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Ethical Issues in Collaboration in the Aviation Industry:

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The aviation industry is a critical element of any tourism system, and has several secondary effects – a source of employment and foreign exchange earnings amongst them. A 'national carrier' is also a symbol of the country, a source of pride amongst the local community and a representative of the host country in other countries that it flies to.

It is important to investigate whether the airline industry is, by and large, acting in an ethical and socially responsible manner. Or is it that, given the current wave of liberalization, airlines are only acting in their own self-interest, and answerable only to their shareholder base. Solomon (1993) points out that most people are aware of ethical issues and the micro- or macro-level, but ethical issues at what he terms the 'molar' level (whose unit is the modern corporate organisation) are unclear, especially when they interact with micro- and macro–issues. In other words, whilst what constitutes ethical behaviour by business units is open to debate, the issue of the corporation's social obligations to the community are even more rarely discussed. One particular set of possibly unethical behaviours is the nature of anti-competitive and collusive business practices. This paper uses some ethics-based approaches to examine three particular aviation industry issues that fall within this domain.

Whilst there are a multitude of issues relating to actual or alleged unethical and/or socially irresponsible behaviours amongst airlines, this paper will focus on a few aspects only. Specifically, only the passenger product-market of airlines will be considered, and the discussion will also focus on the collaborative efforts between individual airlines, on the one hand, and between airlines and airports on the other. It will, however, cover both domestic and international airlines, both full-service and low-cost.

An Ethics-based Approach

Most writings on the aviation industry have been based on approaches that incorporate an economics or management perspective. Whilst this could be considered appropriate given the applied nature of much of the research, they have tended to ignore broader ethical issues and/or issues of social responsibility. Tribe (2006) opines that this hinders 'perception and knowledge-creation'; he quotes Sayer in saying that such discipline-based analyses "tend to be incapable of seeing beyond the questions posed by their own discipline, which provide an all-purpose filter for everything" (1999:2) and is 'a recipe for misunderstanding the social world' (1999:1).

Macbeth (2005) agrees with this view and argues for a' value-full-science' (2005: 973) rather than one that *fails* to use a base of values – what the author terms a 'value-free science'. Even within the field of tourism sustainability, research has been dominated by the objectivity inherent in a positivist approach. He traces the development of tourism scholarship as outlined by Jafari (cited in Macbeth, 2005) as it moved through the following approaches:

a. Firstly, an advocacy platform in the fifties and sixties as personal mobility and the affordability of tourism increased, and destinations discover the economic benefits that accrue,
b. Secondly, a cautionary approach when negative impacts on physical and cultural environments and economic disbenefits were becoming evident at local sites,
c. Then an adaptancy platform emerged in the 1980s that focused on approaches that minimize such impacts without inhibiting the tourism growth that was, by now, becoming ubiquitous.
d. This has led to a knowledge-based platform that would serve the reality of a now-globalised tourism industry; this approach tended to generate objectively-derived knowledge to serve primarily positive economic outcomes.
e. The current approach is a platform based on Sustainable Development (SD) that looks to the long-term sustainability of a destination as a whole through planning and policy frameworks that generate standards, laws and codes of conduct addressing environmental protection, cultural heritage preservation, and wide dispersal of economic benefit amongst the population. Such a platform recognises both the necessity of community participation, as well as the economic imperatives of tourism suppliers from private industry.

Macbeth (2005) cautions against accepting the SD platform as the preferred or most holisitc of the platforms. The SD platform is, he says,

> "is anthropocentric and inherently conflictual, with consensus unlikely. The paradigm involves power and inequality, is political, and lends itself to slogan misuse." (2005:968)

He points out that much of the SD platform pushes a neo-liberal-cum-green agenda which does disadvantage some smaller, less powerful local communities. He argues for a sixth platform of study arguing that future action be studied within an ethical framework.

> "Arguably, recognizing indigenous practices while resisting the urge to dominate goes some way toward understanding the praxis of a neotenous alternative. This position puts in relief the conflict between the crises of environment and social justice." (2005: 971)

It can also be seen that the above-mentioned platforms have evolved in response to the growth of tourism from small-scale to mass tourism, from being localized to becoming a global industry, as well as reflecting the tourists' relentless search for the new, the authentic, and the unspoilt. In other words, the disciplinary approaches have been reactive. However, many writers argue that the proposed sixth platform will need to be more proactive, rather than reactive (Dwyer, 2005, Macbeth, 2005).

Whilst the above writings have centered on sustainable development in small or relatively powerless economies in remote or rural areas, it is time to explore other more developed sectors and facets of tourism and the tourism industry. Much of the responsibility for the negative impacts on natural environments, valuable cultural assets and traditional communities' way of life has been sheeted home to the private sector. In a sense, there is an unstated proposition that industrial (including tourism) development has been responsible for the erosion or destruction of the home of the 'past' – the natural environment of a few decades ago, the heritage and way of life of perhaps even the pre-industrial age. There has been only limited research on, specifically, the tourism industry's practices' impact on people's *current* way of life, socio-economic welfare and aspirations, particularly in the *developed* countries (Souty, 2005). Some industrial practices may be legally compliant, and indeed may be taught at business schools and industrial training as being desirable strategies. The emphasis on achievement-orientation, the frequent references to *The Art of War* and Porter's 5 forces influencing generic competitive strategies (Souty, 2005) in discussing competitive strategies are cases in point. Such norms (at both the individual and corporate level) are indeed the logical corollary of a liberal market-oriented system.

If one accepts the premise that for tourism to grow and be sustainable the continued involvement of the organized private sector is essential, then we academics and researchers should examine the impacts of all their practices, especially those that may be gratifying to the individual employee, shareholder, organisation, and/or consumer (in generating consumer surplus).These practices and industry-wide norms might, in so doing, disadvantage some host communities, and here the community comprises the middle-class, urbanized individual, who might well be tomorrow's employee or tomorrow's tourist. Some business practices and anti-competitive behaviour may also disbenefit the economic and social well-being of such 'developed' and, often quite powerful, communities. Souty (2005) lists some of these practices – "cartels, abuses of a dominant position, abuse of buying power and/or attempts to monopolize, and more rarely, anti-competitive mergers and acquisitions" (p.3).

This paper focuses on some business practices of the airline industry. Airlines are employers of a large number of individuals, either directly or indirectly. At some selected points in their network (for example the home-base, and their 'hubs' if any), their employment runs into thousands. If one then adds the employment generated by airports, the economic and concomitant social impact becomes substantial.

Fleckenstein and Huebsch (1999) attempted to "formulate rules to differentiate between good and bad" (p.137), for a tourism world that operates within a paradigm of "profit-driven mega-businesses" (p. 197). Whilst such rules have been attempted in the context of sustainable tourism, there are other flanks in the field of tourism that may be undertaking actions that indicate a lack of ethics or social responsibility. This paper will take a step towards the formation of such rules in the aviation sphere.

Tribe (2002) and Jamal (2004) use Aristotle's concept of *telos* to underpin their discussion of tourism ethics. Both authors say that it is not enough to make the 'right' decisions or actions; such 'right' decisions are usually considered so only from a particular disciplinary or even ideological perspective. Rather the question should be of *ends* – what will this action achieve. What intrinsic and extrinsic virtues does a particular problem or issue in tourism fulfill? Jamal (2004) identifies several situations where 'profitability is important, but not at any cost' (p.534). Successful enterprise would lead to the development and economic well-being of a destination, in some measure, but there may be a cost at the macro social level, or even at the micro (regional destination or attraction) level. Hence knowledge and skills in disciplinary and practical aspects need to be complemented by an ethical perspective.

One might understand the term *telos* to signify a set of principles that signify a greater purpose which in turn directs activities and decisions. It may therefore be appropriate to attempt to develop such purpose-statements for tourism as a whole, and/or for significant sectors or aspects of it. To complement Jamal's discussion (2004)of the 'dimensions' of *telos* in hotels, sustainable tourism and ecotourism, this paper proposes some principles for the aviation industry, which might be construed as constituting such a *telos*. It does so after a discussion of some recent and contentious situations that have arisen within the aviation industry. This paper also defines the direct 'beneficiaries' of such principles as comprising the six sets of stakeholders identified by the Caux Round Table (Grace and Cohen, 1998), viz. customers, employees, owners, suppliers, competitors and communities.

Discussion

Airlines collaborate with many firms. As indicated earlier, such collaboration could result in anti-competitive behaviour that might not be in the public interest. Three particular sets of collaborative linkages are discussed below in this paper in an attempt to incorporate ethics-based perspectives into the maintenance of these linkages. The aim of the discussion is to suggest underlying principles that might guide airlines to satisfy their own economic and growth objectives without ignoring the broader effect of their actions and strategies on other stakeholders and the tourism industry in particular. The three sets of linkages are

1. Between airlines and airports,
2. Between governments in their negotiations leading to Bilateral Air-service agreements, and
3. Between two or more airlines in bilateral or multi-lateral alliances.

Even though the second linkage is not strictly between airlines, they are indeed the main beneficiaries, they are the ones who operationalise the capacities, routes and frequencies negotiated in these agreements. More importantly, airlines make submissions to their respective governments as flag-carriers and very actively lobby the governments to secure outcomes that are beneficial to their objectives and strategies. Each of these linkages is discussed in some depth below.

1. Airline-Airport Relationships: In the past, both these industry sectors were regarded as essential infrastructure and both were owned and operated (albeit sometimes as corporatised agencies) by national governments. Public policy the world over has since drawn from the experience of the liberalized aviation environment in the USA, and has accepted its macro-economic rationale. Government-owned airlines were thus the first to be sold off to private enterprise, though most of them retained flag-carrier status, and have restrictions on the percentage of shareholding allowed to be held by foreigners. Now, the focus has shifted to airport privatization – again with restrictions on foreign ownership, but many of the newly privatized airports have significant, albeit minority, foreign shareholders. Increasingly such shareholders are foreign-owned airport management companies like the British Airports Authority, Macquarie Airports, Civil Aviation Authority of Singapore, Aéroports de Paris and The Schiphol Group. Oum, Adler and Yu (2006) found that airport privatization does produce higher profitability and productivity. But is such profitability in the interest of all stakeholders? Does a privatized airport leave a community (employees, suppliers and the local community) dangerously exposed to business cycles? Where does that leave small island communities, or countries with only one international air gateway? Far-fetched as it might be, the question may be posed of the airport in Perth, Western Australia – the capital of a mineral-rich state of 2 million people, and its nearest alternative equivalent airports are 2000 kilometres away. An airport closure could isolate it even from the rest of Australia.

Leaving aside the question of airport privatization, and focusing on the commercial elements of the airline-airport relationship, it must be the airline is but one customer of an airport (Albers Koch and Ruff, 2005). This relationship clearly has to be mutually beneficial. It is self-evident that neither party can exist without the presence, active involvement, and effective operations of the other – in other words, this is a symbiotic relationship. Albers *et al*, (2005) illustrate this relationship using a value chain analysis of an airline identifying the different elements of airport services that impact on the airline product. Four particular aspects of this relationship are now discussed,

a.. Airports may negotiate what appear to be preferential deals with individual airlines, shutting out competition to similar terms. The deal between Ryanair and Charleroi airport in Belgium was struck down by the EC on just these grounds (Barrett, 2004, Gillen *et al.*,2005). Gillen *et al* (2005) detail the terms of the agreement – Ryanair got vastly reduced landing charges and ground handling fees, as well as contributions to accommodation costs, advertising and even pilot training. In return they committed to base a certain number of aircraft and operate a certain number of flights from Charleroi.

The European Union recognised the airport's right to enter into such an agreement, but criticized its lack of transparency and its 15-year duration, terms which were not allegedly available to competitors like Virgin Express, They also ruled that it constituted 'illegal state aid' to an airline, as the airport was owned by the local government. The EU Commission was attempting to be consistent here, as it had previously ruled against state aid to legacy flag carriers like Air France and Alitalia. But there is an issue here in that this was a 'new' set of operations being started up utilising an under-utilised resource (an ex-military airfield). Had it not been for Ryanair's approach, would there have been a viable airport operation at Charleroi (with all its attendant economic benefits to the region)? Would tourist to and from the hinterland south of Brussels have to incur the additional costs of flying through a mainstream airport such as Brussels?

b.. In another instance, a new joint terminal has been financed and developed by Lufthansa at Munich Airport. However, such an arrangement might restrict access to airlines that are not in some form of alliance with Lufthansa (Albers *et al*, 2005) The authors also indicate that such investment in facilities has definite long-term advantages for the airline, serving as a second hub to an near-capacity main base at Frankfurt, and located closer to the growth centers of Eastern Europe and the Baltic states. But this leaves the airport dangerously exposed if the airline suffers a downturn. Along with the airport the local suppliers, employees and the community the Munich airport serves (ref Souty ,2005) might also be affected.

c.. Just such a problem arose in Sydney in 2001-02 when the bankruptcy of Ansett Airlines left their relatively new purpose-built domestic terminal unused for over a year. In Ansett's absence, two other new market entrants (Virgin Blue and Impulse) were denied access to this empty terminal and had to use a temporary terminal. Admittedly the issue was involved complex commercial and tenancy issues; there was also an attempt to revive Ansett by the liquidators, which was unsuccessful and the terminal had to be then 'sold' along with the rest of Ansett assets. Both these factors may have been the reason why other airlines were not allowed to use this terminal. Nevertheless, Virgin Blue was aggrieved enough to wage a cheeky PR campaign against Sydney Airport.

d. One can foresee similar issues arising with the new dedicated low-cost terminals that have just opened in Changi airport, Singapore and the Kuala Lumpur International Airport (KLIA). Both have enlisted the input and commitment from only one of the low-cost airlines in the area – Tiger Airways and Air Asia respectively – before their respective openings this year. At the time of writing, Philippines' Cebu Air is the only other airline signed up to use the Changi terminal; KLIA has not been able to attract Air Asia's competitors to use the terminal. Will the other airlines be accorded the same level of access and user charges that the signing-on airlines have been granted? Would these airlines be able to adapt or alter the tangible and intangible elements of the respective airports to suit their needs (keeping in mind that the signing-on airlines has significant input into the design of the terminals) If not, would it force these low-cost airlines to pass on their higher on-ground costs to their passengers and thereby reducing consumer surplus, and travel opportunities to some leisure destinations that are solely served by low-cost carriers?

Interestingly both these low-cost terminals are parts of airports are corporatised airport entities that are not, in the true sense, privatized. Are they then serving the broader consumer and community's (national?) interest if their utilization is low? Admittedly both airports are still trying to sign on other low-cost airlines, thus far unsuccessfully. Is it possible that the airports are, in some way, NOT offering the same terms as they did to the first-movers? Legally they may be entitled to do just this, but is it in other stakeholders' interests, to whom they are, in fact indirectly accountable?

If the airline-airport nexus is not managed on sound ethical principles, the local community may argue that they are dispossessed; as well, consumer welfare may not be addressed. Starkie (2005) argues for a participatory approach with airlines. Gillen and Morrison (2005) suggest that aspects of the Canadian National Airport Policy might be a worthwhile model to follow. This policy devolved airport management of 26 of Canada's largest airports to municipality-controlled local airport authorities. The Federal government retained ownership of the airports as well as setting up the regulatory framework. This terms of this latter framework was widened after 9/11, but, according Gillen *et al* (2005) rendered the Policy ineffective in encouraging the local airports to be innovative, proactive in its development and generating 'profits' for the municipality / community. The authors do believe, however, that such a structure of 'franchising' to local authorities has potential, especially if the contract payments are levied on a per-passenger basis rather than a flat fee (which was what was done at Charleroi).This way, there is a return to the community, and the business cycle risk is also shared by both the airport and the local community. Effectively this would also generate 'participation' by all stakeholders (through the local municipality).

It must be remembered that airports constitute key infrastructure for a region – its industry as well as its community. It is also, in most instances a key element in the tourism system, particular for a destination region. They are also in a position to collect monopoly rents as the single airport in the region (as in Sydney and Singapore). Unlike in Canada, however, many governments have taken a hands-off approach to the operations of their airports, except with respect to safety and security issues. Airlines are the key customers, and the flag carriers or major airlines of that country or region serve as anchor tenants to an airport. As such, it is quite appropriate that special deals be negotiated. But without any input from other stakeholders (through institutions like the local government) and with negotiations being treated as commercial-in-confidence, there is little scope for participation in the strategic management of a key infrastructure resource.

2. Bilateral Air Service Agreements (ASAs) between two countries (not airlines) are negotiated by the respective governments to determine the air traffic rights and passenger and cargo capacity between two countries. They are negotiated for a fixed term. These capacities are then allocated amongst the one or more designated flag-carriers of both countries usually on the basis of reciprocal access. The negotiations take time to reach an outcome, sometimes lasting over a year and then the capacities are fixed for a certain period. Therefore, ASAs inhibit the ability of airlines to respond promptly to passenger demand, but airlines also use these ASAs to protect their key (read profitable) routes. The continuing stoush over the trans-Atlantic routes (between the USA, on the one hand, and the United Kingdom and the European Union, separately, on the other hand) is a case in point. The USA is fiercely protecting incursions into the market share (and profitability) of its financially vulnerable legacy airlines (most of whom fly across the Atlantic) . As the 'thickest' set of airline routes in the world, between two avowed advocates of open markets, this situation contradicts even the narrow confines of their professed free-market ideology.

The Pacific route between Australia and the USA is another example. Notwithstanding a free trade agreement and a separate open-skies agreements between Australia and Singapore, Qantas lobbied hard to deny Singapore Airlines' entry into this trans-Pacific route. The latter argues that just as Qantas can pick up traffic from Singapore to fly to the UK and Europe , they should be allowed to pick up traffic from Australia to points beyond – in this case the West Coast of the USA. There is a precedent for this. Currently Australia allows third country airlines to fly passengers from Australia to New Zealand and vice versa. However, the Australia-US route seems to be seen differently by the government. There are currently only two operators on the route offering direct flights – the very successful Qantas and the weakened United Airlines which has just emerged from bankruptcy. Qantas is said to derive 15% of its operating profit from this route. The Australian tourism industry has also protested against the high revenue per seat-mile that Qantas enjoys on this route.

Latest press reports indicate more opposition to these government policies. Whilst the routes to North America is the main trigger, industry leaders are now accusing the government of restricting expansion of all foreign airline services into Australia (Sydney Morning Herald, 2006, eTN Asia Pacific, 2006). The CEOs of Melbourne, Sydney and Brisbane Airports (all of them privatized) and the CEO of a leading industry advocacy group despair at the breakdown in bilateral aviation talks with Qatar, Vietnam, Taiwan and Singapore recently. Apparently the government was turning down these countries' request for increased access for their airlines into Australia. The issue must be significant enough for these organisations to voice their concerns because in doing so, they are indirectly pointing the finger at Qantas who is their 'anchor-tenant' (for the airports involved) and a leading member of this advocacy group. The operators' concerns come against the background of sluggish growth in tourist arrivals, culminating in a 1% drop in tourist arrivals into Australia in the March Quarter 2006. Separately, the Bureau of Transport Economics has reported a 1.4% drop in airline seats into Australia, *and* there is a new (and well-known) US $150 million advertising campaign to lure more tourists to Australia. The operators argue that air capacity is constraining any chance of reversing the decline in inbound tourism flows.

In both cases (trans-Atlantic and trans-Pacific), there may well be some benefit for the shareholders and employees of the airlines concerned, but the tourism industry suppliers (especially the airport operators) and tourists at both ends of the route may not be well-served as a result of the double-standard being applied. The Australian government spokesmen in these above reports stated that it was all a question of a 'level-playing field' and that the government subsidies allegedly being provided to Singapore Airlines and the Middle Eastern carriers disadvantage Qantas. This is disputed by the Chief Executive of Emirates Airlines who points to "a UBS Investment Research Report which said that it had found "little direct evidence of any subsidy and (that they) believe that the competitive strengths of the group can be explained by the underlying business model rather than special treatment' (Muqbail, 2006)

The very notion of a bilateral air service agreement implies the creation of a duopoly, limiting supply and ports of entry, and is therefore anti-competitive. The outcomes of these negotiations are also highly influenced by strong lobbying of the governments (who in fact sign and negotiate the bilaterals) on both sides by interested parties – the airlines in particular. Not even a purist version of dry economic ideology can justify the government's and airline's stance. There seems to be simply one set of beneficiaries – the airlines (and their employees and shareholders); the airports, the tourism industry in Australia and the outbound Australian tourist are not advantaged in any way.

3. Airline Alliances and Consolidation: It is also worthwhile to explore the rationale and scope of airline alliances to determine whether they constitute unethical behaviour, or are they at worst anti-competitive. They might also be providing benefits to other stakeholders. Many of the anti-competitive business practices listed by Souty (2005) could result from the creation of an alliance.

In the first place, an alliance between airlines takes many forms, and it is fair to say that no one has clearly defined what constitutes an alliance and differentiated it.from some form of co-operative agreement on the one hand, or a ' strategic alliance' or 'partnership' on the other. Therefore this discussion on alliances covers everything from a simple code-sharing arrangement on one particular route between two airlines to broader alliances encompassing each others' entire network, to sharing resources and sources of supply to outright equity-based linkages. There are also multi-airline alliances (like Star Alliance, oneworld and the Sky Team groupings).

The rationale behind airlines seeking alliances with their 'competitors' is three-fold. Firstly, it is not cost-effective for an airline to straddle the globe operating its own routes, and yet there may be strategic imperatives where the airline would prefer to do so. This could occur when a key segment of customers demand a particular route, which given their numbers and levels of usage would prove uneconomical for the airline to provide on its own. But by allying with another airline (usually the flag carrier of the destination country, which in turn draws on *its own* customer base as well), the route does become viable on a joint basis. Extending this further, a strong alliance between two airlines could cover each other's entire network, especially if there was good 'fit' between their respective routes without too much overlapping. In such a situation there may not be too many ethical issues that become important. Indeed customer welfare is being catered for and there are increased tourism flows. Neither is there any opposition to such arrangements on legal or ethical grounds (Travel and Tourism Intelligence, 2000).

A second factor influencing alliance formation amongst airlines is the need for increased profitability. In the airline industry, economies of scale bring lower unit costs only down to a certain point. Scale economies apply on a single flight between an origin-destination pair. Once a flight is full, no further economies may be achieved, so the airline seeks to increased frequencies on the same route. This creates a further set of economies called network economies or economies of density (Doganis, 2002). But there comes a point when the market on that route is fully catered for, and then an airline seeks to increase the number of routes that it serves, generating economies of scope. This also ties in with the demand for the service as suggested in the previous paragraph. Alliances can play a role in any of these stages in the search of economies; it is only when alliances tend to shut out competition or new competitors from a route or landing slots in a congested airport, or if they indulge in collusive pricing that the alliance behaviour is subject to review by competition authorities, where these exist. Such an alliance on a particular route might become an effective duopoly. Especially if this was an international route whose capacity etc were limited by International Air Service Agreements. In any event, such 'anti-competitive behaviour'; might also be considered unethical, but they are being closely reviewed by competition watchdogs in many countries.

The third reason for seeking (particularly multi-airline) alliance membership is are the promotional and branding benefits that membership brings. Any promotion by Star Alliance, oneworld or Skyteam automatically carries the names and logos of all member airlines. Such activity is not, in the least bit, controversial.

Mutli-airline alliances are primarily marketing alliances that facilitates interlining between selected airlines in a group for passengers to be ticketed and to travel on more than one airline, and to provide 'seamless travel' Gundmundsson and Lechner (2006). Any attempt by airlines to join one of the major alliances mentioned above is not seen as controversial; rather they are seen by many as crucial to provide traffic feed into their services from points that they cannot cost-effectively cover themselves. As the alliances grow in size and gain market power, they could conceivably exert market power over airports to corner the best landing gates and slots. As yet, this is not a major issue, and hence not a cause for immediate concern here.

Outright ownership of another airline is at the extreme end of the continuum in terms of the intensity and scope of collaboration between two airlines. Many airlines have minority holdings in other airlines, but foreign airlines (even foreign non-airline investors) are prohibited from holding a majority stake in a particular country's airline (be they the international flag-carrier or a domestic operator) . Europe has seen two mergers recently between Air France and KLM on the one hand (France and Holland being EU member-states) and Lufthansa's take-over of Swiss International (even though Switzerland is not a EU member). The deal had to be agreed to by American regulatory authorities as well. But it is the EU that has taken the lead in allowing and regulating alliances and mergers amongst European airlines, using a strong set of public-interest principles – particularly with the airlines concerned having to relinquish some of their landing slots at their main bases – Paris, Amsterdam, Frankfurt and Zurich respectively. This facilitates greater choice for consumers at these airports, and allows 'new' carriers to land at these airports for the first time – perhaps from countries that have not had a direct service to these key European destinations. Whilst there was some angst amongst the respective local populations, it was balanced by the realization that such mergers were the only real protection against bankruptcy / closure of the airlines in the crowded (and deregulated) European market. Similarly, even the government of China oversaw a period of consolidation of their publicly owned and private airlines into three large groups, giving each of them sufficient economies of scale and density to be able to operate profitably, and safely.

However, notable offenders include proponents of free- and liberalized markets - e.g. the governments of the USA and Australia. They baulk at the idea of foreign ownership of 'their' airlines, with the USA specifying that their airlines have to 75% locally owned on the grounds of national security. It may quite possibly be a public interest issue for Australia, being an end-of-line destination; if Qantas did not exist, a foreign-owned airline may not provide sufficient airline services at all times if there were better business opportunities elsewhere. There is, of course, the issue of possible job losses, national pride, and their attendant electoral pull. This is probably the reason behind New Zealand public's rejection of a proposed Qantas – Air New Zealand merger (Duval, 2005). Admittedly, neither airline is/was in any immediate danger of financial collapse Note that the NZ authorities also rejected the merger in spite of the Single Aviation Market of Australia and New Zealand which is very akin to the EU Aviation regime in its scope.

The situation illustrates examples of market forces being compromised, even in loudly-proclaimed free and liberalized markets. It is arguable whether public interest has been better served by denying the airlines the merger. The EU example however shows how such alliances could be managed.

In summary, then alliances in most forms may tend to be anti-competitive (and they are therefore subject to regulation), but they are in and of themselves not unethical and nor do they contravene the interests of any of the stakeholder groups. If one argues that every country should have its own flag-carrier airline in its own national interest, then any attempt and creating or allowing a foreign-owned flag-carrier will compromise those interests, particularly in a deregulated airline market, where there are supposedly barriers to exit.. But , is as in the case of the EU, a supra-national body safeguards individual countries' interests, then even mergers and takeovers (as a subset of alliances) need not be considered as being against the interests of all stakeholder groups.

Souty, 2005, points out that the EC tends to be very proactive in discussing anti-competitive issues. But the arguments posited still tend to be argued in economists' terms, and not in terms of broader social welfare. The author implies that such arguments may be valid in developed countries (and the scope of most EU rulings tends to be in such jurisdictions). But when it comes to developing countries, the force and impact of globalised and large tourism companies creates a power imbalance. This is where such anti-competitive activity borders on being *not* socially responsible or non-ethical. Smaller countries (markets), weaker economies are the ones who might suffer; further within these markets, it is the small and medium enterprise that bears the brunt rather than the larger corporation that operates in many countries (as Macbeth, 2005, implies).

Conclusion

This paper has explored three particular aspects of collaborative networks that are critical to airline strategy and operations. There are a multitude of other issues and business practices that an airline might undertake individually that may be considered not socially responsible and/or unethical. They might include individual instances of poor environmental management, discriminatory human resource practices, misleading advertising, predatory pricing etc. This paper, however, opted to focus on just their collaborative networks to explore these aspects in some depth, even though only three broad aspects were chosen for discussion and analysis. It is hoped that a preliminary set of principles might emerge that could then be tested against the full range of airline operations and activities

The preceding discussion reveals a few key points. Firstly, not all collaborative activities are necessarily anti-competitive or unethical or not socially responsible. Most alliance formations are simply a matter of business survival in the context of slowing growth, increased cost pressure and the implicit realization that air travel is increasingly becoming a commodity product. It appears that even the traveling public has realized this commoditisation since the advent of low-cost carriers. However, the second key point is that as airlines and airports become wholly privatized, the public interest dimension of their activities may appear to being lost. There may be a headlong rush to maximising returns to recoup their huge capital investments, but are the publics (the communities at both ends of the route) being disadvantaged? Such an outcome might eventuate in the case of a monopoly operator (an airport or an airline) . The third key point is that national governments are complicit in creating non-level playing fields and not adequately safeguarding public interests, and more specifically, the interest of their tourism industry. They advocate more competition, greater choice, reducing barriers to entry, open skies agreements and the like, but in the end they appear to succumb to narrowly protectionist interests. Fourthly, the above discussion has highlighted all along the implications for the tourism industry. A destination's targeted long-term growth (large or small) just may be caught in the crossfire here. Not only are tourists' denied access to travel to chosen destinations, but business operators (large and small) and a large number of tourism industry employees at the destination would feel the effect.

As such, a proposed set of guidelines or *telos* for the aviation industry and its key collaborators are:

- Sufficient, rather than maximum profitability, which benefits shareholders, their employees, and suppliers and reinforces the firm's long-term sustainability ,
- Provision of safe, efficient and comfortable transport services, (This principle is currently being well-served within the aviation industry),
- Governments' intervention in aviation matters to be dictated by its electoral mandate and defined set of principles (derived from this mandate, rather than ideology), only safety and security is truly in the 'national interest' in a liberalized market,
- Provision of the critical link facilitating tourism flows between an origin and a destination, thereby offering consumer choice at the origin, and enhancing tourism-specific economic activity and employment at both ends.

"Business life is fundamentally co-operative" (Solomon, 1993: 356), but in the drive to satisfy shareholder interests, the virtues of justice, integrity, competence and utility (Fleckenstein and Hubbard, 1999) are sometimes overlooked. The overriding need for individual or organizational profit and growth leads to intense

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