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THE STUDY OF CHANGES IN PROFIT GENERATES BY AIR CARGO INDUSRTY: THE CASE OF MASKARGO FOR KUL/AMS SECTOR

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ABSTRACT

The primary purpose of this study is to determine the factors that influence the changes in profit generates by air cargo industry. It is important to the researcher to precede the study since cargo industry can be a mechanism to stimulate the economic growth and provide social benefit to the citizens. Over a past few decades, while commercial airlines volumes are strengthening, air cargo yields remain volatile. Throughout this study, the researcher have considered a few factors that contribute to the volatility of air cargo profit such as the jet fuel price, volume of cargo and rate charge. All these independent variables are test with dependent variable which is profit generates by air cargo in order to identify the relationship. This research used secondary data which is monthly based on MASkargo's department record. At the first part, the SPSS computer software was used in order to get accurate statistical result. The methods that have been used in this research are correlation coefficient analysis, hypothesis testing, and multiple linear regression models. The overall objectives of the study is achieved since the result shows that only the jet fuel price is insignificant while another two variables which are volume of cargo and rate charge is significant. The findings may be useful for air cargo industry to improve their profitability and reduce the profit volatility in the future.

CHAPTER ONE

INTRODUCTION

1.0   INTRODUCTION

This section will discuss briefly on the background of purposed study. Throughout the chapter, the researcher also will discuss on the problem statement, explain the research objective, formulate hypothesis testing, picture the theoretical framework, enlighten scope of the study and others relevant area.

1.1   BACKGROUND OF THE STUDY

Airlines industry is quiet importance to the world economy since it can be a mechanism to stimulate the economic growth and provide social benefits to the citizens. In today's ever-changing and innovative world, aviation provides a vital link to economic opportunities at home and abroad (The Economic Impact of Civil Aviation on the U.S. Economy, 2011).

Airlines industry seen to be a vital part of the increasingly globalize world economy, facilitating the growth of international trade, tourism and international investment and connecting people across the world. Airlines can be divided into two categories which are passenger business and cargo business. Passenger business showed a robust growth in demand despite slow economic grow in many regions (AITA Annual Review, 2012). Passenger numbers have grown by 45 percent over the last decade and more than doubled since the mid-1980.

The robust growth in airline industry is measured in revenue passenger kilometer (RPK) and currently there is 4.8 percent demand growth was reported over the six months of 2013 compared to the same period in 2012. According to AITA (2013), the solid performance by airlines industry was supported by a stabilization of emerging market weakness and renewed confidence in Europe and North America.

Unfortunately, the cargo business is completely having different situation. Traditionally, the airline's focus is on carrying passengers. The cargo services are considered as a part of byproduct. According to Rathert (2006),"cargo has always been the misunderstood and unglamorous step-child of the airline industry".

Air cargo is defined in North America as anything other than persons or personal baggage traveling by air (Popescu et. al, 2010). Compared with other means of freight transportation, such as ship, rail, and surface vehicles, air cargo is the newest addition to the freight sector. Since its start just after World War I, the air cargo industry has become an indispensible part of the world's global economy, holding an important niche in the transport of lightweight and high-value commodities.

Virtually anything can be shipped vis-à-vis air freight. Most of this tends to be high-valued goods such as pharmaceuticals, machine tools, computers and electronics, aircraft, auto parts, perishables, instruments, and medical equipment. Most of this is considered just-in-time components used for time-sensitive processing.

Given the degree of globalization and the emergence of global supply chains, the role of the air cargo industry has become increasing important to

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Rate, Volume, Fuel[b]	.	Enter

a. Dependent Variable: Profit

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995[a]	.989	.988	211.57787	1.152

a. Predictors: (Constant), Rate, Volume, Fuel

b. Dependent Variable: Profit

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185864574.732	3	61954858.244	1383.996	.000[b]
	Residual	2059199.035	46	44765.196		
	Total	187923773.767	49			

a. Dependent Variable: Profit

b. Predictors: (Constant), Rate, Volume, Fuel