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Tiger Airways badly wounded by grounding

Australian Broadcasting Corporation

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Reporter: Emily Stewart

Some aviation analysts believe budget carrier Tiger Airways will be forced out of business after being grounded over safety concerns.

Transcript

PHILLIP LASKER, PRESENTER: Tiger Airways is fighting for survival after its grounding over safety concerns.

Some aviation analysts believe the budget carrier will be forced out of business and doubt it'll be grounded for only a week.

The airline's brand appears badly damaged and it's been haemorrhaging millions of dollars in losses over the past few years.

Emily Stewart reports.

EMILY STEWART, REPORTER: It's a turbulent time for Tiger Airways, but analysts believe the low-cost carrier will ride through the storm.

DEREK SADUBIN, COO, CENTRE FOR ASIA-PACIFIC AVIATION: Tiger Airways and its backers have got significantly deep pockets and a strong enough will to get this resolved as quickly as possible and get back flying.

EMILY STEWART: The Civil Aviation Safety Authority grounded the budget airline for a week until Saturday because of safety concerns and Tiger boss Tony Davis flew in from Singapore for crisis talks with the safety regulator in Melbourne.

The location was kept under wraps and in a statement issued this afternoon, Tiger says, "... management will continue to work on a constructive basis with CASA to resolve their safety concerns."

The safety authority is yet to decide if it will go to the Federal Court to seek an extension of the grounding.

ROGER MONTGOMERY, FUND MANAGER: It depends whether or not they are actually able to rectify the issues that CASA has brought to their attention.

EMILY STEWART: Meanwhile, the terminals are empty but the low-cost carrier is still selling online tickets for flights next week.

Although, Barry Jackson from the Pilots Association believes it could take a while for Tiger to get back in the air.

BARRY JACKSON, PRESIDENT, AUST. INT. PILOTS ASSOC.: They seem systemic problems, and as you can't train pilots in a week you can't train engineers in a week. The skills required for aviation take a long time to come to fruition.

EMILY STEWART: He believes cost-cutting is an ongoing concern across the aviation industry.

BARRY JACKSON: Our concern is the area of pilot standards and obviously the couple of incidents that have brought this grounding along. We have for quite a while been concerned about the push towards minimum standards in the industry.

EMILY STEWART: It's the first time an entire Australian fleet has been grounded and Tiger estimates the week-long suspension will cost it \$1.5 million.

It's another blow for the struggling company. Tiger posted a full-year loss of almost \$7 million for the year to March. It's also a big worry for its biggest shareholder, Singapore Airlines, which has supported the struggling carrier for some time.

ROGER MONTGOMERY: If you're trying to make profits, there's no room for a low-cost carrier at all.

EMILY STEWART: Derek Sadubin disagrees. He says the low-cost model is continuing to flourish around the world.

DEREK SADUBIN: Low-cost carriers will probably account for something like 20 per cent of capacity in this market by the end of this year, and that's off a zero base 10 years ago.

EMILY STEWART: But with more than 40,000 passengers disrupted by the suspension, Roger Montgomery believes the real cost is to the Tiger brand, which he says has been irreversibly damaged.

ROGER MONTGOMERY: The competency of management needs to be called into question. It could be there's a lack of interest. They're not making any money and therefore there's no interest. It could be that it's considered an outpost from headquarters.

DEREK SADUBIN: They're certainly going to have some consumer backlash, particularly over the near term, but I think that assuming that they can get flying again very quickly and they can put some very attractive low fares back into the market, it could be something that gets resolved fairly quickly.

EMILY STEWART: Tiger's suspension has led to a short-term windfall for Virgin Australia and Qantas Airways. As well as swelling passenger numbers, shares in Virgin rose 10.5 per cent and Qantas was up almost six per cent.

The safety regulator told Lateline Business there was no outcome from the meeting today and its investigations into several recent safety issues will continue.