



**FACTORS INFLUENCING DEMAND OF AIR CARGO:  
A CASE STUDY ON MALAYSIA AIRLINES CARGO SDN BHD  
(MASKARGO)**

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## **ABSTRACT**

This project is conducted to fulfill the requirement needed for Faculty of Business Management, UiTM. The researcher has selected a topic entitled "Factors Influencing Demand of Air Cargo" using Malaysia Airlines Cargo Sdn. Bhd as case study. In this study, the researcher uses the data from the first quarter of 2001 until the second quarter of 2013 which consists of 50 data. Data was collected from department of statistics and provided by the company. To estimate the function related to variables involved in independent variables (gross domestic product (GDP), jet fuel price and export), the researcher uses multiple linear regression analysis. After the researcher analysed the data, the researcher found that jet fuel price and export have significant influence toward demand of air cargo while gross domestic product (GDP) has no significant relationship to demand of air cargo. Furthermore, this study fulfills the researcher's first objective which is to investigate the factors that influence demand of air cargo and the second objective which is to know the impact of air cargo demand towards Malaysia economy that is national income and unemployment rate.

**CHAPTER ONE  
INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

Cargo or freight is a goods or product transported generally for commercial gain. An air cargo service is one of the transportation modes being used to transfer cargo from one place to another place, which is from the place of origin to the final destination. Air cargo transportation is primarily done through larger aircraft such as passenger airplanes, cargo airplanes, and charter airplanes. The air cargo supply chain consists of shippers, freight forwarder or foreign agent and airlines. The shippers send their shipment to freight forwarder who is responsible to make a reservation of space according to shipper needs.

Air cargo industry was forecasted to continue to grow and competition in the air cargo industry will be strong. According to Boeing (2004), world air freight cargo traffic is expected to rise by about 5.9 per cent per annum to 2029, implying an industry with a substantially bright future. The importance of this industry is also acknowledged by several scholars such as Zhang and Zhang (2002a), who pointed out that air cargo is the fastest growth area in the cargo sector.

One of the reasons why air cargo industry grows at a fast rate is because of the world trade liberalization and globalization. Besides that, transport by air cargo has become increasingly important, in consequence of the development of a leading global manufacturer. Nowadays, many countries have already become manufacturers such as China, Japan, South Korea and many more and for sure they need air cargo transportation to export their products to another country. Indirectly the air cargo traffic worldwide will continue to increase. From this statement, it shows that air cargo is very important as individual or organization will depend more on air cargo that leads to the rise of demand in air cargo.

Air cargo industry in Malaysia is showing a trend of growth. This is because the location of Malaysia itself is very strategic as Malaysia is at the central position of crossroads of South-East Asia which makes it particularly attractive as a trans-shipment centre. As said by Malaysia Airlines Cargo Sdn.Bhd(MasKargo) Chief Executive Officer, Encik Yunus Idris, the cargo handled by Malaysia Airlines Cargo Sdn.Bhd(MasKargo) is only 40% from Malaysia, while another 60% is a trans-shipment. Moreover, air cargo facilities are well developed especially in the six international airports in Malaysia which are Kuala Lumpur International Airport (KLIA), Penang International Airport, Langkawi International Airport, Senai International Airport, Kota Kinabalu International Airport in Sabah and Kuching International Airport in Sarawak.

**APPENDICES**

**TOTAL TONNAGE HANDLE/TONNES**

<b>YEAR</b>		<b>TONNES</b>
2001		
	Q1	122,546
	Q2	135,897
	Q3	148,247
	Q4	167,538
2002		
	Q1	112,319
	Q2	119,448
	Q3	135,245
	Q4	147,972
2003		
	Q1	133,547
	Q2	140,199
	Q3	141,516
	Q4	153,806
2004		
	Q1	143,550
	Q2	159,467
	Q3	164,499
	Q4	172,248
2005		
	Q1	151,843
	Q2	160,298
	Q3	160,069
	Q4	171,550
2006		
	Q1	155,437
	Q2	163,865
	Q3	165,278
	Q4	173,256
2007		
	Q1	145,462
	Q2	156,154
	Q3	168,681
	Q4	176,232
2008		