

## THE WORLD'S BIGGEST AIRLINES

Michał Ratajczak  
Maria Curie Skłodowska University, Poland  
michal.ratajczak@aviacon.pl

### **Abstract:**

*The world's biggest airlines. Relationship between economy, destinations and number of passengers and cargo.* The purpose of the research is to analyse information and statistical data concerning the world's 10 biggest airlines. The paper also discusses the reasons of their market leadership as well as the relationship between the development of the aviation industry and the economic conditions of the country. Moreover, the paper analyse relationship between the types of the destination and the amount of passengers and cargo.

*Keywords: management, economy, aviation, airline, cargo*

## 1. INTRODUCTION

In 1903, two brothers, the manufacturers of bicycles, constructed a machine, which, being heavier than air, with force generated by a small internal combustion engine, flew over the sands of the beach near the small American town of Kitty Hawk and performed a short leap, called the first flight. Soon the brothers chose to travel across the USA to present their invention to the broadest possible audience. They got low fees for their shows from the audience. The younger of the brothers, Orville Wright, who piloted the machine, became the first man, who enjoyed benefits from the activity in the airline industry.

More than a century has passed since the above-described events. The plane made of wood and canvas during the two world wars turned into a structure capable of smooth flying thousands of kilometres. In the two decades after World War II, dozens of airlines were created all over the world. Currently, air transport is the fastest and safest way of transports. According to the International Civil Aviation Organization ICAO in 2013, there were over 32 million flight operations (one flight operation means the aircraft taking off from the initial airport and subsequent successful landing on another airport). In the same year, more than 3.1 billion passengers and 50 million tons of cargo were transported. In total, in 2013, air transport was responsible for one third of international trade (ICAO).

## 2. TEN WORLD BIGGEST AIRLINES

According to the specifics adopted by the International Civil Aviation Organization ICAO civil aviation includes air transport (commercial transportation by air), non-commercial flights (private flights), earning air transport other than commercial air transport (e.g. research flights or flights to spraying plants), aviation infrastructure (e.g. infrastructure, airports or air navigation device) and manufacturing (e.g. manufacturers of aircraft, aircraft engines, avionics, etc.), (Economic Contribution of Civil Aviation, ICAO, Ripples of prosperity, p.2). In this article, the author focuses on the description of the ten largest airlines in the world and describes the economic position of the countries, from which these airlines come.

**Table 1:** 10 world's biggest airlines in 2014

Rank	Company	Country	Assets
1	Delta Air Lines	United States	\$59.4 bn
2	Deutsche Lufthansa	Germany	\$40.1 bn
3	United Continental Holdings	United States	\$36.8 bn
4	Air France-KLM	France	\$35 bn
5	International Airlines	United Kingdom	\$28.6 bn
6	China Southern Airlines	China	\$27.3 bn
7	China Eastern Airlines	China	\$22.8 bn
8	Latam Airlines	Chile	\$22.6 bn
9	Cathay Pacific Airways	Hong Kong	\$22.1 bn
10	Korean Air	South Korea	\$21.7 bn

Source: Forbes, Global 2000 Leading Companies, (2014, April 1)

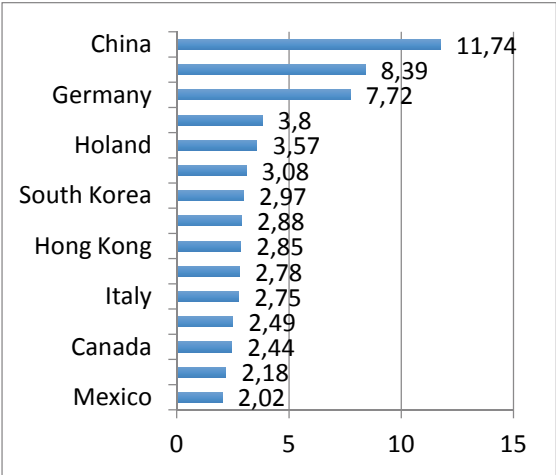
To determine the size of the airline, refer to a number of publicly available information such as the number of aircraft, number of passengers, and the number of transported goods or assets of the carrier. Due to the fact that during a commercial flight it is possible to simultaneously earn because of carrying passengers and cargo (luggage passengers are not classified as cargo), but also the only passenger transport and the goods transport, and due to the fact that there are airlines operating only one type of transport (passenger or cargo), the author found it necessary to use the total assets of the airline in order to determine its position in the business world. According to the International Air Transport Association 84.3% of the world's air traffic is carried by its members. IATA brings together 252 airlines (IATA). In the world there are airlines not affiliated in IATA, in 2013 it was exactly 1,397 entities (IATA). Because of the large number of entities, the author decided to use the information

developed by the business publication Forbes, publishing the annual list of the world's 2000 largest companies. From this list, ten largest airlines in terms of assets were selected. The results are shown in Table 1. As shown in Table 1, two lines have their head offices in the United States, three in the EU (Germany, the UK and France) - they are also the five largest airlines. The other five carriers have their head offices in Asia (China, Hong Kong and South Korea), and one in the South America in Chile.

### 3. ECONOMY OF THE COUNTRY

In this part of the article, the author will present data on the economies of the countries, which are the head offices of the largest airlines in the context of their position on the background of the world's economy. What makes the fact that in these countries the carriers included in the top ten companies with the largest assets among the airlines in the world operate if the total number of airlines is more than 1.3 thousand? According to the author, building such a strong position was possible by several factors. These are undoubtedly the economic position and the number of the country's population. The USA, on the territory of which there are two of the largest airlines, have nominal GDP amounting to 17.5 billion USD. GDP per capita is 52 800 USA (The World Factbook). High income per capita combined with relatively large populations, more than 313 million inhabitants (OECD), created the conditions for establishment and maintenance of the position for two companies operating in the transport sector, referred herein - Delta Air Lines and United Continental Holdings. Similar relationships exist for almost all described airlines. Deutsche Lufthansa, Germany's main carrier uses the economic position of its country. German GDP of 3.9 billion dollars (The World Factbook), and the population exceeds 81 million (OECD). UK and France show the size of GDP respectively 2.827 billion and 2,885 billion (The World Factbook). The population is over 61 million in the UK and over almost 63 million in the case of France (OECD). In the case of these three countries, an important factor is also access to the common market of the European Union. China is the country with the largest population in the world. In July 2014, the number of inhabitants of the Middle Kingdom was more than 1.355.000 inhabitants. The country's GDP is over 10 billion dollars (The World Factbook). Access to such a large market enabled development of the local air carriers. Chinese airlines benefited from rapid development of the country, which allowed up to two entities, which are the representatives of the industry, finding themselves on the list of the largest carriers in the world. Hong Kong is the Special Administrative Region of the People's Republic of China. It is a sort of dependent city-state, which does not have large population (over 7 million), (The World Factbook). However, it is also one of the world's largest financial services centres, which allows creating the value of GDP of 273.3 billion USD (IMF). The factor facilitating asserting itself among the world's largest airlines is also easier access to the Chinese market. South Korea's GDP is more than 1.6 trillion (IMF), and the population of over 49 million registered residents. Most of the described countries are also at the forefront of the world's economies in terms of their share in the international trade. This situation is illustrated in the following diagrams. According to the data shown in figure 1 majority of the countries being the head offices of the described airlines belong to the world's largest exporters. China, which is the head office of two of largest airlines, has 11.74% of share of the world's exports.

**Figure 1:**The largest exporters in 2013 (the share in world exports in%)

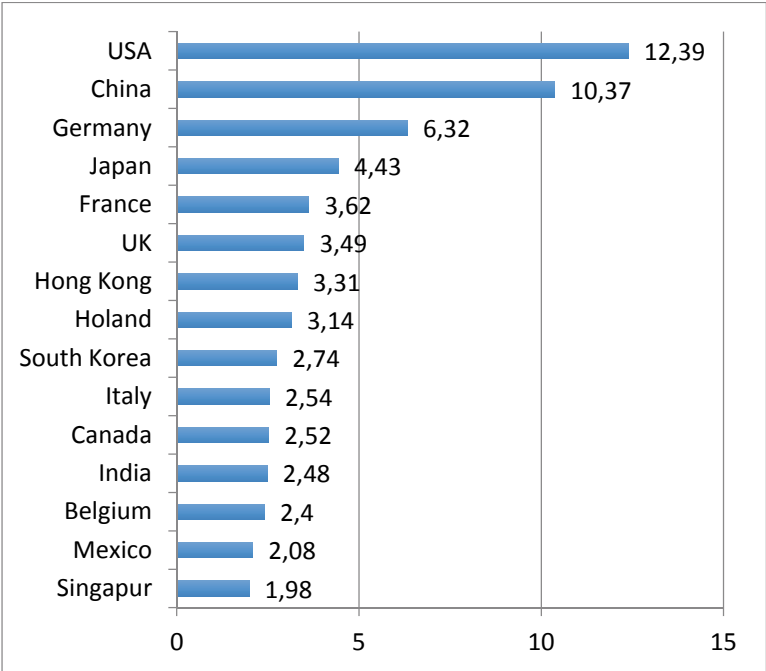


Source: UNCTAD <http://unctadstat.unctad.org/EN/> (2015, March 22)

The USA, on the territory of which two largest airlines operate, have 8.38% of the world's export. Each Member State of the European Union, the carriers of which are among the ten largest, is on the list of the largest exporters: Germany with the share of 7.72% of world's export, France 3.08 (Air France-KLM was created by merger of the French Air France and KLM Dutch, therefore, for this reason attention should be paid to the position of the Netherlands with the share of 3.57% of world's export), the United Kingdom - 2.99%. Other Asian countries are also among those with the greatest export: South Korea 2.97% and Hong Kong 2.85%. Latam Airlines, based in Chile, is the only carrier that has its head office in the country outside the world's top exporters. At the same time, it is the only carrier of the South American continent.

The situation is similar when taking into account the data on the share of individual countries in world's import. Most of the countries in the world's top exporters shown in figure 1 are also at the forefront of the world's importers as shown on figure 2. The USA are the world's largest importer, with 12.39% share in the world's import. Another is China - 10.37%, Germany - 6.32%. The fifth place is occupied by France - 3.62%, another by the United Kingdom - 3.49%. Hong Kong has 3.31% share in the world's import, and South Korea 2.74%. As in the case of export, Chile does not belong to the largest importers. Based on the presented data, one cannot fail to notice that Chile does not appear in the statistics as one of the world's leaders. However, in the territory of the country, Latam Airlines holding operates, belonging to the largest airlines in the world. The reason for this is that the entity was formed relatively recently - in 2012 in a merger of several airlines that operate throughout the South American continent. Thus, the company has become the undisputed market leader by focusing the common management oversight of entities operating in the aviation sector in Chile, Brazil, Ecuador, Peru, Argentina and Colombia (LATAM Airlines).

**Figure 2:** The largest importers in 2013 (the share in world imports in%)



Source: UNCTAD <http://unctadstat.unctad.org/EN/> (2015, March 22)

Without a doubt, a strong economic position of the country, which is reflected in the share of the world's export and import, has a positive impact on the conditions of the transport-related businesses. The leading positions of the airlines in the USA, Germany, France, Britain, China, Chile, Hong Kong and South Korea were impossible without it. However, having resilient carriers is an argument to help to maintain and strengthen these positions. The consequence of the well-functioning aviation industry is not only easier access to the market of the country and access of the domestic enterprises to the international market, but also additional positive effects of existence of that industry in the economy of the country. Table 2 shows the impact of the aviation industry on the economy of the countries, which are the head offices of the described airlines. The impact of the sector of the services related to aviation was considered.

**Table 2:** National figures for employment and GDP supported by aviation

Country	Employment (000s)					GDP (US \$ million)				
	Direct	Indirect	Induced	Tourism	Total	Direct	Indirect	Induced	Tourism	Total
USA	2,227.2	1,309.2	985.2	1,209.1	5,731.3	181,933	149,353	112,331	118,098	561,716
Germany	411.0	251.2	163.5	291.1	1,116.8	29,464	20,693	13,471	22,699	86,327
France	229.1	252.3	158.2	231.0	870.6	30,191	24,413	15,305	19,966	89,875
UK	319.8	266.7	195.7	507.7	1,290.0	27,164	20,824	15,281	33,593	96,862
China	900.8	2,624.1	1,335.4	993.5	5,853.8	26,286	28,236 4,369	14,369	11,994	80,885
Chile	42.3	45.3	36.9	37.1	161.5	3,178	1,593	1,297	1,366	7,434
Hong Kong	91.3	57.2	36.6	150.2	335.2	9,024	4,102	2,627	12,450	28,204
South Korea	54.3	49.3	53.5	419.7	575.8	6,042	2,257	2,402	17,708	28,409

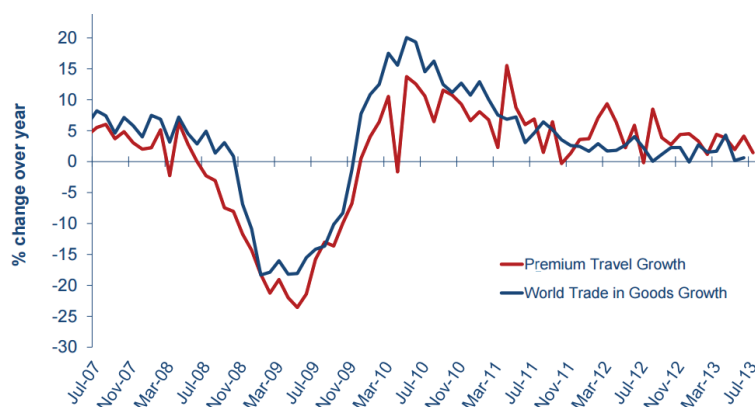
Source: Aviation Benefits Beyond Borders, Air Transport Action Group (2014, April), p.54-56

The data presented in Table 2 were developed based on the information about the number of jobs generated in the airlines and the airports. Information on the GDP is also based on the data obtained from measuring the number of checked-in passengers at the airports and their number foreseen by the airlines.

#### 4. RELATIONSHIP BETWEEN WORLD AVIATION SECTOR AND ECONOMICS

The essential feature of the air transport is its range. The airlines operate around the world, transporting passengers and goods. One can observe correlation between the world's economy and increase or decrease in air traffic. According to experts of the International Air Transport Association IATA (Aviation Economic Benefits, IATA Economics Briefing No 8) the aviation industry itself can be a source of economic growth through generation of jobs, but also by facilitating access to the local and the regional markets, as well as the international markets. In the previous chapter, the author noted that nine of the ten largest airlines in the world come from the countries belonging to the top fifteen countries with the largest share of the world's export and import. According to the author, it confirms the conclusions published by the representatives of IATA.

**Figure 3:** Premium passengers and world trade growth



Source: Premium Traffic Monitor, IATA, July 2013, p. 2.

The exact correlation between increase in the world's trade and dynamics of premium class passenger traffic is presented in figure 3. It can be noticed that flow of premium class passengers traffic is closely linked to the curve of growth of the world's trade. This is due to the fact that the vast majority of passengers travelling in this class are business travellers. The author's opinion is based on the report of Flying on Business, a study of the UK business air travel market developed by the Civil Aviation

Authorities of the UK, which states that "... the majority of passengers in premium cabins are travelling for business purposes."

The entire airline industry provides more than 58 million registered jobs worldwide, generates the world's profit of USD 2.4 billion and is responsible for generation of 3.4% of the world's GDP (ATAG). Aviation directly impacts on the economy, directly generating jobs and significantly speeding up and facilitating movement of goods and passengers. Based on the air transport, the tourism sector developed, the world's value of which is 2.2 billion dollars (Statista). The most important in creating demand for air transport is business travelling, which constitute 50% of all transport (IATA). Business travelling is regularly spaced in time, and is characterized by greater resistance to ticket price differences.

## 5. CONCLUSION

The article presents the ten largest airlines in terms of assets and describes the economy of the countries being the head offices of the airlines. The author noted connection between the size of the economy and the share of the countries' economies in trade and the size of the airline. Based on the data the following conclusion can be regarded as legitimate: high economic position of the country is a factor facilitating development of the transport sector and the companies coming from such countries with skilful development policy can take place among the world's leading companies in their industries. Nine out of the ten largest carriers have their head offices in the countries that are the leaders in terms of GDP and share in the international trade. Another factor facilitating development is access to the markets with large population. These conditions are not necessary, because, as pointed out by the author on example of the Chilean airline, well-managed companies are likely to find themselves on the international transport market even if they do not come from a country located among the economic leaders of the world. Development of the air services sector is also becoming a driver of the local economy.

## REFERENCE LIST

1. Aviation Benefits Beyond Borders, Air Transport Action Group (2014, April), p.54-56, Retrieved from [http://aviationbenefits.org/media/26786/ATAG\\_\\_AviationBenefits2014\\_FULL\\_LowRes.pdf](http://aviationbenefits.org/media/26786/ATAG__AviationBenefits2014_FULL_LowRes.pdf)
2. Aviation Economic Benefits, IATA Economics Briefing No 8 (2015, 24 March), Retrieved from <http://www.iata.org/publications/economics/Documents/890700-aviation-economic-benefits-summary-report.pdf>
3. Economic Contribution of Civil Aviation, ICAO, Ripples of prosperity, p.2. Retrieved from <http://www.icao.int/sustainability/Documents/EconContribution.pdf>
4. Fact Sheet: Economic & Social Benefits of Air Transport (2013, April). Retrieved from [http://www.iata.org/pressroom/facts\\_figures/fact\\_sheets/pages/economic-social-benefits.aspx](http://www.iata.org/pressroom/facts_figures/fact_sheets/pages/economic-social-benefits.aspx)
5. Flying on Business, a study of the UK business air travel market, Traffic Trends and Characteristics, (2009, May) p. 10, Retrieved from <http://www.caa.co.uk/docs/33/CAP796.pdf>
6. Forbes, Global 2000 Leading Companies, (2014, April 1). Retrieved from [http://www.forbes.com/global2000/#page:1\\_sort:6\\_direction:desc\\_search:\\_filter:Airline\\_filter:All%20countries\\_filter:All%20states](http://www.forbes.com/global2000/#page:1_sort:6_direction:desc_search:_filter:Airline_filter:All%20countries_filter:All%20states)
7. International Airline Transport Association (2014, 22 March). Retrieved from <http://www.iata.org/about/members/Pages/airline-list.aspx>
8. International Civil Aviation Organization. (2014, 25 April). Retrieved from [http://www.icao.int/publications/journalsreports/2014/MRTD\\_Report\\_Vol9\\_No3.pdf](http://www.icao.int/publications/journalsreports/2014/MRTD_Report_Vol9_No3.pdf)
9. International Monetary Fund, World Economic Outlook Database, (2014, April), Retrieved from <http://www.imf.org>
10. Latam Airlines Group Reports, (2015, December), Retrieved from <http://www.latamairlinesgroup.net/phoenix.zhtml?c=81136&p=irol-irhome>
11. OECD (2015, 24 March), Retrieved from [http://stats.oecd.org/index.aspx?DatasetCode=POP\\_FIVE\\_HIST](http://stats.oecd.org/index.aspx?DatasetCode=POP_FIVE_HIST)
12. Premium Traffic Monitor, IATA, (2013, July) p. 2, Retrieved from <http://www.iata.org/whatwedo/Documents/economics/premium-monitor-jul13.pdf>
13. The World Factbook (2015, March), Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>
14. UNCTAD (2015, 22 March), Retrieved from <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=24739>