Performance Analysis of Airline Services
(A critical study of Global Scenario)

Dr (Prof) AVN Murty¹, Dr Tapesh Kiran², Ms Nidhi GoeL³

¹Department of Management Studies, Technology Education & Research, Integrated Institution (TERII), Kaithal Road, Kurukshetra, INDIA
²Department of Management Studies, Technology Education & Research, Integrated Institution (TERII), Kaithal Road, Kurukshetra, INDIA
³Assistant Professor, Department of Management Studies, RKSD Colleg, Kaithal Haryana, INDIA

ABSTRACT

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Airlines services are one of the finest and easiest mode of transportation across the world for the people flying to different countries. Most of the developed continents like Europe, Asia and America and many more countries have the best air services in the world today. It is very much needed that airlines sector must look into various aspects to promote efficiency and productivity in its operation. There are various issues like outsourcing, different types of business model, ownership and control, liberalization policy like deregulation, open sky policies etc are the core issues of this sector. There is a basic need of cooperation among different airlines companies which will make flying very easy task between the countries. One more aspect of satisfying the labor unions which is consider to the one of the strongest factor to be taken seriously by the different airlines company. It is expected that a good human practices is deliberately in a professional management style to affect the performance of the airlines company. A harmonious relationship between the management and union is the basic need of good management practices to motivate the employees to be productive at work. Besides this a good corporate governance provides mechanisms to ensure the management realizing their obligations in the form of return to composite the investment of the company. Corporate governance has direct impact on the performance analysis of the company. Different airlines companies have different cost structures with different governance models. The impact of airlines size is that large airlines tend to be allocative efficiently as compared with small airlines. Further it is expected that there are good strategic management practices adopted by different airlines companies to make his operations more efficient. The authors after making exhausted research feel that airlines services can be made as one of the best transportation industry in the world.

INTRODUCTION

The focus of scholarly works since the deregulation of the U.S. airline industry in 1978 has constantly aimed at benchmarking airlines from the aspects of efficiency and productivity. Since then, dozens of research in airlines are centered on how airlines promote efficiency and productivity amidst the rising competition sparked by moves for liberalization in the air transport industry in both the United States and European Union and other countries. The importance of the subject matter in research has substantially increased after terrorist attacks at the World Trade Center on September 11, 2001 which has adversely effected the financial positions of airlines across a number of regions in the world. The focus of research in airlines in the 1980s and 1990s linger around the issues of rising cost resulted from moves for deregulation in the United States and liberalization in the European Union. Among the hotly discussed issue is the allocative inefficiency in the light of opening up of the air transportation markets in the two regions. On the other hand, productivity in airlines are quite recent with few done before year 2000. An obvious research pattern in productivity study has constantly focused on determinants of productivity level and sources of productivity growth. Bad financial situation in many airlines across regions in 2000s has led airline practitioners and academic researchers seeking for strategies to improve financial position of airlines. This reason explains why the focus of aviation studies in 2000s was procrastinated around the theme of rising operational costs and its solutions albeit a more in depth investigation at micro level-to involve strategic management approaches. There are various ways and strategies outlined in scientific literatures to contain the
issue of rising cost as well as decreasing profits including business model; ownership and control; liberalization (open skies policy, cooperation: airline alliances); outsourcing; labour union; and corporate governance. This paper discusses on the development of thought in airlines’ efficiencies, and also on allocative efficiency. Throughout the study from 1983 to 2012, it has been found various empirical findings regarding factors affecting efficiency in airlines. These factors have important impacts on the technical efficiency levels of airline companies.

OUTSOURCING

Outsourcing is not a new phenomenon in the era of increased liberalization today. Outsourcing activities across firms and industries have been well documented since the introduction of concept of “international division of labour” by Adam Smith in 1976. Many firms tend to outsource some of the activities that they used to carry in house before. This is among others driven by an economic reasoning namely the principle of comparative advantage and competitiveness. Some of the studies are more centered on different models of outsourcing, extent of outsourcing, motivation for outsourcing, and aspects in outsourcing of maintenance in the airline business. A considerable amount of information and concepts in these literatures are drawn upon cases of outsourcing in sectors other than airlines and have evidences found in airlines magazines and bulletins. Non-core activities should be outsourced to the most competent suppliers. Non-core activities are described as activities which are critically important for a business operation but its provisions can be sourced from third party providers. The basis for decision to outsource depends on routine nature of the activities. It is suggested that routine activities like line maintenance can be in-sourced whilst less routine activities such as engine maintenance may be outsourced. What appears to be similar in both studies is that outsourcing model is determined by criticality of the activities involved in the business operation. The extent of outsourcing in different airline functions is investigated in the decision to outsource by comparing levels of outsourcing with the principle of transaction cost economics. The finding confirms that an outsourcing decision does not always conform to what transaction cost economics principle suggests and also suggests a mixed pattern of outsourcing for airlines. There are many reasons motivating firms to outsource their activities.

The issue of rising cost is confined that cost cutting in terms of low wages is not a mere reason for contracting out of activities but advantageous of information technology development, risk sharing, increased concentration on corporate competencies, global opportunities and challenges are important motivation for outsourcing. Falling costs are possible through outsourcing of airlines” activities which require high technological knowledge and investment. However, the generalizability power from the finding may not be applied to all airlines in the air transport market worldwide as it is based on opinions.

The study in the decade explores the aspects of present maintenance outsourcing practice among airlines including development in global business, decision for outsourcing and issues in regulatory and safety which affect outsourcing decision. There is a need to contain rising costs, therefore it is expected that global maintenance outsourcing is in an increasing trend while meeting with regulatory and safety standards set by the authority.

BUSINESS MODEL

Business model implies different cost structures adopted by the airline companies in their operations. An airline may adopt a full service concept or a low cost structure in its operation. The business concept adopted by an airline reflects the degree of flexibility and independency in decision making when an airline facing turbulent periods which can adversely affect its financial position. The faster the critical decision is made, the better it is for airlines as they can minimize their losses incurred from bad business performance. The low cost carrier (LCC) is associated with a high level of technical efficiency compare with full service carrier. Among the reasons for the high technical efficiency in LCC model is partly due to the ability of the LCC to lower down their operating costs resulting from lower average fares and generation of high volume of passengers. The sustainable profitability of LCC is attributed to its fast extraction of value. One of the distinct characteristics of the LCC is simplicity of its corporate governance structure which permits the airline to lower cost while making a faster decision in the event of an emergency. For example, fast decision making by the management to slash routes which deems to be unprofitable or adjusting other inputs costs in the event of skyrocketing jet oil prices. This measure ensures airlines remain profitable in surmounting crisis period. The degree of outsourcing practice in LCC business is to attribute to the successful of the business adopted by the airlines. Persistence outsourced of services for activities such as maintenance, repair and overhaul; catering, cleaning, sales of tickets and the like are likely to lead to long term gain at the firm’s end so long that the primary motive for outsourcing is not driven solely by short term tactic to cut costs down.

OWNERSHIP AND CONTROL

Types of ownership in airlines business signify the degree of control by particular individual as shown by the percentage of share a person or a business has in an airline company. This tells how fast decision can be made during critical period to save costs. Public ownership of airline implies large size of corporate governance. Hence, it is likely to slow down the decision making process, as any decisions made must get the concern from all the board members before it is
materialized. On the other hand, a privately owned airline tend to enjoy a higher degree of autonomy in terms of decision making, hence making this ownership type more successful than a publicly owned ones. Other remarkable feature in airline ownership is restriction of foreign ownership to the minimum to protect national interests. This is particularly true for majority of the state owned airlines in the world. Studies on the relationship between ownership types (state ownership vs private ownership/foreign ownership) and airline performance prior to 2010 uncovered a rather ambiguous finding to note the absence of relationship between ownership types of airlines and its efficiency levels. The authors argued that what matters in ownership types is not who owned the airlines but rather the operational objective holds by the managers and the identity as well as the interest of the owner which are more important in determining sustained performance of an airline company. In contrast, the privately owned airlines perform better than publicly owned airlines. The nature of studies conducted by source authors is more towards in depth investigation on the underlying factors that drives the better performance of privately owned airlines compare to publicly owned airlines. One of the notable drivers highlighted by the authors is a high absorptive capacity of an airline resulting from flexible management style and strong networks, and long term employee’s relationship leading to highly competitiveness in family owned airline. The relaxed of ownership and control regulation is possible so long that important issues- safety, security, economic as well as social impact of loosening the rule is not compromised. There is no consensus on whether ownership types affect the performance of airlines. Most of the findings say that publicly owned airlines are inefficient, but the qualitative approach does.

LIBERALIZATION IN AIR TRANSPORT MARKET

Liberalization/deregulation

It is generally agreed at least by the proponents of free market economy that liberalization of the air transport market leads to increased efficiency. Liberalization eases entry barriers imposed on potential and new carriers, therefore leading to high competition levels among the carriers in the market. In order to attract a high volume of passengers, airlines have to cut costs so as to arrive at a lower fare otherwise their passengers will turn to competitors who offer a competitive price. Since the introduction of the 1978 air transport deregulation policy in the U.S., there have been increasingly attempts to investigate the impacts of loosening air transport trade regulation on efficiency and performance of airlines. There is a direct positive effect from opening up of the air transport market on airlines efficiency. Despite positive correlations between liberalization and efficiency of airlines, is that one knows that liberalization in the air transport market. The indirect effect of air transport liberalization on transaction cost reduction. Manager’s focus on customers and factor markets is important to cut costs in the light of liberalization practice in airlines. A smart airline manager will try his very best to deal in the very right way when liaises with customers and factor markets. This way will ensure the firm achieved its objective in cutting the transaction costs. But we cannot ignore investigation on variables that may affect the transaction cost volume. This issue is worth considering if policy implication of the transaction. The new form of bilateral service agreement between airline and airport which consider consumers’ interests as well as protection of interests of both airport and airline operator. This initiative will ensure long term commitment despite avoiding disputes between all parties involved.

On the other hand, the impacts of deregulation on corporate governance feature five interesting outcomes: (1) concentrated equity ownership, (2) increasing CEO pay, (3) rising stock option grants to CEO, (4) increased board size. The study also suggested that changes at internal governance level are costly therefore it should be done gradually. The liberalization of air transport in Nigeria resulted in dispersed domestic network. This finding challenge the opinion of proponents in the mainstream studies that liberalization will eventually lead to a more concentrated traffic along with few nodes. Futures there are factors affecting network concentration and the number of nodes. It is also worth noting the relationship between the degree of network concentration and the efficiency of airlines. The liberalisation can further strengthen if it is possible to check for the effects of various factors that can affect city placement like political influence, commercial functions and geographical location. The degree of liberalization is an issue that matter to raise the efficiency level of airlines. Therefore, this issue requires a full understanding particularly among managers who involved in decision making regarding liberalization agreement with other carriers.

Failure to make the right decision on the form of liberalizations which meets the objective of liberalization of a carrier may result in larger cost implication. For example, one may choose a multilateral agreement to pursue liberalization initiative but this may end up with delay in materializing the agreement as it involved concerns from multiple carriers hence implies a longer time and higher cost involved in the process. To ensure higher efficiency level, a liberalization approach that is the contestable market as it ensures flexibility in decision making and promote fast decision making process. Two different techniques in measuring international competition at city pairs level. The liberalization results in increased competition in air carriers and the pattern of competition found from European sample suggests that number of competition confines to few routes. competition among flights with multiple stopovers were not considered in the study due to complexity in computing the variables involved.
OPEN SKIES POLICY

Open skies policy is a much simpler form of deregulation as it marked a first approach used in the deregulation initiative in the United States. In the move for liberalization of the international air transport market, open skies agreement have been used as a tool to pursue the initiative of liberalization in air transport to the level today. It does not convey that the air transport market is free from regulations but rather it means that some of the obvious issues which were used to be tightly controlled by the government before are now relaxed for example the issues of routes served, capacity and service levels, and double approval of fares to double disapproval. These measures improved the efficiency level of the carriers involved. A liberalization move marked by open skies agreement may lead to a more relaxed restriction on issues like capacity, air fares, routes etc. However there remain an issue unresolved in the transatlantic open skies agreement which is the control of states on proportion allowed for ownership of shares by foreign companies. Airlines may improve this situation by adopting more than a simple open skies policy approach to assume a broader definition including free mobility of factor of productions between the parties involved in the open skies agreement. The open skies initiative to liberalize the regional air transport market by itself may not lead to a success mission unless accompanied by freedoms in a broader context including all airlines in the region which is comparable to the freedoms granted to the U.S. Asian region will only benefit from the open skies ties with the U.S. when the air transport market in Asian itself is not restricted. Failure to liberalize the whole air transport markets in Asia entails that airlines in Asia are likely to lose to its partner namely the U.S. In a way, there is a need to form a strong trading block within the region to raise the efficiency levels of all airlines in Asia before engaging in any open skies agreement with other party who has a liberalized air transport market.

Further then are there possible solutions for the positive impact of liberalization in the air transport market in Asia namely the need for fair competition ruling, ensuring network freedom among airlines in Asian and allocating airport slots for new entrant airlines to ensure they able to compete with existing players in the market. The importance of institution by forming „Trade and transport facilitation committees” which consists representative from each countries involved in the agreement to provide avenues for bilateral and trilateral negotiations. It provides greater benefits of the open skies initiative in Asia through the introduction of a more liberal regulatory environment. So far research on open skies have been focused on challenges faced by airlines in open skies agreement and what determines a successful open skies initiative among parties involved in the agreement. While open skies policies in both the United States and Europe have met with a success for both regions, there is a need to carry out more studies to investigate current progress made by Asia as we know that a more serious liberalization movements only starts lately in Asia. It is also worth investigating the progress and impediments on open skies movement in South East Asia nation as we recognize the growing importance of air transportation in countries like Thailand, Indonesia, Malaysia, the Philippines and Vietnam.

CO-OPERATION AMONG AIRLINES

A common form of airline co-operation in the rise of liberalization moves in the air transport market is an increased tendency to join alliances. This is attributed to heavy regulations and the desire to form a global network in the air transport industry as seen in different type of restrictions (legal, political and institutional) for merger and acquisition in the aviation market. Airline alliances posed positive impacts on economic welfare, better services due to better coordination of the airlines’ connecting traffic, and lower unit costs. This indicates a fall in air fare. There is always positive correlation between alliances and consumer’s welfare because increasing volume of passenger, reduce average air fare, and increased customer’s satisfaction are attributable to increased alliances in airlines. Share alliances do promote competition as can be seen in a fell in price levels and passenger volumes for all alliance partners. What distinguishes is that in the former the authors find that there are no signs of price collusion among the alliance partners, hence suggesting the decision to approve the application for code share alliance by the members is justified. There is also a negative effect of alliances which was seen as discouraging competition, nevertheless this claims has been proven insignificant as the potential benefits gained from alliances was far greater than the downside effect of the practice on competition in the air transport market. The impacts of alliances on efficiency and productivity of airlines are equally important because alliance affect efficiency in airlines it is not effect. A recent trend also shows alliance in aviation market do not look at direct relationship between alliance and efficiency, rather the relationship is viewed from different perspectives namely: (1) the partial antitrust immunity characteristic of efficiency (2) an appropriate governance structure in alliance. The former asserts that claims of increased efficiency resulted from alliances should not be the ultimate basis of assessment for granting of antitrust immunity to applicants wishing to form alliances because the claim in itself is questionable unless followed by proof of incremental benefits possibility of having a strong alliance which gives equal profit sharing arrangement among the players. An appropriate alliance will provide a higher degree of flexibility to airlines when dealing with turbulent periods in their business cycle, therefore reduce the possibilities of making changes which may incur high costs to the members.

LABOUR UNION

Union in the airline industry is one of the well established and powerful employee institutions in an
Labour union plays an important role in determining the salary and wage level received by its members. A powerful leader of a labour organization will materialize the demand for good working condition, decent salary, and other benefits for its members. Strikes by the labour union will adversely affect the performance and may tarnish the image of an airline company in just half day due to the nature of airline business which is heavily capital intensive. In a way, labour union and performance of airlines cannot be separated. It may negatively affect the profitability of a business and (Hirsch, 2008) but not to the extent of insolvency. The labour union impacts on business performance particularly in airlines, seems to convey mixed results with positive impact of union on firm’s performance whilst others contradict. Union relates positively with organization performance were found. Although supporting the positive relationship between labour union and organization performance, what distinguishes between the two is the flow of the relationship. The former looked at the direct effect of union on firm’s productivity and intermediate factors which influenced airlines’ productivity through union characteristics such as the quality of labour-management relationship and workplace culture. High quality employees-management relationship and high trust workplace culture are equally important in promoting high performance of airlines supports the proposition that labour union has no effect on airline efficiency. This has its logical explanation because labour union per se may not bring to detrimental impact on operational performance of airlines but rather the behavior and actions of its members in the event of high level of dissatisfaction among workers which leading to strikes (to fight their rights for higher salary and better work contract) may pose high costs to the airlines. Southwest airlines is a good example to support this finding albeit a highly unionized employees (82%), the airline still manage to record decent profits even during downturn periods in air transport market. Proactive management approach towards labour union presence and better work environments (equal treatment to all staff, respect and fun) are among good recipes for building strong environments which deems to lead to higher efficiency. The strength of this literature is that it controls for competition and pre change performance as one knows that it may influence changes in an organization. The strength of this literature is that it controls for competition and pre change performance as one knows that it may influence changes in an organization.

Labour union also plays a dominant role in decreasing unit labour cost (real wage) through increased productivity level and unionized airlines in both the U.S. and the EU recorded increasing nominal wages. There are two major differences between airlines in the EU and the U.S. First, the increase in productivity level in EU airlines is greater that the increase in wages but the reverse holds true for the U.S. airlines. Second, falling unit labour cost in the EU is attributed to increased competition in the airline market, but in the case of the U.S. decreasing unit labour cost is due to maturity in the labour-management relation therefore a win-win situation is possible as reflected by the willingness of employees to receive lower real wage. While in the EU an increase in productivity is achieved in return of a slightly higher wages. The relationship between union and adaptation rate to changes is necessary. Instead of testing the direct effect of unionization on the performance of organizations, The organizational features such as investment in specific assets, unionization, entrants and incumbents influence the rate of adaptation with regards to changes faced by the organizations. This study stressed that a unionized carrier adapts slower than a non unionized ones attributing to a high transaction cost (adjustment cost) which hamper organization response speed towards changes in an organization environment. This is because fast response towards a change will entail larger transaction costs hence affecting the willingness of firms to adjust quickly in the light of liberalization. A firm must weigh whether to adjust, and if it chooses to adjust, the period for an adjustment to materialize need to be compared to the adjustment costs incurred so as to ensure the firm is not burdened with substantial costs. The trend in recent studies on unionization tends to focus in the area of human resource management. Therefore, this area of research merits further investigation. There is a need to carry a detail study at micro level to investigate how strategic human resource management approach may lead to good employee-management relationship, which ultimately leads to higher satisfactions among employees and increased their efficiency at work. These factors will lead to increased performance of an organization. A more detail study at micro level in this area deserve greater attention by cross examining various work environments which deems to lead to higher efficiency and productivity levels among the employees in an organization. Besides that, management attitude towards labour union merits more attention as it relates to the
degree of employee satisfaction hence affect the performance of an organization.

CORPORATE GOVERNANCE

Corporate governance provides mechanisms to ensure managers realizing their obligation in the form of returns to fund providers to compensate their investments in a firm. Corporate governance have departed from the impact of corporate governance indicators on firm performance towards trend in corporate governance approaches across nations. Direct effect of corporate governance on airline’s performance is a type of governance found in low cost carriers is more efficient than full service ones. Corporate governance features such as the size of board of committee and the degree of board independency are positively associated with firm’s technical efficiency. A major contrast between the two literatures is that the former shows direct effect of corporate governance variables on efficiency whilst in the latter, positive effect of corporate governance only seen when market competition is considered as control variable. Different airline cost structures are associated with different governance models. Low cost carriers adopt a smaller governance structure than that of full service carriers to achieve cost minimization objective and faster decision making process. The claim shows that LCCs have a smaller size of board of committee (senior executives, board member, and board committee) than the full service carriers have. Other distinctive feature of LCCs corporate governance is its high coincidence of interest between shareholders and managers. This literature is extensive in the extent of its analysis whilst taken into account important factor like different corporate governance mechanisms. Corporate governance structure in airlines varies with countries of origin. The trend in airline’s governance approach in the U.S. tends to follow the institutional investment wing or what is called as “managerial ownership style”. In China, partial privatization approach. The corporate governance also separates ownership and control of business partial privatization approach. This approach has led to improved efficiency level in the two Chinese airlines. An ideal corporate governance model does not necessarily replicate suggestions but rather customize it with firm’s suitability. Another interesting outcome in the study is that both airlines demonstrated good governance after public listing. These show the positive effect of varying ownership shares of airlines to public. Despite different corporate governance models adopted in the two studies, both of them share a similar objective which is to improve their governance levels hence raising their firms’ performances.

ALLOCATIVE EFFICIENCY AND FACTORS AFFECTING EFFICIENCY VARIATIONS

The concept of allocative efficiency deals with combinations of right inputs proportions at the least costs in a production process to achieve a desired level of output using current technological constraint. A profitable firm is usually allocatively efficient at least in their operation. Any factors which distort the free movement in prices will lead to inefficiency. Therefore, factors such as ownership of firm, government intervention in labour contract and prices may negatively affect firms allocative efficiencies. Allocative efficiency is an important function in the airline business. Performance, as far as the air transport market is concern, there is little investigating known as allocative efficiency in airline. That allocative inefficiency present in both periods, in the pre and post deregulation in the U.S airline market. The presence of allocative distortions in the above studies may be related to the fact that air transport market in the U.S. is heavily regulated at least in terms of control on foreign ownership albeit the massive campaign for liberalization. The impact of airline size is that large airlines tend to be allocatively efficient when compared with small airlines.

DETERMINANTS OF PRODUCTIVITY VARIATIONS AND SOURCES OF PRODUCTIVITY GROWTH

Productivity issues in the airlines sector have drawn the attention of many researchers recently due to increased competition facing the industry particularly in the context of international market segment. The airlines productivity has mainly focused in two aspects: drivers of productivity variations and sources of productivity growth. Factors that affect productivity variations in airlines is that strategic management plays important roles in contributing to higher productivity level in airlines. An airline manager can realize a higher level of productivity through reduction in asset sizes which are not related to aircraft operation or employ larger size of
aircrafts. On the other hand, market dynamic as shown by the impact of liberalization on productivity of airlines is debated that liberalization study as he suggests that liberalization must accompany by increased traffic density in order to close the productivity gaps between U.S and non-US carriers. The impact of alliance membership on productivity conveys a mixed result who find no consensus in the relationship with productivity for both total and aggregated and positive relationship between horizontal alliance and productivity which is driven by high level of co-operation between alliance members. There is strong frameworks to estimate productivity level. The former analyzing productivity in two approaches: aggregated and disaggregated. On the other hand, the issue of total factor productivity (TFP) as insufficient indicator for financial improvement is that unit cost competitiveness and average yield indexes are used together with TFP to reflect the true performance of airlines. The authors pointed out that relying merely on one performance indicator for instance the TFP may give a misleading interpretation on the actual performance of airlines. Empirically, the study found a negative relationship between rate of fleet expansion and total factor productivity. Other interesting area is sources of productivity growth. The role of the technical efficiency in explaining a slow productivity growth in Indonesia. What seems to be missing in productivity is that there is lacking of investigating sources of productivity growth related particularly to airlines in Asia. As airlines in Asia signed for more open skies agreements with developed countries in a move to liberalize the aviation sector in the region, there is a critical need to reinvestigate the implication of the open skies agreements on productivity level and hence the sources of productivity growth.

Conclusion

The survey discovers several missing areas which are possible to shed light to current literatures in the scope of airline business. Future research may consider these areas in order to contain current issues sprawling across airlines’ performance.

1. Low cost carrier has a fast degree of value extraction. The question on factors determining fast extraction of value in LCC is yet to be explored. Besides that it is also worth examining current characteristics of management best practice adopted by LCCs in order to come with an appropriate policy implication on value extraction.

2. Liberalization is an important feature that has greatly influence airlines’ performance, it is worth to find the empirical link between the liberalization and ownership and control by foreign firms. There is virtually no attempt to investigate whether airline’s characteristics (free management style, strong network and long term employee) related to high absorptive capacity associated with family owned airline also present in currently successful.

3. Quantitative study on ownership needs to seek for better measurement than present measurements use to proxy for ownership. Constant searches for appropriate proxies for ownership variable will lead to more meaningful findings regarding the relationship between ownership and performance in airlines.

4. Liberalization to study the effect of transaction cost on liberalization of airlines has been ignored the question regarding variables that may affect volume of transaction costs. Indirect effect of transaction cost on efficiency due to liberalization.

5. Airline alliances lead to reduction in competition level. Not only that, the scope of incremental benefits as a basis in granting application for airline’s alliances may be broaden to encapsulate aspects beyond anticompetitive justification.

6. First, to investigate the impacts (economic benefits) to airlines in Asia due to broader definition of open skies resulting from the inclusion of free mobility of factor of production for example (how outsourcing of labour, capital, services in open skies members affect benefits received by parties involved in the agreement).

7. Achievement in open skies agreements materialized between airlines in Asia to check its readiness to liberalize their market to the U.S. and the EU regions. It is needed for Asian to fully liberalize its air transport market besides the need to observe fair competition, network freedom, and allocation of airport slots to new entrants.

8. Outsourcing in airlines acknowledge the implications of outsourcing on human resource issues such as transfer of employee to contractual firms, employee’s loyalty and satisfaction, but the impact of outsourcing on quality of human capital in the outsourced airlines. Because high quality human capital lead to higher work performance hence is a valuable asset to a firm.

9. The absence of research to link specific area outsourced which account for a larger portion of operating cost (outsourcing of maintenance, repair and overhauls activities) to efficiency of airline.

10. It is worth investigating what motivations (monetary benefits or self-esteem as featured by high work trust culture) matter much in determining a quality employee-management relationship. Future the motivations in full service airline and LCC will improve quality employee-management relationship.

11. The status of union presence in the context of Asian airlines and its link with bargaining power and performance deserve more investigations.

12. Corporate governance in airlines is seriously needed with market dynamics such as liberalization and other types of market uncertainties external or internal with corporate governance practice.

13. Despite the positive relationship between economies of scale (size of firm) and allocative efficiency, other characteristics such as endogenously and exogenously determine characteristics get little attention. The link between corporate governance, ownership, firm’s objectives and policies of airlines with allocative efficiency deserve greater attention.

14. Airline characteristics such as aircraft size, rate of fleet expansion, and market changes (alliance, ownership, and liberalization). neither the amount nor the detailed investigations are satisfactory at least as far as the air transport industry is concerned. These gaps imply more studies.
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