The views of Australian industry experts on the impacts of international airline alliances on tourism.

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Abstract

Semi-structured interviews were conducted with Australian industry figures with expertise and experience in the interactions of airlines and tourism. In summary, they saw the benefits to tourism from airline alliances as being operating efficiencies for airlines, a more efficient air travel system and lower costs for airlines leading to lower fares for tourists, more overseas marketing of Australia and improved services for tourists. Disbenefits noted included the reduction in competition, leading to possibly of higher fares, fewer flights to some destinations and customer confusion.

There was a consensus amongst the Australian airline industry experts consulted that overall the effects of airline alliances on tourism into Australia would be positive. No one could quantify these benefits, and the dangers of negative outcomes were accepted, but all discussants saw a future in which airline alliances would be an important factor and faced this future with some degree of optimism.

Keywords: airlines, alliances, tourism impacts

Acknowledgment

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The views of Australian industry experts on the impacts of international airline alliances on tourism

Introduction

Alliances amongst international airlines have recently become a prominent feature of the international airline industry. Alliances range from simple code sharing arrangements (in which an airline carries passengers who bought tickets from another airline), through integration of marketing, terminal facilities and schedules, to airlines taking up equity in other airlines (Howarth and Kisebom 1999, Rhoades and Lash 1997). Most prominent are the large integration alliances, such as Star (United, Lufthansa, Singapore, All Nippon, Air Canada, Thai, Varig, SAS, Air New Zealand, Ansett, Mexicana, Austrian, British Midland), one world (American, British, Qantas, Cathay Pacific, Iberia, LanChile, Finnair, Aer Lingus), Sky Team (Air France, Delta, Aeromexico, Korean), Qualiflyer (Swissair, Sabena, Turkish, AOM, TAP Air Portugal, LOT Polish, Crossair, Volare, Air Littoral, Portugalia) and Wings (KLM, Northwest).

The key issue arising from international airline alliances, especially in terms of their impacts on tourism and consumers, is the trade off between efficiency and competition (see Oum, Park and Zhang 2000, Chapter 2, and the Organisation for Economic Cooperation and Development 2000, for recent reviews and discussion of the literature).

Alliances can have important pay offs to consumers in terms of service improvements and lower fares as a result of cost savings (Oum, Park and Zhang 1996). On the other hand, alliances could be a means to reduce competition and constrain capacity on some routes, with consequential increases in fares. The anti-competition possibilities, in particular, mean that alliances attract the interest of regulators (such as the Australian Competition and Consumer Commission, see, for example, ACCC 2000).
There has been concern expressed that the airline industry is moving from a being highly regulated one to one dominated by global alliances and co-operation amongst airlines, both of which are a priori anti-competitive structures (eg. Feldman 1998, The Economist 1998). It is a basic tenet of economics that competitive markets lead to greater efficiency and lower prices than less competitive markets. However, international airline competition is seen, by some observers, to have been limited in the past through the regulatory environment and potentially limited again in a future dominated by alliances.

Many countries have deregulated their domestic aviation services, removing controls on fares, lessening restrictions on providing services, and reducing barriers to entry (Findlay, Hufbauer and Jaggi 1996). The provision of international air services remains highly regulated through a multitude of bilateral air service agreements between countries, restricting who can fly specified routes and how often. Foreign ownership of airlines is also restricted. In addition, it is rare for airlines to be permitted to launch discrete services between two foreign countries (Hanlon 1996).

There is strong competition, often resulting in lower fares, for less travel time sensitive passengers such as tourists. Tourists are more willing to substitute other paths for the direct route between their origin and destination than (for example) business travellers, as tourists are generally less time sensitive and more cost sensitive. The tourism travel market is thus more competitive on price than the business travel market, in which services (direct and ancillary) are the main focus of competition.

Competition is strong on longer (higher revenue generating) routes and where there are a number of alternative routings between an origin and destination. This is important for tourism to and from Australia. Some indirect routes to and from Australia are reasonable substitutes for the more direct routes, more so than in most other parts of the world, because of the long distances and travel times involved.
This article considers the views of people with expertise in the tourism and airline industries on the impacts such international airline alliances could have on tourism and tourists in Australia. The airline alliances are particularly important in the Australian market (see Table 1 below), which thus provides a useful case study of the effects of these alliances in a situation where these effects may be stronger, clearer and earlier developing than in most of the world.

Discussions were held with a range of people with expertise, experience and interests in the topic. The purpose of these discussions was to ascertain the views of those working in the industry and close to the issue and its practical consequences. This was considered to be an important source of information. In the absence of hard data on the issue of the effects of airline alliances on tourism (an absence a number of the discussants themselves commented on), it was felt that weight should be given to the views of experts in the field.

**Airline alliances in the Australian market**

World-wide, the major global alliances have about half the international airline business, between them (figures calculated from O’Toole and Walker 2000). The Star alliance is the largest, its members account for about 20% of total world traffic and revenue, followed by one world (c15%), Sky Team (c10%) and Wings and Qualiflyer (c5% each). Some important large airlines currently remain unaligned. Independents particularly relevant to Australia include: Japan Airlines, Malaysia Airlines, Alitalia, Emirates, Virgin Atlantic and South African. Some of these have various links with airlines in the major alliances (see O’Toole and Walker 2000 for details), but they are not tied into a specific alliance, others have a deliberate strategy of remaining independent.

The situation in Australia is rather different to the world-wide picture. Table 1 shows shares of total air traffic to / from Australia. It is noteworthy that international air
traffic to and from Australia is heavily dominated by alliances, and by the one world alliance in particular, due to Qantas’ involvement in one world and its large position in the Australian market (Qantas carried 35% of international passengers to/from Australia in 1999). The Star alliance is also stronger in the Australian market than it is worldwide, whilst the Sky Team, Wings and Qualiflyer alliances have only small positions in the Australian market.

Table 1. Major global alliances in Australia

<table>
<thead>
<tr>
<th>Alliance</th>
<th>share of passengers carried*</th>
<th>Main airlines and their share of passengers carried*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star Alliance</td>
<td>31%</td>
<td>Air New Zealand 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>United 4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ansett 3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thai 3%</td>
</tr>
<tr>
<td>one world</td>
<td>44%</td>
<td>Qantas 35%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>British 5%</td>
</tr>
<tr>
<td>Sky Team</td>
<td>1%</td>
<td>Cathay Pacific 3%</td>
</tr>
<tr>
<td>Wings</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Qualiflyer</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>5 alliances total</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

Non-allied airlines: 24% Malaysia 5%

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Japan</td>
<td>4%</td>
</tr>
<tr>
<td>Garuda</td>
<td>2%</td>
</tr>
<tr>
<td>Emirates</td>
<td>1%</td>
</tr>
<tr>
<td>Lauda</td>
<td>1%</td>
</tr>
</tbody>
</table>

* share of passengers carried to/from Australia on international flights
Figures for 1999 calendar year

Source: calculated from Department of Transport and Regional Services (2000) Aviation Statistics, Table 2
Breaking the figures down into markets for international air transport (as defined, regionally, by the Australian Competition and Consumer Commission 2000) shows a similar pattern of dominance by the Star and one world alliances. With the exception of the India / Middle East market, where these two alliances share less than 20% of the market and most is held by non-aligned carriers, Star and one world have more than 70% of the market for South East Asia, Europe, and North Asia, over 80% of the Oceania / New Zealand market and all but 2% of the Americas market.

Australian air traffic is provided predominantly by two parties – the Star and one world alliances – with the other alliances and non-aligned airlines being confined to minor roles. The future reactions of the three smaller alliances to this situation is of interest. It is most likely that they would consider that Australia is incidental to the main stream of their business and not worth the investment required to establish a larger presence in. Thus the current situation would continue. Australian tourism would benefit if the smaller alliances were to adopt the view that strategically there is a gap in their network coverage that they would want to fill, as their efforts to build business in Australia would increase competition and marketing of Australia as a destination. But this is considered less likely, as the investment required would be large, the barriers to profitable entry high (given the significant advantages of the incumbent airlines), there is no obvious partner with a major presence existing to draw into their alliance and Australia is geographically distant from their main spheres of operations. Asia is more likely to be an attractive region for expansion of networks and services for Sky Team, Wings and Qualifyer.

Even if the major alliances prove unstable in their current form, the strong equity links between Qantas and British Airways, and between Singapore Airlines, Air New Zealand and Ansett, are likely to persist and be the basis of two strong groupings in the Australian market. Equity holdings, particularly those of the size of the 25% share of British Airways in Qantas and of Singapore Airlines in Air New Zealand, can be sold off and the links cut, but there is currently no reason to expect this to happen.
The intentions and actions of the major unaligned airlines, especially Japan Airlines (JAL) and Malaysian Airlines (MAS), and any moves by them towards alignment, could be indicators of future trends in the alliances positions in the Australian market. If these carriers were to join one of the two largest alliances it would increase their dominance and weaken the ability of the minor alliances and non-aligned airlines to provide competitive pressure and alternatives. On the other hand, if JAL or MAS were to join one of the Sky Team, Wings or Qualifyler alliances it would signal a stronger presence for that alliance in the Australian markets.

**Methodology for industry consultations**

This research is exploratory in purpose and the data required for quantification is not available, so it was necessary to adopt a qualitative approach. The study is thus not positivist, but interpretivist in methodology. Qualitative research provides a vital perspective to assist in understanding phenomena differently than that which the positivist perspective alone provides (Riley and Love 2000, p168).

Semi-structured interviews were held with sixteen people involved in the industry. These came from a variety of perspectives, as can be seen from their backgrounds, listed below. The consultations were conducted via a combination of lengthy one-to-one telephone interviews, a conference call with two respondents and face-to-face meetings. Most discussants were sent the following list of questions beforehand, to structure and frame the discussion, although other issues and matters could be, and were, considered.

“I am looking at the effects of the growing extensive trend to international airlines forming alliances, particularly the effects on tourism. I am interested in hearing what you think about the global airline alliances. For example:

- why do you think airlines are doing this?
• do you think it is a long-term trend?
• will the alliances become stronger, involving more integration in the future?
• what do you see as the important results of this move to alliances?
• what will happen to fares?
• what will happen in various dimensions of service - flight frequency, ease of connections, access to information about schedules and fares?
• do you foresee negative impacts on customers, particularly tourists?
• will it expand or limit customers’ choices?
• will it limit competition?
• will some areas, e.g. regional airports, do better or worse out of this, or are impacts likely to be similar across the board?
• what might the government do in response?
• what should the government do in response?
• are there important other relevant questions that need to be considered?"

The interviews and meetings were held in August and September 2000.

Those contacted generously gave of their time and knowledge. Their backgrounds are listed below, with names and exact positions edited out to preserve confidentiality. The respondents were all senior managers in their various organisations with responsibility for areas such as strategy, airline policy, alliances, marketing and tourism. Comments, lines of argument and facts are not attributed to individuals, as some requested they not be quoted and spoke frankly “off the record”.

Mr A  Tourism Policy and Strategy Group, Department of Transport, Adelaide

Mr B  Sydney Airport Corporation
Mr C  Corporate Planning, Sydney Airport Corporation
Mr D  International Relations, Qantas Airways Limited, Sydney
Mr E  Strategic Planning, Qantas Airways Limited, Sydney
Ms F  Qantas Airways Limited, Sydney
Mr G  Tourism Queensland, Brisbane
Mr H  Policy and Research, Tourism Task Force, Sydney
Mr I  North Asia Section, Department of Transport and Regional Services, Canberra
Mr J  International Branch, Department of Transport and Regional Services, Canberra
Ms K  Cairns Port Authority
Ms L  Ansett Australia, Canberra
Mr N  Tourism Council of Australia, Sydney
Ms O  Australian Tourism Commission, Sydney
Mr P  Melbourne Airport
Mr Q  Melbourne Airport

The method was thus semi-structured interviews of selected industry experts. The interviews were arranged by appointment, and framed by a series of pre-determined questions, but the conversations were allowed to explore other issues as they arose. Notes were made of the discussions for later review. Separate interviews avoid issues of social dynamics and influence that can be problematic in panel discussions and focus groups. The interviewer was able to raise points from one interview in other interviews and seek reactions on the strength of the idea alone, without naming its source. In drawing on industry experts there is a danger of a form of “group think” being expressed, driven by the shared experience of the conditions of the industry and a common culture. The very fact of their involvement in the industry could be seen to blinker and circumscribe their viewpoints. It was attempted to obviate this by drawing on a range of experts with different backgrounds, positions and types of
involvement. It is considered that the possible danger is more than offset by the ability to draw on the expertise, interest and experience of those interviewed.

Results

The following points summarise the researcher’s understanding of the topic that was developed from the interviews with Australian industry experts. Some points were made by many of the discussants, others by only one. The points reported include some raised by the researcher and commented on by discussants. The emphasis given reflects the weight of the point or argument ascribed by the researcher. The actual words used also reflect the researcher’s notes and understanding. They often bring together points made by a number of the discussants. In no case can particular words or views be ascribed to a specific individual discussant.

There were some differences of viewpoint, primarily along lines to be expected from the discussants’ vested interests inherent in their position and employer. It is natural that people will focus on and emphasise those aspects that are most important to them in their position in the industry. It is the researcher’s task to assess, and give appropriate weight to the various points made. The main areas of difference were between those working for airlines and those servicing or relying on them. However, overall there was more agreement than disagreement on most matters, and a clear Australian practitioners’ view emerged.

Futures

It is hard to predict the outcomes of a dynamic, uncertain and still unstable process. This suggests that it is sensible to avoid locking policy or practice in to a particular scenario.
Alliances have a history of fracturing, with many splits and findings of new partners. Even if the major alliances now in place continue, new smaller alliances can still emerge. Airlines have different cultures, different histories, come from different environments and speak (literally) different languages. There are large difficulties to be overcome in bringing together and integrating different systems (operational, human resources, reservations, etc) across the world. Many airlines will still want to protect their own brand, which can place strains on alliances.

Alliances are a strategic reaction to the current and expected airline industry environment and forces identified as working in it. The regulatory regimes of governments are a major part of forming that environment. The USA government is particularly important, as the home regulator of the largest domestic market and many of the largest airlines. The USA government supports the current rules, especially on airline ownership restrictions, but it could change its attitude. This would drive changes worldwide. For example, relaxation of direct equity investment restrictions (which the European Community already tends to favour) could change the whole need for and form of alliances.

Alliances in their current forms are framed by the artificial regulatory structures of the international airline industry. If large, international airline companies are allowed to form in the future, then the current alliance forms may come to be seen as mere transitional steps on the way to the formation of mega-carriers with ownership at their centre.

The whole bilateral framework of most of the international airline industry is based on national carriers and the coincidence of their interests with their national governments’ interests. Privatisation and liberalisation are breaking this framework and coincidence of interests down. Further opening up is to be expected.
It is quite possible that the trend to alliances will see fewer foreign airlines flying into Australia. Australian airlines could service the legs to and from Australia from alliance hubs, such as Singapore. Australian airlines could come to specialise in this part of the business.

**Airline economics**

Airlines market alliances in terms of improved customer service (especially for business and frequent travellers, less so for tourists) are likely to continue to develop. But the real drivers internally are the cost reduction efficiencies it is possible to realise. More efficient integration of networks, sharing expensive facilities such as engineering and airport lounges, are important.

Airlines will need to make greater use of slots, especially at Sydney. Bigger aircraft and less frequent services can be expected. These will give the airlines better load factors and yields.

Many airlines operating into Australia have offered a less than daily flight service. It is hard for this to be an economic proposition for the airlines. There are high representational and marketing costs to spread over a small number of flights. Alliances can alleviate this problem. Moving beyond code sharing offers more integrated scheduling and operating economies.

Alliances may provide a useful part in bringing international cost benchmarks into the Australian market.

Airlines have a voracious need for capital. The Australian airlines face severe problems financing their capital need within Australia. Given the equity restrictions
on airlines, capital investment has to be debt financed. Alliances provide a means of reducing capital requirements, spreading them across the alliance through sharing major capital items such as aircraft and computer reservation systems with alliance partners.

**Marketing**

It is important for Australian tourism that Australia as a tourist destination be marketed in many overseas markets. Australian based airlines, particularly Qantas, promote Australia overseas as it is in their interests to do so. Other airlines such as Lufthansa, KLM and SAS have bases in important tourist origins. Alliances offer a way for such airlines which do not provide their own services into Australia, or have provided only limited services, to be in the Australian destination market. They have a business rationale to put Australia into their systems and catalogues and marketing efforts.

Alliances offer the potential for more sales outlets at which Australia as a destination is sold. For example, the BA office in Madrid can market flights to Sydney.

**Independents**

Not all airlines will necessarily join alliances, especially the strong, global and more integrated alliances. Some airlines will pursue independent strategies (for example, Emirates and Sri Lanka Air) or smaller scale alliances. These will provide a counterweight and competitive pressures to the major alliances.

Allowing Australia to become dominated by a single alliance can be expected to have strongly negative consequences overall, through market dominance and lack of
competition. Two or (preferably) three major alliances, plus a fairly strong group of independent airlines, should be a more competitive and positive situation for Australian tourism.

**Domestic airlines**

There may be some room for different global alliances to link up with different domestic airlines and help strengthen the weaker domestic airlines. At least, the Air New Zealand – Singapore Airlines link with Ansett should help Ansett to maintain or improve its position. It will be important that a strong domestic competitor to Qantas is able to survive.

Alliances are probably vital to enabling Ansett to maintain itself as a strong competitor to Qantas. With only a small international service of its own, and facing a Qantas strong both domestically and internationally (with each part feeding into the other giving important benefits), Ansett alone is in a weak position. Alliances help Ansett address these comparative weaknesses. A strong, sustainable domestic competitor to Qantas is in the interests of the Australian tourism industry. New (and smaller) domestic airline operators (e.g. Virgin Blue) have much less than Ansett to offer an alliance; with limited networks and small market shares they will not be strong feeders of traffic.

**Competition**

Capital requirements for airlines are a significant barrier to entry for new airlines. Treaty obligations make exit difficult. There are thus powerful drivers towards monopoly or oligopoly positions in the industry. Alliances increase the threat of monopolistic or oligopolistic dominance of tourism into Australia. This is seen as the
main potential negative of the alliances trend. Australian government policy and practice will be important in minimising any such negative effects.

Some routes are competitive and likely to remain so. For example, the Europe to Australia routes are served by many carriers – not just Australian and European airlines, but importantly also by Asian airlines such as Singapore Air. Other routes (eg. Japan and Korea to Australia) are more strictly bilateral in their arrangements and there is potential for anti-competitive effects to arise.

The Australia – Hong Kong route provides a useful case to consider. The service is restricted, essentially, to bilateral airlines only, as Hong Kong government policy. There is potential for Qantas and Cathay Pacific to dominate the route traffic, and near monopolise it for the one world alliance if they code share or ally more strongly. At the moment, they compete, although they are in one world together. The importance of competitive pressures for positive tourist outcomes, and hence the interests of other airlines in entry to and serving this route, are important considerations for the Australian government to keep in mind.

It is on such thin routes, with not a large traffic demand, that the concerns about restricting competition are greatest. Over capacity is often provided, so the operation is not efficient. There is potential for prices to be higher than necessary.

In considering competition, it should be noted that many air routes have always been dominated by one or two airlines. Alliance may, in many cases, not so much threaten to bring in such an anti-competitive situation, as to reinforce an existing anti-competitive situation. Sometimes, however, they may offer an opportunity to break down such situations.
**Fares**

There is a belief that alliances have seen some reduction in fares. This is uncertain and unquantified at this stage. It is expected that alliances will result in economies of scale, better load factors, yields and aircraft utilisation, which will result in lower fares.

**Customer Service**

From the tourists’ perspective, alliances offer improved service. Aspects of this improved service include:

- fairly seamless service across airlines,
- integrated scheduling, reducing waits between flights (especially at major hubs),
- through booking and delivery of luggage,
- seamless and integrated booking of multi-leg flights,
- more and easier connections,
- better access to information on flights,
- integrated frequent flyer schemes, and
- greater airport lounge access.

Australia’s position as a tourist destination is greatly affected by its large distance from nearly all origins, involving long haul flights and being relatively unknown to many potential tourists. Anything that reduces or ameliorates these factors is important to the Australian tourism industry. The customer service benefits promised by the alliances are thus particularly important.
On the negative side, a tourist who bought a BA ticket, but instead of flying on a British Airways plane finds themselves on a Qantas flight, may be confused or annoyed. The product standards are not yet integrated across alliance partners, and customer expectations may be disappointed.

There are problems for airports in integrating their services to airlines in alliances. Changes in alliance membership are not always able to be readily reflected in terminal, lounge and ground handling arrangements. Some airlines are reluctant to be put together with their alliance partners, because they can have higher customer service standards than their partners, and want to preserve these. For example, to handle the rush of check ins for a Boeing 747 flight, Singapore Airlines will temporarily open more check-in counters than its alliance partners will.

**Regions**

These comments refer particularly to regional flight services, that is to destinations other than Sydney and Melbourne. However, it can be noted that from the global perspective of many airlines, Australia as a whole has many of the characteristics of a regional destination.

Alliances can result in fewer international flights directly servicing regional airports. For example, the Qantas/British Airways alliance led to an immediate reduction in the number of flights directly into Adelaide. Customers lost two flights per week flown by British Airways. However, BA’s operating economics were improved, as it can cut a loss making service and yet in effect offer a daily service to and from Adelaide, through its code share arrangement with Qantas. So, BA is actually selling more seats on the Adelaide service. An airline with a daily service, even if a code sharing one, is more willing and able to market a destination than if the airline has an infrequent service that is losing money. From BA’s point of view, it is worth some promoting of Adelaide as a destination, because it can make money and offer a good access service.
Airlines generally can market and offer more services to more destinations, through alliances.

An important consideration is that governments cannot force airlines to fly particular services. Services need to be profitable to operate. If reduction in duplicated services run at a loss can result in lesser but viable services, this is really in the interests of regional tourist destinations. Tourists will have fewer options for flights, but the destinations have the greater certainty of a sustainable service. The reduction in flights may be partially off set by the greater choice and ease of connections.

For the vast majority of international tourists to Australia, direct flights from overseas to regional areas are not important. They want to visit the large centres (especially Sydney) on their trip anyway. Tourists can adjust and plan their tour around flight services without being very sensitive to service considerations. Indirect access is, of course, very important.

An airline can use code sharing to sustain a presence in a destination that it would not otherwise find economically viable. An airline can also use code sharing to commence a service to a destination and sustain its presence in the market whilst building up a market demand, until the airline may be in a position to enter (or re-enter) the market in its own right. This could be important for regions, and also for Australia as a whole. However, if alliances strengthen beyond code sharing, it may be a more likely development that airlines will specialise in certain parts of the total service, including specialising in serving certain destinations, to reap economies of scale for the alliance as a whole.

Regional airports face a challenge in the new airline environment. They want to encourage airport development by focusing on attracting alliances to them. There may be a danger for regional airports if they were to tie themselves too tightly to one alliance, for short term reasons. This could restrict or put off other carriers from using
the airport. But with Qantas tending to centralise many of its functions and operations at Sydney, the alliances offer a potentially strong countervailing competitor to Qantas, which other airports can use or attract to reduce the impact of their dominant customer.

If, as is reasonably expected, alliances generally increase the total number of tourists visiting Australia, then there will be some benefit to regional tourist destinations as the tourists spread out across the country.

**Caveats**

Airlines in Australia have in recent times moved strategically to focus on air traffic and reduced the extent of their diversification along the value chain into other aspects of the travel business. But alliances may see other airlines in Australia that have links to travel agents, tour companies, hotels, etc. This could raise issues of concern to the tourism industry, to do with favouring, cross subsidisation and the like.

Alliances change the environment for negotiating Air Service Agreements. The government will need to bear alliance arrangements in mind in such negotiations. On the other hand, alliances can facilitate governments negotiating more liberal ASAs, as airlines in alliances are less forceful in pushing for protection and more inclined to favouring opening the skies, at least to their alliance partners.

**Tourism effects**

Australia as an international tourist destination is a long distance from most origins (except New Zealand), both relative to other destinations and in absolute terms. The up front, flag fall investment in travel time and fares are important factors in tourists
decision making as to choice of destination. Anything which can reduce the impact of these negative factors in choosing Australian destinations for a holiday will be welcomed by the tourism industry.

Overall, international airline alliances are likely to have consequences that will reduce these negative impacts, and thus be good for the Australian tourism industry. Getting to Australia is likely to be a bit cheaper and a bit easier in a future where airline alliances are an important feature.

Australia is a relatively small tourist destination, in terms of world-wide tourist numbers. It is in a growth stage, in product life-cycle terms, some way short of being a mature product. For many potential tourists Australia will not rank highly, or at all, in the list of destinations they consider for their holidays. Marketing is thus vital for continued growth in international tourism into Australia. Airline alliances are expected to have a positive impact on the marketing of Australia.

It will be important for tourism that the possible anti-competitive effects of alliances, on a case by case basis, are monitored and guarded against. These could go diametrically against and negate the general benefits expected. Fare increases and service reductions are the key dangers.
Conclusions

There was a consensus that overall the effects of airline alliances on tourism into Australia would be positive. No one could quantify these benefits, and the dangers of negative outcomes were accepted, but all discussants saw a future in which airline alliances would be an important factor and faced this future with some degree of optimism.

The following lists sum up the balance of positives and negatives seen:

<table>
<thead>
<tr>
<th>Positives</th>
<th>Negatives</th>
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<tr>
<td>Operating efficiencies for airlines</td>
<td>Reduced competition</td>
</tr>
<tr>
<td>Lower costs for airlines</td>
<td>Possibility of higher fares</td>
</tr>
<tr>
<td>Lower fares for tourists</td>
<td>Fewer flights to some destinations</td>
</tr>
<tr>
<td>More efficient air travel system</td>
<td>Customer confusion.</td>
</tr>
<tr>
<td>More overseas marketing of Australia</td>
<td></td>
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<tr>
<td>Improved service for tourists</td>
<td></td>
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