products, and it seems to be the case in year 2010 (see Section 3.1.1 above). However, reducing fare will result in bad perception (i.e., low price means low quality) and potentially damage the brand and reputation (the failure of Parker Pen's pricing strategy could be a good example).

To adapt to the current market, the popularity of Tiger Airways provides a clear suggestion. SIA accordingly diversified more business units (subsidiary airlines) to focus on the low-cost markets.

#### **3.4.2 Product / Market Strategies**

A move towards the budget airlines with an increase in the advertising dollars in Silk Air and Tiger Airways, and Scoot (CAPA, 2012), this would fill the gap in the budget airlines' markets. SIA Cargo looks less lucrative, it had reduced its freighter capacity by 20% when a lower demand with higher fuel prices (SGX Price Target, 2012) and the consistent weak load factors. Hence, suspension of services in Houston (CAPA, 2011), Abu Dhabi and Athens raised (Singapore Airlines - News Releases, 2012).

Procurement of larger aircraft (A380 and A330) could have increased the operating efficiency, underpinning the high technology and public attention on the first class and business class Boeing 777s.

#### **3.4.3 Developing Strategies**

Star Alliance with other airlines such as United Airlines and Air China enables SIA to expand its flight routes effectively and efficiently. However, on the other side, these strategic partners will potentially become SIA's key competitors.

**Summary:** SIA kept seeking different ways to protect and improve its business operation mainly by actively adjusting its business portfolio; more low-cost airlines have been introduced for the purpose of gaining more sales from low-cost consumer group. However, even though they could be lucrative and contribute to the group performance, SIA's own low load-factor problem is not solved.

### **3.5 Strategic Position Review**

**Strengths:** SIA's brand name is one of the strongest in the airline industry, the staffs have been well advanced in training professionally and the introduction of Boeing 747 and A380 helps to enhance the brand equity and reputation of which loyal customers are built. A wide route network in Asia, Europe and US helps to gain a bigger foothold in the foreign markets.

**Weaknesses:** Poorer turnover leads to poorer profitability for this four accounting periods. The implementation of low-cost airlines is a real challenge to improve its group earning substantially. This indicates that its rudimentary marketing on the low-end consumer group and its low-cost business operations are still immature and there might be potential failure risks exist.

**Opportunities:** The open skies agreements and star alliance could be great opportunities to explore into the untapped markets. And favourable tax implications further facilitate SIA's expansion by reducing its tax obligation. With the adjusted business portfolio, once sales are increased, it can be expected that SIA's whole financial performance as well as financial position could be improved significantly.

**Threats:** The global financial, the environmental haze issues with uncertainty remains. Strong competitiveness of the no-frill low-cost budget airlines would impact sales revenue. Consistent low load factor and occupation rates will severely threaten any future cash flows. The high fuel costs and bunker surcharge would also impact SIA's cost base.

## **4. Future Success and Recommendations**

Good service is SIA's major competitive advantage and must be maintained. Apart from continuously running the core business, SIA should focus more on building up its own low-cost brand to better attract low-end customers. To achieve this objective, many barriers must be overcome, e.g. resistance, potential culture clash and quality control difficulties. Under the Balogun model (Johnson, Scholes and Whittington, 2008), this strategic change will be incremental and transformational, hence evolution is the kind of change needed. As this takes time, SIA must keep patient.

To keep trying to saturate the low-cost market, as the service quality is the signature of SIA, it should transfer this core competence to all its airlines – SilkAir, Tiger Airways and Scoot.

Continue to build and rely on its Star Alliance as it can save tremendous cost. In addition it should try to have product bundling with tourism groups, hotel groups, government agencies and transport companies. All these will lock in customers and boost the revenue of the airline.

Some shareholders might be dissatisfied but SIA should keep its dividend payment at a reasonable level and use the dividend saving to address those operational concerns.

SIA may try to find some available financial derivative instruments (i.e. forward, futures, option and swap) to hedge the continuously increasing fuel prices.

There is still the room for SIA to improve its brand awareness. For example, recently the Turkish Airlines (TK) made a very interesting and impressive advertisement by inviting Kobe Bryant and Lionel Andrés Messi. SIA could imitate TK to invite somebody who is renowned celebrity.

Increase the number of flights to popular cities such as New York and London as well as cities that have rapid development such as those in Middle East and secondary cities in China.

To maintain service differentiation and to compete with newly emerging Middle East market, SIA should continue to boost itself in having the latest type of airlines (e.g. A380 and Boeing 787).

To solve the low-load factors problem, instead of reducing the number of flights which causes inconvenience and dissatisfaction, smaller size aircrafts could be introduced to those less profitable routes.

Under the challenging market conditions, SIA always reported bad performance. The skies for SIA look cloudy for the present moment. The strategies suggested by us above some of the ways to minimise this turbulence experienced by the SIA. Hopefully in the near future, these recommendations are useful in situation like a safe and pleasant landing.

### 5. Conclusion

The stronger assets and lower financial risk with the many adverse events has gained valuable experiences in the past. It remains as one of the best airlines in the world. A poorer global economic condition and strong competition could have contributed and improved bottom-line as it recovered at 2011. SIA had considerable facilitation to operate and expand its business. The one-tier system and tax treaties would enhance any commercial viability for expansion.

The financial performance was very volatile during the few years in a globally organic environment which were caused by lower turnover; various ratios which are relevance but may also offer some different concerns. The central reason is the fierce rivalry and strong competition within the airline industry and its differentiated pricing. Routes which are lower in value-add should be examined further for cost advantage.

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