Journal of Air Transport Management 53 (2016) 199–210

Contents lists available at ScienceDirect

Journal of Air Transport Management

journal homepage: www.elsevier.com/locate/jairtraman

Air route suspension: The role of stakeholder engagement and aviation and non-aviation factors

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ARTICLE INFO

Article history:
Received 5 August 2015
Received in revised form
9 March 2016
Accepted 10 March 2016
Available online 21 March 2016

Keywords:
Airlines
Route suspension
Stakeholder engagement
Tourism

ABSTRACT

This study provides insight into how aviation and non-aviation factors affect the decision to suspend air routes. Using examples from Australian domestic routes, the paper analyses the business relationships and negotiation processes followed by airports, airlines, and destination management organizations (DMOs) to avoid air route suspensions. Data were collected through semi-structured interviews with key aviation and tourism stakeholders directly impacted by suspended routes. The outcomes of this paper demonstrate that while most of the major reasons for air route suspension in Australia are mentioned in existing literature and are linked to demand, other factors have not previously been deeply investigated, including how stakeholders can be involved to avoid air route suspension. The paper also explores and identifies strengths and weaknesses in the relationship among airlines, DMOs and airports.

1. Introduction

Since the 1960s, aviation and tourism have developed a strong mutual dependency with both industries relying considerably on each other to sustain their development (Duval, 2013; Lohmann and Duval, 2014). This phenomenon is even more evident in the case of land mass countries with strong domestic markets (Koo and Lohmann, 2013), insular destinations (Liasidou, 2013), remote regions (Bråthen and Halpern, 2012) and international long haul-dependent economies (Becken and Lennox, 2012). A large body of the academic literature on the aviation-tourism interconnection focuses on the enabling factors to facilitate air service development, particularly in regards to (a) multi/bi-lateral air service agreements (ASA)—in broader terms, what Duval (2013) has labelled aero-politics—; (b) liberalization (Dobruszkes and Mondou, 2013; O'Connell and Warnock-Smith, 2012); and (c) facilitation of connectivity and availability (Duval and Schiff, 2011). However, the understanding of "why" air routes fail and are suspended is somehow less examined in the academic literature, despite the evident importance of learning from unsuccessful experiences (de Wit and Zuidberg, 2016). Additionally, most of the industry reports on the number of air route suspensions are either expensive to obtain (e.g., the Official Airline Guide, or OAG) or treat suspension on a case-by-case basis (e.g., Centre for Asia Pacific Aviation—CAPA's website), rather than providing a holistic analysis on the reasons for suspension. Nevertheless, Dobruszkes (2013) brief mentions the problem by reporting on the fact that between 1995 and 2010, up to 27% of city-pair routes previously operated by LCCs have been dropped in Europe.

Despite the importance of understanding the procedures for suspension of air transport, the academic literature provides no framework for analysing the decision-making process and the role of different factors and stakeholders in this process. Other studies examining this topic have analysed the procedures for developing air routes (Swan, 2002) or some aspect of maintaining operating air routes (Calderón, 1997). Regional airport characteristics have also been studied (Baker and Donehue, 2012), and flight frequency has been thoroughly investigated (Hsu and Wen, 2003). Importantly, in this paper, the term "route suspension" refers to routes that airlines have no plans to reinstate. We have purposely not used the term "cancellation," which among some aviation professionals connotes a more temporary status. We also do not include cases when the entire airline is grounded and its network is impacted on multiple fronts because we only address the individual cases of route suspension. We also did not analyse cases in which airlines completely abandon one particular base (Malighetti et al., 2015).

This paper investigates the decision-making process in domestic

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http://dx.doi.org/10.1016/j.jairtraman.2016.03.007
0969-6997/

air route suspensions in Australia using examples and cases between 2008 and 2013. We seek to determine what aviation and non-aviation factors influence decisions on predominantly leisure travel routes. Leisure routes tend to be more susceptible to suspension due to the seasonality of the holiday market and the fact that it is easily impacted by financial crisis and less favourable economic environments. In terms of price, leisure demand is much less elastic than that of business travellers (Dresner, 2006). The paper also examines routes potentially at risk of suspension, requiring the contribution of key stakeholders to avoid suspension. This differs from previous studies on route churn, where the focus has been on understanding the reasons and patterns for route suspension, rather than proposing solutions (de Wit and Zuidberg, 2016). In this regard, Australia, with a large mature domestic travel market and tourism comprising one of its main economic powerhouses, is a suitable case study to understand domestic air route suspension. Previous studies have focused on the European international market (de Wit and Zuidberg, 2016) or in various international routes (Hsu and Wen, 2003). In 2014, among the 34 OECD countries, in addition to six major emerging economies, Australia was considered as having the most liberalised air transport environment, one where foreign airlines are allowed to operate, hence providing the opportunity to examine the existing volatility in terms of route suspension (Department of Infrastructure and Regional Development (2015)). We identify the roles that stakeholders, including airports and destination management organizations (DMOs), can play in supporting airlines in avoiding these suspensions. These roles are particularly relevant because second- and third-tier destinations struggle to compete with main urban/wealthier destinations that are prone to invest resources to cross-subsidise marketing initiatives to support airlines in promoting their destinations. de Wit and Zuidberg (2016) report on the shift from secondary and tertiary airports to main airports, even among LCCs.

The paper is then structured as follows. The next section investigates previous descriptions of the reasons for air route suspension as well as the relationships among the relevant stakeholders. The following section discusses methodological aspects of the study, after which we present the results and draw conclusions.

1.1. Air route suspension factors and stakeholders

Considering the nonexistence of an overall framework in the academic literature presenting the key factors in air route suspension, an exploratory literature review was undertaken to identify these factors and show how they relate with each other. In most instances, this literature draws from the broader understanding of the determinants of air travel demand and the factors influencing travel in general, while other specific aviation-related matters are also worth analysing. This step is performed prior to mapping out the various stakeholders and their functions associated with this topic. Discussing the relationship between factors for air route suspension and the role and engagement of various stakeholders is paramount prior to contextualising them in regards to the domestic market in Australia. This section concludes by proposing a framework to analyse the themes of this research.

1.2. Air route suspension factors

The interconnectedness of air route suspension and traveller demand is doubtless key because air route suspension impacts directly on passengers' overall travel experience—particularly for the “time-sensitive” customers who otherwise would not have travelled by other means of transport—while at the same time lack of demand is a major factor in decisions to suspend routes. Several factors are associated with the decision to suspend a route from the perspective of demand (Hsu and Wen, 2003), and they should be examined further; Wang and Song (2010) undertook a comprehensive review of 150 journal articles on this topic. Based on the literature review undertaken for this study, a conceptual framework on the factors influencing traveller demand was developed (Fig. 1).

Pearce (2012) explains that conceptual frameworks “set out the key concepts and factors to be investigated” (p. 13) and are particularly useful “with emerging, fragmented or broad themes” (p. 28), which is the case in air transport route suspension. For this research, developing a conceptual framework is particularly useful to map out the relationships among the factors in air route suspension. The conceptual framework proposed in Fig. 1 divides air travel demand factors using Calderón's (1997) two primary groups of drivers to influence air travel demand: aviation and non-aviation related factors, the latter called “geo-economic” factors.

1.3. Aviation factors

A number of factors are directly or indirectly associated with the ability of an airline to maintain or suspend a route, the main ones being the overall airline profitability and in particular the route profitability (de Wit and Zuidberg, 2016), which are impacted by non-aviation/geo-economic factors that influence the income level of the general population. Directly associated with the airline/route profitability are the financial resources available to the airline and whether it is provided with enough cash to anticipate or delay route suspension decisions, as well as its overall business strategies, because airlines can change their business models, making some routes less appealing. Hence, correctly assessing yield and revenue analysis is paramount, particularly to reach break-even points. In Australia, this phenomenon has been particularly evident exemplified by the move made by the Qantas group to use their low-cost subsidiary, Jetstar, to replace certain routes previously operated by Qantas (Whyte and Lohmann, 2015), and also in the case of the transformation of Virgin Blue from a LCC into Virgin Australia, a full service airline.

The service provided by the airline, defined as a combination of quality and price (Calderón, 1997), can also influence the long-term sustainability of a route. Quality includes services such as frequency and time of departures; load factor and aircraft size, type or technology; and in-flight entertainment/amenities (Tretheway and Oum, 1992; Wang and Song, 2010). Yang et al. (2010) also note that airlines have limited options and resources to cope with disruptions in terms of aeroplane availability and scheduling arrangements, managing their assets to be available for more profitable routes. Hence, one can consider optimization of aircraft utilization and crew availability to play a role when airlines must prioritize which routes to maintain or suspend. Pricing entails a complex decision-making process implemented by airlines that usually not only reflects a given business model (Lohmann and Koo, 2013) but is also influenced by a combination of aviation and non-aviation factors, including level of service provided, seasonality, slot availability, costs and taxes, aviation and non-aviation competition, yield management strategies and market characteristics (Peoples, 2012), which are presented in this literature review.

Competitive power and market penetration from low-cost carriers (LCCs), as well as competition with other modes of transport, have significantly impacted on air route suspension. LCCs take advantage of their focus on cost to choose secondary airports and also target destinations that offer concession incentives or aviation fee reductions to favour the operation of the most cost-efficient routes (Barbot, 2006; Smyth et al., 2012). With LCCs targeting a