

Singapore Airlines to absorb regional wing after upgrade

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SilkAir has proved the weak link in the Singapore Airlines group

Singapore Airlines said Friday it will absorb its struggling premium wing SilkAir following a multimillion-dollar upgrade as part of a reform drive

to stay competitive.

The move comes after the firm, facing tough rivalry in the high-end market from other full-service airlines and in economy class from budget carriers, last year consolidated its low-cost units TigerAir and Scoot into a single entity in a streamlining exercise.

SIA said it would stump up more than Sg\$100 million (US\$74.5 million) on a cabin upgrade for the wholly owned subsidiary, including new "lie-flat seats" in business class and backseat in-flight entertainment in business and economy class.

The overhaul is expected to start in 2020 and the merger will take place after a sufficient number of aircraft have had their cabins redesigned, the firm added.

Friday's announcement "is a significant development to provide more growth opportunities and prepare the group for an even stronger future", SIA chief executive Goh Choon Phong.

Last year it embarked on a three-year transformation programme in a bid fend off competition and defend its reputation as one of the world's leading airlines.

SIA said Thursday the transformation has started to bear fruit, with group net profit climbing 148 percent to Sg\$893 million in the year ended March 31.

But SilkAir, a full-fare carrier that flies largely to holiday spots across Asia, turned in the weakest performance in the group with operating profit tumbling 57 percent to Sg\$43 million.

The merger "should have been done years ago because SilkAir has

always been the weakest link within the SIA group", said Shukor Yusof, an analyst with aviation consultancy Endau Analytics.

Shukor noted that SilkAir was losing to the competition because, as a premium airline, it charges full fares while a host of regional budget carriers sell tickets to the same destinations at a cost a fraction of the cost.

"For SIA, the cost of running SilkAir is very expensive," he told AFP.

"As a full-fare airline, flying to a niche resort destination is a very difficult market to make money from because the market these days is focused on carriers offering cheap fares. It's all about [costs](#)."

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