

Caught in The Air: Suspension of Tiger Airways Domestic Flights in Australia & Implications for Stakeholder Management

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Abstract

On 2 July 2011, just before the winter holidays in Australia, all flights of Tiger Airways Australia, which is a budget airline founded by Singapore Airlines, were grounded by Australia's Civil Aviation Safety Authority (CASA) due to a series of safety breaches, which raised questions about safety and its airworthiness. Aviation regulators said that the airline posed "a serious and imminent risk to air safety" and the grounding of an entire airline was the first in Australian aviation history. Due to the short notice of the grounding, coupled with the lack of information from Tiger to its customers, many passengers learned about the flight cancellation only when they arrived at the airport. Tiger released a press statement on 5 Jul, 3 days after the grounding. To recover from the situation, Tiger had promised to provide full refunds or ticket credits to customers who have been affected. In view of Tiger's grounding, their competitors, Jetstar and Virgin, both

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promised to add extra flights to help stranded passengers, and offered special fares to those affected. Qantas also offered discounted flights, and Qantas engineers called off a scheduled strike at the request of the government to ensure flight disruptions were kept to a minimum. On 10 August 2011, CASA lifted Tiger's flight suspension; however CASA imposed a comprehensive set of conditions to its operating license. Tiger was unable to resume all flight routes immediately; instead each route could only be reestablished after gaining approval from CASA. This case is a good illustration of stakeholder management in a crisis situation as Tiger Airways had to deal with regulatory bodies, passengers, and competitors at the same time.

This case aims to illustrate the topics of stakeholder management, crisis communication, as well as reputation and issues management for business organizations. Through the case of Tiger Airways being grounded, the paper demonstrates how this airlines company managed different stakeholders' interests. The readers are encouraged to prioritize the issues and stakeholders' salience (Bundy, Shropshire, & Buchholtz, 2013) to help the organization recover from damaged reputation (De Maria, 2010). Readers of this case will be asked to complete three main tasks. First, the readers will apply stakeholder theory to map various stakeholders and their influence on Tiger Airways on the grounding incident. Second, the readers will evaluate the effectiveness of strategic management of Tiger Airways as described in the case. Finally, the readers will propose alternative strategies for Tiger Airways to handle the situation based on stakeholder analysis. This case is appropriate for upper level undergraduate and graduate students in management, communication, and public relations courses.

Keywords: Stakeholder Management, Crisis Communication, Public Relations

สะดุดกลางอากาศ: การระงับเที่ยวบินในประเทศของสายการบินไทเกอร์ แอร์เวย์ส ในออสเตรเลีย และนัยต่อการบริหารจัดการผู้มีส่วนได้ส่วนเสีย

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บทคัดย่อ

เมื่อวันที่ 2 กรกฎาคม ค.ศ. 2011 ก่อนถึงวันหยุดฤดูหนาวเพียงเล็กน้อยในออสเตรเลีย สายการบินไทเกอร์ แอร์เวย์ส ออสเตรเลีย ซึ่งเป็นสายการบินต้นทุนต่ำ ก่อตั้งโดยสายการบินสิงคโปร์แอร์ไลน์ส ทุกเที่ยวบินถูกสั่งระงับบินโดยกรมควบคุมความปลอดภัยด้านการบินพลเรือนของออสเตรเลีย เนื่องจากฝ่าฝืนมาตรการความปลอดภัยอย่างต่อเนื่อง ซึ่งก่อให้เกิดคำถามเกี่ยวกับความปลอดภัย และมาตรฐานความปลอดภัยสำหรับการบิน ผู้ควบคุมการบินกล่าวว่า สายการบินดังกล่าว “ก่อให้เกิดความเสี่ยงที่ร้ายแรงและจวนเจียนต่อความปลอดภัยในการบิน” และการสั่งระงับเที่ยวบินทั้งหมดของสายการบิน นับเป็นครั้งแรกของประวัติศาสตร์การบินของออสเตรเลีย การสั่งระงับเที่ยวบินดังกล่าวโดยกระทันหัน ประกอบกับสายการบินไทเกอร์ไม่ได้ให้ข้อมูลแก่ผู้โดยสารของตน ทำให้ผู้โดยสารหลายคนทราบถึงการยกเลิกเที่ยวบินเมื่อเดินทางมาถึงสนามบินแล้ว สายการบินไทเกอร์ได้ออกแถลงการณ์ เมื่อวันที่ 5 กรกฎาคม หลังถูกสั่งระงับบินแล้ว 3 วัน เพื่อแก้ไขสถานการณ์ดังกล่าว ไทเกอร์สัญญาที่จะคืน

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เงินทั้งหมดหรือให้เครดิตตัวเครื่องบินแก่ผู้โดยสารที่ถูกกระทบ จากกรณีการถูกสั่งระงับเที่ยวบินของไทเกอร์ บริษัทสายการบินคู่แข่ง คือ เจ็ทสตาร์และเวอร์จิน ต่างก็สัญญาที่จะจัดเที่ยวบินพิเศษเพื่อช่วยเหลือผู้โดยสารตกค้าง และเสนอตัวเครื่องบินราคาพิเศษให้แก่ผู้ที่ถูกกระทบ สายการบินแควนตัสก็ได้เสนอตัวเครื่องบินลดราคา และวิศวกรของสายการบินแควนตัสได้ยกเลิกการประท้วงนัดหยุดงานที่ได้วางแผนไว้ ตามที่ได้รับการขอร้องจากรัฐบาล เพื่อให้การระงับการบินดังกล่าวมีผลกระทบน้อยที่สุดเมื่อวันที่ 10 สิงหาคม ค.ศ. 2011 กรมควบคุมความปลอดภัยด้านการบินพลเรือนได้ยกเลิกการสั่งระงับเที่ยวบินของไทเกอร์ แต่ได้ออกเงื่อนไขแบบเบ็ดเสร็จที่ครอบคลุมใบอนุญาตการบิน ทั้งนี้ไทเกอร์ไม่สามารถกลับไปบินในเส้นทางการบินเดิมได้ทันที โดยเส้นทางการบินเดิมแต่ละเส้นจะสามารถบินได้ก็ต่อเมื่อได้รับอนุมัติจากกรมควบคุมความปลอดภัยด้านการบินพลเรือน กรณีนี้ชี้ให้เห็นเป็นอย่างดีถึงการบริหารจัดการผู้มีส่วนได้ส่วนเสีย ในสถานการณ์วิกฤต เมื่อไทเกอร์ต้องรับมือกับหน่วยงานกำกับดูแลผู้โดยสาร และคู่แข่ง ในเวลาเดียวกัน

กรณีนี้ เป็นการแสดงให้เห็นถึงการบริหารจัดการผู้มีส่วนได้ส่วนเสีย การสื่อสารเมื่อเกิดวิกฤต และชื่อเสียงและการบริหารปัญหาสำหรับองค์กรธุรกิจ จากกรณีที่สายการบินไทเกอร์ แอร์เวย์ส ถูกสั่งระงับเที่ยวบิน การศึกษาแสดงให้เห็นถึงการที่สายการบินดังกล่าวบริหารจัดการผลประโยชน์ของผู้มีส่วนได้ส่วนเสียที่แตกต่างกัน ผู้อ่านถูกกระตุ้นให้จัดลำดับความสำคัญของประเด็นปัญหาและลักษณะเฉพาะของผู้มีส่วนได้ส่วนเสีย (Bundy, Shropshire, & Buchholtz, 2013) เพื่อช่วยให้องค์กรฟื้นตัวจากชื่อเสียงที่เสียไป (De Maria, 2010) ในกรณีนี้ ผู้อ่านจะได้รับการขอให้ทำงานหลักสามประการให้เสร็จประการแรก ผู้อ่านจะประยุกต์ใช้ทฤษฎีผู้มีส่วนได้ส่วนเสีย เพื่อที่จะทำแผนที่ผู้มีส่วนได้ส่วนเสียต่างๆ และอิทธิพลของพวกเขาที่มีต่อสายการบินไทเกอร์ แอร์เวย์ส ต่อเหตุการณ์ถูกระงับเที่ยวบิน ประการที่สอง ผู้อ่านจะประเมินประสิทธิผลของการบริหารจัดการเชิงกลยุทธ์ของสายการบิน ไทเกอร์ แอร์เวย์ส ตามที่อธิบายไว้ในกรณีนี้ และประการสุดท้าย ผู้อ่านจะเสนอกกลยุทธ์ทางเลือกสำหรับสายการบินไทเกอร์ แอร์เวย์ส เพื่อจัดการกับสถานการณ์ โดยอยู่บนพื้นฐานของการวิเคราะห์ผู้มีส่วนได้ส่วนเสีย กรณีนี้เหมาะสำหรับนักศึกษาระดับปริญญาตรีชั้นสูง และระดับปริญญาโทและเอก ในหลักสูตรการบริหารจัดการ การสื่อสาร และการประชาสัมพันธ์

คำสำคัญ: การบริหารจัดการผู้มีส่วนได้ส่วนเสีย การสื่อสารเมื่อเกิดวิกฤต การประชาสัมพันธ์

The Situation

Right before the winter holidays in Australia, all flights of Tiger Airways Australia were grounded by Australia's Civil Aviation Safety Authority (CASA) on July 2, 2011, due to a series of safety breaches, which raised questions about safety and its airworthiness (CASA, 2011a). Aviation regulators said that the airline posed "a serious and imminent risk to air safety" (BBC, 2011), and the grounding of an entire airline was the first in Australian aviation history.

According to CASA, the grounding of Tiger was attributed by: the proficiency of its pilots, boosting pilot training and checking procedures, addressing fatigue management issues, improving maintenance control and airworthiness systems, and ensuring "appropriately qualified people fill management and operational positions" (CASA, 2011a; CASA, 2011b; CASA, 2011c). Tiger claimed that the suspension was related to two recent operational incidents involving aircraft flying dangerously low (Channel NewsAsia, 2011). Barry Jackson, head of the pilots' union, said the move by CASA was a "wake-up call" for the industry, and it strengthened their claims that budget airlines were eroding national safety standards (Channel NewsAsia, 2011).

Tiger Airways Australia is a budget carrier that provides affordable domestic flights in Australia. The airline operates about 60 domestic flights a day, moving up to 9,000 passengers. According to the Transport Minister, Anthony Albanese, Tiger's grounding had disrupted the travel plans of approximately 35,000 people (Channel NewsAsia, 2011).

Due to the short notice of the grounding, coupled with the lack of information from Tiger to its customers, many passengers learned about the flight cancellation only when they arrived at the airport (Ten News Australia, 2011). Tiger released a press statement on 5 Jul, 3 days after the grounding (Tiger Airways, 2011b). To recover from the situation, Tiger had promised to provide full refunds or ticket credits to customers who have been affected (Australian Competition and Consumer Commission, 2011).

In view of Tiger's grounding, their competitors, Jetstar and Virgin, both promised to add extra flights to help stranded passengers, and offered special fares to those affected. Qantas also offered discounted flights, and Qantas engineers called off a scheduled strike at the request of the government to ensure flight disruptions were kept to a minimum (Channel NewsAsia, 2011).

On 10 August 2011, CASA lifted Tiger's flight suspension, however CASA imposed a comprehensive set of conditions to its operating license (CASA, 2011d). Tiger was unable to resume all flight routes immediately; instead each route could only be reestablished after gaining approval from CASA (Tiger Airways, 2011c).

History of Tiger Airways

Tiger Airways was founded by Singapore Airlines, Temasek Holdings, Indigo Partners LLC and Irelandia Investments Limited, the private investment arm of Tony Ryan, founder of Ryanair in 2003 (Tiger Airways, 2011a). Established as a low-cost carrier, the airline focused on Asia, covering routes that has consistently high passenger load that were within a five-hour flight time radius. Tiger Airway's inaugural flight took place in September 2004.

In February 2007, Tiger Airways sought to enter the domestic market in Australia, competing with two other low-cost domestic carriers, Virgin Blue and Jetstar. The application was approved by Australia's Foreign Investment Review Board without placing any conditions, as the business was assessed to be non-detrimental to Australia's national interest (Creedy, 2011). A contributing factor that led to Tiger's approval was the Singapore-Australia Free Trade Agreement (SAFTA), which was signed in 2002 to enhance economic cooperation and investments between both countries. Tiger's move into Australia also brought about employment opportunities for its citizens and greater competition in the market (Creedy, 2011).

Tiger started its Australian domestic flights in late November 2007. The stiff competition between low-cost carriers sparked off, with Jetstar offering five-cents flight on the week of Tiger's launch (Murphy, 2011). In addition, the chief executive of Jetstar, Alan Joyce attacked Tiger in the press, calling Tiger "a joke", and linking Tiger to the Singapore Government, claiming that there is no business acumen behind Tiger's operations (Rochfort, 2011). Tiger Airways continued its aggressive expansion in Australia and Asia, increasing its fleet to a total of 33 aircrafts.

Issues Arising from The Suspension

Drop in Business and Profitability

It is the first time in Australia's aviation history that an entire fleet had been grounded. Although Tiger Airways is a separate entity from Tiger Australia, the stock price of Tiger Airways in Singapore was affected, plunging almost 20% after the announcement. Compounding the issue is the timing of the suspension, which took effect at the start of the peak school holiday season, further eroding its profitability. This benefitted its competitors – the stock prices of Virgin Australia and Qantas climbed 10.5% and 6.5% respectively (BBC News, 2011).

Decrease in Reputation Due to Lack of Safety Measures

The grounding of the fleet came after CASA said its concerns about safety had gone unaddressed by Tiger. In particular, there were two incidents where the aircraft flew below the safe altitude on approach for landings – these were serious safety breaches. CASA had lost confidence in Tiger and therefore moved to suspend Tiger's Air Operator's Certificate. CASA had assessed that the growth of the airline from four airplanes to 10, was not equipped with the appropriate investment in support functions and personnel. To rectify the situation, Tiger had to address three key areas: (1) Record keeping; (2) Shortage of staff; and (3) Pilot training and welfare (CASA, 2011d).

Inadequate Pilot Training and Welfare

CASA were concerned that Tiger's pilots did not receive sufficient training required of an airline pilot. There was a lack in confidence that all of Tiger's pilots were able to meet the required standards. CASA imposed on Tiger to put all pilots through a simulator test, to ensure that they pass and possess the necessary skills (CASA, 2011d).

Decrease in Consumer Trust

The Australian Competition and Consumer Commission (ACCC) was considering legal action against Tiger after it continued to sell tickets without confirmation that that it would be allowed to fly. This was done even after receiving warnings from ACCC. This eroded consumer trust as it showed a lack of accountability towards their customers and ran a high chance of not

being able to honour the ticket sales (Inquirer, 2011).

Withdrawal of Support from the South Australia Government

The Government of South Australia planned to withdraw an amount totaling A\$2.25 million granted to Tiger Airways Australia to base aircraft in South Australia (Aviation WA, 2011).

Australian Tourism Affected

The Sunshine Coast Airport general manager was quoted in the media saying that the suspension of Tiger Airways had a significant impact on business. There was a loss of 20% of the airport's business and a decrease in people flying in and out of the Sunshine Coast. It has affected travel plans and created a flow-on effect to the tourism industry (ABC News, 2011).

Tiger's Responses to the Issues

Re-organisation of Management at Tiger

Partial owner Singapore Airlines (SIA) intervened by appointing former SilkAir Chief, Chin Yau Sing, as Tiger Singapore's Acting Chief Executive. Chin replaced Tony Davis, who moved over to head Tiger Australia's operations. Tony Davis was appointed to represent Tiger in dialogue with CASA, with the main intention of getting the grounding order lifted (Airlines and Airports, 2011).

Regaining Stakeholders' Confidence in Operational Safety

On 19 Jul 11, Tiger appointed a respected industry veteran, Captain Chris Manning, as a Safety Advisor. Captain Manning's role was to work directly with the new CEO, Tony Davis, to ensure that the airline is applying the highest levels of operational safety management across the company (Tiger Airways, 2011d).

Ramp up of Pilot Training

All pilots were sent for simulator training under the supervision of Tiger, and had to undergo a CASA approved training programme. This ensured that every pilot met a common standard (CASA, 2011d).

Meeting the Conditions for the Lifting of Suspension

On 10 Aug 11, the suspension order was lifted after the conditions of (1) Pilot training and proficiency; (2) Pilot rostering and fatigue management; (3) Currency and revision of operational manuals and related documents; (4) Improved change-management processes and the appointment of additional qualified personnel in key positions; and (5) Amendments to the airline's safety management system were met. CASA undertook extra surveillance on Tiger's flights through scheduled and spot checks, evaluating Tiger's operations in the air and on the ground and on selected flights, flying operations inspectors were also in the cockpit to observe the performance of Tiger's crew (CASA, 2011d).

Limits Imposed to Tiger's Schedule

A day after the lifting of the suspension, Tiger was limited under agreement to operate 18 sectors a day, a drastic reduction from the 60 sectors a day before the suspension. Tiger continue to be under CASA's surveillance and will incrementally increase the number of sectors when set requirements were satisfied. The reason provided for imposing limits to the schedule was due to the long lead-time to fulfill conditions on the Air Operator's Certificate (CASA, 2011d).

Restoring Tiger's Reputation with Customers

In response to the ACCC on the lack of accountability towards its customers, Tiger Airways' CEO, Tony Davis, offered a commitment to provide remedies for consumers, including: refunds, processing of consumer refunds, and communication with affected consumers. Customers affected could either seek a full refund or to cancel flights without penalty, depending on the period of travel. Channels available to transact include the online customer portal or its customer call centre (ACCC, 2011).

Conclusion and POINTS to Consider

As illustrated in the case, Tiger Airways had to manage various stakeholders in this grounded incident. These stakeholders had different interests and some of them were contradicting or competing with each other. It is a challenge for Tiger Airways' management team to manage and balance their stakeholders' concerns so that the airlines could return to normalcy. If you were one of Tiger Airways' management team, how would you deal

with the situation differently? What were the areas that Tiger did well and what could have been improved? How would you prioritize and manage each group of stakeholder based on their concerns and interests that would affect Tiger Airways' reputation? These are the questions that Tiger Airways Australia could ask themselves and learn from this crisis.

Endnotes

This case was developed based on archival research with the sole purpose for class discussion. It does not aim to serve as endorsements for to be used as a source of primary data to illustrate managerial practices by any individuals or organizations mentioned in the case.

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