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Abstract:

Cooperation of various carriers through membership in the so-called airline alliances is one the most distinct features of modern-day airline industry. By now around 70 percent of the global market share is controlled by the carriers of one of the three major alliances – *oneworld*, *Skyteam* and *Star Alliance*. One must note that airlines have resorted to forming alliances because it is a flexible organizational form which allows for an increase in network coverage, thus offering a potential for rapid growth within a rigid international regulatory framework.

This paper seeks to analyze operational and legal factors that shape the paradigm of alliancing behavior. Those two groups of factors or stimuli are inherently interwoven. The scrutiny covers various considerations of engagement into a mutually interdependent relationship from the resource-based perspective. The argument runs that a protectionist regulatory setup forces carriers into such relationships, adding another layer of complexity into managerial decisions of alliance members and at the same time underlines the need for cooperation. The key issue therefore is how to operate in an alliance environment and whether it would be possible to survive without any form of cooperation with other carriers.

Keywords:

Air Transport; Airline Alliance; Competition; Cooperation; Resource Dependence; Effective Control; Substantial Ownership

I. Introduction

One of the most prominent features of the modern day airline business is the issue of alliance membership. By their very nature open-ended and ever-changing, yet the alliances placed their mark on the industry. The basic rationale of this form of cooperation seems to be obvious. Companies have resorted to alliances because it is flexible organizational form that allows for an increase in network coverage thus offering rapid growth potential[2]. And while various forms of cooperation between undertakings are common in

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[2] K. Iatrou, L. Mantzavinou, *The Impact of Liberalization on Cross-border Airline Mwrgers and Alliances*, in: D. Forsyth, D. Gillen, K. Hüschelarath, H-M. Niemeier, H. Wolf (eds.), *Liberalization in Aviation. Competition, Cooperation and Public Policy*, Ashgate, Farnham 2013, p. 233.

many sectors its nowhere even nearly as widespread as in airline industry[3]. By now around 70 percent of the global market share is controlled by carriers of one of three major alliances – *oneworld*, *Skyteam* and *Star Alliance*[4].

Thus in order to analyze the airline alliances phenomenon one must look closer into the peculiarities of the sector. Their evolution has been influenced by and has itself an impact on the regulatory regime[5]. One may say it is a process of mutual creative and reactive interaction between market and policy-defined elements[6]. This in turn raises a question, which lies in the core of analysis in this paper, of the nature and impact on the market structure of this apparently symbiotic relationship between aviation policies and corporate strategies.

II. From Protectionism to Liberalization – Global Market Order of Air Transport

Since its inception in 1944 by the Chicago Convention the post-war commercial setting of air transport sector, which still forms backbone of global regulatory framework, goes beyond purely economic regulation and reflects geopolitical rivalries between various states[7]. This state of affair has been caused chiefly due to strategic importance of aviation and its role for national security which in turn shifts the issue of full control over sector concerned into sphere of *raison d'état*[8]. Furthermore strict international regulation comes about before commercial aviation has developed[9]. Thus the introduction of the doctrine of absolute sovereignty of the air over the land (*Cuius*

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3 B. Kleymann, H. Seristö, *Managing Strategic Airline Alliances*, Ashgate, Aldershot 2004, pp. ix–x.

4 Alliance *oneworld* comprises of the following airlines: Air Berlin; American Airlines (US Airways, which intends to merge with American Airlines); IAG (British Airways and Iberia); Cathay Pacific; Finnair; Japan Airlines; LAN (including LAN Colombia, which will join as an affiliate of LAN); Malaysia Airlines; Qantas, Royal Jordanian; S7 Airlines. Alliance *Skyteam* comprises of the following airlines: Aeroflot; Aerolíneas Argentinas; AeroMexico; Air Europa; Air France; Alitalia; China Airlines; China Eastern; China Southern; CSA Czech Airlines; Delta; Kenya Airways; KLM; Korean Air; MEA; Saudia; TAROM; Vietnam Airlines and XiamenAir. *Star Alliance* consist of following airlines: Adria; Aegean; Air Canada; Air China; Air New Zealand; ANA; Asiana Airlines; Austrian; Avianca; Brussels Airlines; Copa Airlines; Croatia Airlines; Egyptair; Ethiopian; EVA AIR; Polskie Linie Lotnicze LOT; Lufthansa; SAS Scandinavian Airlines; Shenzen Airlines; Singapore Airlines; South African Airways; Swiss; TAM; TAP Portugal; Thai; Turkish Airlines; United Airlines and US Airways (until merger with American Airlines).

5 K. Iatrou, L. Mantzavinou, *The Impact of*..., p. 233.

6 Ibidem.

7 1944 Convention on International Civil Aviation, 15 UNTS 295; M. Stainland, *Europe of the Air? The Airline Industry and European Integration*, Rowman & Littlefield Publishers, Lanham, Boulder, New York, Toronto, Plymouth UK 2008, p. 31.

8 M. Stainland, *Europe of the Air*..., p. 3 et seq.

9 M. Stainland, *Government Birds. Air Transport and the State in Western Europe*, Rowman & Littlefield Publishers 2003, pp. 12–13.

est solum, eius est usque ad coelum et ad inferos) meant that each state has the right to forbid foreign aircraft to fly through the airspace above its territory[10]. In other words, international air service was generally forbidden unless permitted by the specific bilateral air traffic rights agreement[11].

In the same vein, in European Union (EU) has developed regulatory approach of public ownership in the air transport sector[12]. Such exclusivity arose both from fears about national security and from commercial interest[13]. It seems like a contradiction but, especially in Europe, airline's "product" was always sold on international market[14]. To a certain extent due to the size of the continent (average intra-European route – 750 km) and mainly due to policy objective of maintaining reliable connections with colonies and countries with close political links, especially in early post-war period European airlines concentrated on markets that lay outside their domestic borders[15]. Governments thus felt compelled to sustain industry in which from the very onset were heavily involved in dual role both as an airline's owners and regulators[16]. This instrumentalization of the industry caused that it has functioned in the legal regime that effectively insulated it from competition[17].

This initial protectionists approach began to crumble when governments beginning to see commercial potential of the aviation. While profitability was always elusive and quite precarious cases of Dutch KLM and British BOAC clearly illustrated revenue-

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[10] I.A. Vlasic (ed.), *Explorations in Aerospace Law – Selected Essays by John Cobb Cooper*, McGill University Press 1968, p. 358 et seq. This rule has been introduced for the first time in Convention Relating to the Regulation of Aerial Navigation (1919 Paris Convention), [I.C.A.N., 1935] which introduced the regulatory *telos* that had been repeated in subsequent 1944 Chicago Convention.

[11] A. Cheng-Jui Lu, *International Airline Alliances: EC Competition Law / US Antitrust Law and International Transport*, Kluwer Law International 2003, p. 8.

[12] Public ownership could be perceived as a type of regulatory relationship. See G. Majone, *Regulation and its Mode*s, in: G. Majone (ed.), *Regulating Europe*, Routledge 1996, pp. 11–15.

[13] See *inter alia* M. Dierikx, *Blauw in de Lucht. Koninklijke Luchtvaart Maatschappij 1919–1999*, Sdu. Uitevers, Den Haag 1999; T.A. Heppenheimer, *Turbulent Skies – The History of Commercial Aviation*, Wiley & Sons, 1995; P. Lyth, *Air Transport. Studies in Transport History*, Scolar Press, 1996; H. Mézière, J-M. Sauvage, *L'aviation marchande de 1919 à de nos jours*, Editions Rive Droite, Paris 1999, s. 9 –17; D.L. Rhoades, *Evolution of International Aviation*, Ashgate, Aldershot 2008, pp. 23–24; G. Vanthemsche, *Introduction. National Paths to the Sky. The Origins of Commercial Air Transport in Western Europe and the United States (1919–1939)*, Revue belge de philologie et d'histoire. Tome 78 fasc. 3-4, 2000 (Histoire medievale, moderne et contemporaine - Middeleeuwse, moderne en hedendaagse geschiedenis), p. 853 et seq; G. Vanthemsche, *La Sabena. L'Aviation commercial belge, 1923–2001. Des origines au crash*, De Broeck, Bruxelles/Brussel 2002.

[14] M. Stainland, *Government Birds*..., s. 2.

[15] R. de Murias, *The Economic Regulation of International Air Transport*, McFarland 1989, p. 21.

[16] S.D. Barrett, *Deregulation and the Airline Business in Europe: Selected Readings*, Routledge, London, New York 2009, p. 15 et seq.

[17] B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths Competition Law 3 – Issue 78*, Lexis Nexis, London 2007, p. IX-173; W. Emmons, *The Evolving Bargain. Strategic Implications of Deregulation and Privatization*, Harvard Business School Press, Boston MA 2000, p. 9.

-generating capability of the industry[18]. Especially with the progress in aeronautical technologies, airlines had access to larger longer-range piston-driven aircrafts and finally jets which allows expansion on transatlantic market as well as fare reduction[19]. United States was the driving force behind reshaping of *telos* of the regulatory regime[20]. Nevertheless, the first international Air Service Agreement (ASA) so-called *Bermuda I* between United Kingdom and the US which became template for subsequent ASAs introduced strict limits on scheduling, route designations, aircraft types and tariff and effectively severely limited competition in air transport[21]. Not until the liberalization of domestic air transport sector in 1978 after which American carriers began to seek expansion opportunities liberalization of the worldwide (or at least transatlantic) market became official policy endorsed by the US government[22].

All these aforementioned factors combined have led to a development of the quasi-deregulatory doctrine of Open Skies which was designed to stretch the mercantilist Chicago system to the point of its maximum tolerance[23]. The core elements of the concept and ensuing agreements include open entry on all routes, unrestricted capacity and frequency as well as route and traffic rights[24]. The liberalization as an effect of proliferation of the Open Skies-based agreements did not however removed limitation on "substantial ownership and effective control" restricting foreign shareholdings in domestically based airlines legitimately included in the bilateral agreements since 1946[25].

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[18] M. Dierikx, *Blauw in de…*; P. Gore-Booth, *With Great Truth and Respect*, Constable, London 1974, pp. 240–241; M.R. Straszheim, *The International Airline Industry*, Brookings Institute, Washington DC 1969, p.13.

[19] M. Stainland, *Europe of the Air…*, pp. 32–33. In post-war period there was significant influx of ex-military transport aircraft purchased at bargain prices as well as overabundance of trained crews.

[20] U.S. DOT (Department of Transportation), 1995 International Air Transport Policy Statement, 03.05.1995, Federal Register, Vol. 60, No. 85, [Docket No. 49844]; U.S. DOT, In the Matter of Defining „Open Skies", 05.08.1992 [Docket No. 48130], p. 2; B. Havel, *Beyond Open Skies. A New Regime for International Aviation*, Kluwer Law International, Alphen aan den Rijn 2009, pp. 27–29.

[21] Agreement between the government of the United Kingdom and the government of the United States relating to Air Services between their respective Territories (Bermuda I), 11.02.1946, London, HM Stationery Office, Cmd. 6747, Treaty Series, no. 3 (1946). And subsequent Agreement between Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland concerning Air Service (Bermuda II), 23.07.1977, London, HM Stationery Office, Cmd. 7016, Treaty Series, no. 76 (1977); B. Havel, *In Search for Open Skies: Law and Policy for a New Era in International Aviation*, Kluwer Law International, Den Haag 1997, pp. 46–48; P.P.C. Hanappel, *Pricing and Capacity Determination in International Air Transport*, Kluwer Law & Taxation, Deventer 1984, pp. 34–40.

[22] U.S. DOT, 1995 International Air…; U.S. DOT, In the Matter….

[23] B. Havel, *Beyond Open Skies…*, pp. 12–13.

[24] Ibidem.; U.S. DOT, 1995 International Air…; U.S. DOT, In the Matter…; M. Giemulla, H. van Schvndel, A.M. Donato, *From Regulation to Deregulation*, in: E.M. Giemulla, L. Veber (eds.), *International and EU Aviation Law. Selected Issues*, Kluwer Law International, Alphen aan den Rijn 2011, p. 129 et seq.

[25] See I. Lelieur, *Law and Policy of Substantial Ownership and Effective Control of Airlines. Prospect of Change*, Ashgate, Aldershot 2003. For example there are no intra-EU ownership restrictions but foreign owners are limited to 49%. See further examples in selected countries: Australia – 49% for

Although controversial due to its ambiguity this protectionist tool impedes industry's growth but at the same time serves as one of the main catalyst of airline alliances formation[26].

American policy goal to a large extent coincided with the European Commission's (EC) pursuit for creating a single market in commercial aviation[27]. Political impetus resulting with the formulation of the internal market programme (and general shift from manufacturing to service-based economies) along with landmark European Court of Justice's (ECJ) ruling in *Nouvelles Frontières* case where it has been made clear that general rules of the Treaties (including competition) applies fully to aviation sector, has led to adoption of three subsequent regulatory "packages"[28]. In this vein these packages

international airlines and 100% for domestic airlines; Brazil – 20% of the voting equity; Canada – 25% of the voting equity and the maximum single holding in Air Canada by any investor is limited to 15%; Chile – Designation as a Chilean carrier (domestic or international) has principal place of business as the only requirement; China – 35%; Colombia – 40%; India – 26% for Air India and 40% for privately-owned domestic carriers; Indonesia – Requires airlines designated under bilateral agreements to be substantially owned and effectively controlled by the other party; Israel – 34%; Japan – one third; Kenya – 49%; Republic of Korea – 50%; Malaysia – 45% for Malaysia Airlines, but the maximum holding by any single foreign entity is limited to 20% and 30% for other airlines; New Zealand - 49% for international airlines and 100% for domestic airlines; Peru – 49%, Philippines – 40%; Singapore – none; Taiwan – one third; United States – 25% of the voting equity.

[26] B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths…*, p. IX-73 et seq.; A. Cheng-Jui Lu, *International Airline Alliances.…*, p. 16 et seq.; K. Iatrou, L. Mantzavinou, *The Impact of…*, p. 233; M. Stainland, *Europe of the Air…*, p. 245 et seq.

[27] B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths…*, p. IX-73 et seq.; M. Stainland, *Europe of the Air…*, p. 245 et seq. Since the beginning of the Treaty of Rome, commercial aviation has been excluded from the scope of EC (now EU) competition law. See Regulation No 141 of the Council exempting transport from the application of Council Regulation No 17, OJ 1962, L 124/2751. See in this respect Regulation No 17: First Regulation implementing Articles 85 and 86 of the Treaty, OJ 1962, L 13/204.

[28] Joined cases no 209/84 to 213/84, *Criminal proceedings against Lucas Asjes and others, Andrew Gray and others, Andrew Gray and others, Jacques Maillot and others and Léo Ludwig and others (Nouvelles Frontéres)*, ECR [1986] 1425, paras. 45 and 52. The *First Air Package* consisted of: Council Regulation (EEC) No 3975/87 of 14 December 1987 laying down the procedure for the application of the rules on competition to undertakings in the air transport sector, OJ 1987, L 374/1; Council Regulation (EEC) No 3976/87 of 14 December 1987 on the application of Article 85 (3) of the Treaty to certain categories of agreements and concerted practices in the air transport sector, OJ 1987, L 374/9; Council Directive 87/601/EEC of 14 December 1987 on fares for scheduled air services between Member States, OJ 1987, L 374/12 and 87/602/EEC: Council Decision of 14 December 1987 on the sharing of passenger capacity between air carriers on scheduled air services between Member States and on access for air carriers to scheduled air-service routes between Member States, OJ 1987, L 374/19. In respect of formulation of the internal market programme see Case no 13/83, *European Parliament v. Council of the European Communities*, ECR [1985] 1513. The *Second Air Package* consisted of: Council Regulation (EEC) No 2342/90 of 24 July 1990 on fares for scheduled air services, OJ 1990, L 217/1; and Council Regulation (EEC) No 2343/90 of 24 July 1990 on access for air carriers to scheduled intra-Community air service routes and on the sharing of passenger capacity between air carriers on scheduled air services between Member States, OJ 1990, L 217/8. The *Third Air Package* initially consisted of: Council Regulation (EEC) No 2407/92 of 23 July 1992 on licensing of air carriers, OJ 1992, L 240/1; Council Regulation (EEC) No 2408/92 of 23 July 1992 on access for Community air carriers to intra-Community air routes, OJ 1992, L 240/8; Council Regulation (EEC) No 2409/92 of 23 July 1992 on fares and rates for air services, OJ 1992, L 240/15. The regulatory framework also consisted of following acts outside

containing rules relating to the application of competition law to the air transport have been designed to introduce more openness into sector concerned[29]. The core elements of regulatory reform comprises of open access for all EU airlines to all intra-European routes (mitigated with possibility to impose public service obligation on a given route), full freedom with regard to fares and rates, greater flexibility over capacity-sharing[30].

The result is the peculiar regulatory bargain. On the one hand, liberalization has led to the development of extensive hub-and-spoke intra-UE and intra-US networks[31]. On the one hand nationality restrictions embedded in the Chicago system and subsequent ASAs effectively prevented airlines from tapping into these markets on another continent. All these changes caused that industry's culture which faithfully reflected an economic environment with severely limited competition could not be maintained. In other words, airlines had to rethink their approach to service provisions as well as to the structure of their operations[32].

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the packages: Commission Regulation (EEC) No 2671/88 of 26 July 1988 on the application of Article 85 (3) of the Treaty to certain categories of agreements between undertakings, decisions of associations of undertakings and concerted practices concerning joint planning and coordination of capacity, sharing of revenue and consultations on tariffs on scheduled air services and slot allocation at airports, OJn1988, L 239/9; Commission Regulation (EEC) No 2672/88 of 26 July 1988 on the application of Article 85 (3) of the Treaty to certain categories of agreements between undertakings relating to computer reservation systems for air transport services, OJ 1988, L 239/13; Commission Regulation (EEC) No 2673/88 of 26 July 1988 on the application of Article 85 (3) of the Treaty to certain categories of agreements between undertakings, decisions of associations of undertakings and concerted practices concerning ground handling services, OJ 1988, L 239/17.

[29] B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths…*, p. IX-73 et seq.; M. Negnman, M. Jaspers, R. Wezenbeek, J. Stragier, *Transport*, in: *Faull & Nikpay. The EC…*, s. 1580 i n.

[30] Ibidem. B. van Houtte, *Community Competition Law in Air Transport Sector (I)*, Air & Space Law, Vol. 18, Issue 2, 1993, pp. 61–70; B. van Houtte, *Community Competition Law in Air Transport Sector (II)*, Air & Space Law, Vol. 18, Issue 6, 1993, pp. 257–287; L. Ortiz Blanco, B. van Houtte, *EC Competition Law in the Transport Sector*, Clarendon Press, Oxford, New York 1996. See also G. Williams, *European Experience of Public Service Obligations*, in: G. Williams, S. Bråthen (eds.), *Air Transport Provision in Remote Regions*, Ashgate, Farnham 2010, pp. 99–114.

[31] Hub-and-spoke network design where all traffic moves along spokes to the hub (main airport). Passengers rather than flying non-stop between two cities would be brought to a hub where they would be routed to their final destinations. By bringing all passengers coming from different point of origins but with the same end destination together at the hub, the carrier would be able to link much greater number of destinations indirectly through hub than directly on the point-to-point basis (with analogous fleet capacity). See P.P. Belobaba, *The Airline Planning Process*; C. Barnhart, *Airline Schedule Optimization*, w: P.P. Belobaba, A. Odoni, C. Barnhardt (eds.), *The Global Airline Industry*, Wiley, Chippenham 2009, pp. 153–161 and 184–211; G. Burghouwt, *Airline Network Development in Europe and its Implications for Airport Planning*, Ashgate Publishing, Aldershot 2007; G. Dobson, P.L. Lederer, *Airline Scheduling and Routing in a Hub-and Spoke System*, Transportation Science, Vol. 23, no. 3, August 1993, pp. 281–297; S. Holloway, *Straight and Level. Practical Airline Economics, 3rd Edition*, Ashgate, Aldershot 2008. See also K. Abbott, D. Thompson, *De-Regulating European Aviation: The Impact of Bilateral Liberalisation*, International Journal of Industrial Organization, Vol. 9, Issue 1, March 1991, pp. 125–140.

[32] K. Button, *Wings Across Europe, Towards an Efficient European Air Transport System*, Ashgate, Aldershot 2004, p. 45.

III. The Role of Fifth Freedom

Fifth Freedom encapsulated in Chicago Convection is a prime traffic right used for alliance operations[33]. The most workable definition of the freedom in question is, after B. Cheng the right to fly into territory of the Grantor State for the purpose of taking on, or discharging, traffic destined for, or coming from, third States[34]. From the commercial standpoint this can be split into two subcategories – Fill-up freedom and Pick-up freedom[35]. The former relates to the right to embark in an intermediate point on a route up to the number of passengers that disembarked at that point en route[36]. The latter denotes the right to take on board as many passengers as there are empty seats in the aircraft when it departs from an intermediate point en route[37]. These right are generally more challenging too secure as they seen to encroach upon the natural (sovereign) rights of the of the States of intermediate and beyond points[38].

It is thus apparent that airlines (especially network carriers) are heavily constrained when obtaining third country traffic rights due to discussed nationality restriction (and to a certain extent political reasons)[39]. Therefore in order to expand their operations to airlines has to resort to "workable second-best solution" which is the formation of alliances[40]. There is quantifiable passenger's preference for large airlines with extensive international networks offering better connectivity to more destinations with the added value of convenience[41]. Furthermore the establishment of alliance leads in many cases to a reduction of the number of stops required and an increase in frequencies available to reach

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[33] M. Weber, J. Dinwoodie, *Fifth Freedoms and Airline Alliances. The Role of Fifth Freedom Traffic in an Understanding of Airline Alliances*, Journal of Air Transport Management, 6/2000, p. 52.

[34] B. Cheng, *The Law of International Law Transport*, Stevens and Sons Ltd, London 1962 p. 14 et seq.

[35] H. Wassenbergh, *Principles and Practices in Air Transport Regulation*, Les Presses de l'Institut du Transport Aérien, Paris 1993, p. 173.

[36] *Ibidem*.

[37] *Ibidem*. This dichotomist categorization could from the legal standpoint be divided into: *Anterior-point freedom*: right to fly into territory of State B and then discharge or take on traffic coming from or destined for a third state at the point anterior X to the State A of the carrier. *Intermediate-point freedom*: Right to fly into territory of State A and there discharge or take on traffic coming from, or destined for third State Y situated on the route between States A and B. *Beyond-point freedom*: Right to fly into territory of State A and there discharge or take on traffic coming from, or destined for, a State Z situated at the point B beyond the grantor State (A). See B. Cheng, *The Law of…*, p. 14 et seq.

[38] B. Gidwitz, *The Politics of International Air Transport*, Lexington Books, Lexington MA 1980, p. 137.

[39] T.H. Oum, A.J. Taylor, A. Zhang, *Strategic Airline Policy in the Globalizing Airline Networks*, Transportation Journal, Vol. 32, no, 3, 1993 pp. 15–16; M. Pustay, *Towards Global Airline Industry: Prospects and Impediments*, Logistic and Transportation Review, Vol. 28, no. 1, 1992, pp. 103–128.

[40] M. Weber, J. Dinwoodie, *Fifth Freedoms and…*, p. 52 et seq.; R.G. Flôres Jr., *Competition and Trade in Services: The Airlines' Global Alliances*, World Economy, Vol. 21, no. 1, November 1998, p. 1095.

[41] T.H. Oum, A. Taylor, *Emerging Patterns in Intercontinental Air Linkages and Implications for International Route Allocation Policy*, Transportation Journal, Vol. 34, no. 4, 1995, p. 6.

a destinations, factors found to be important in the perception of quality of service or in other words in the concept of seamless travel[42].

There are two main groups of factors affecting dynamics of development of the fifth freedom routes[43]. Economic considerations hover around issues of market size, market growth rate and competitive structure and to a certain extent around barriers to entry[44]. The second group, for the sake of simplicity let's call it particularistic covers regulatory, political and legal constraints[45]. Taking these into account following pattern emerges:

The first development is the decrease of fifth freedom flights, following the full liberalization of European aviation market in 1997[46]. But one must not jump into conclusion that liberalization alone is the sole contributing factor as following the early 90's economic downturn coupled with First Gulf War the air traffic on global scale had slumped[47]. However that at the same time total number EU – Africa fifth freedom routes had increased[48]. Therefore these apparently contradicting unfolding should be primarily attributed to the cyclic ebbs and flows of airlines situation and to the introduction of new wide bodies such as the Airbus A330/340 and Boeing 777 which has enabled to sustain long-haul routes incapable of supporting operations of larger Boeing 747s and especially Airbus A380s[49]. At the same time these long-range aircrafts are capable

[42] G. Doy, *The Quality of Service Index and Passengers Attitudes to Airline Service Levels*, Working Paper No. 6, Plymouth Polytechnic, Department of Shipping And Transport, Plymouth UK 1985; M. Weber, J. Dinwoodie, *Fifth Freedoms and…*, p. 53.

[43] G. Johnson, K. Scholes, *Exploring Corporate Strategy. 3rd Edition*, Prentice Hall, New York NY 1993, p. 107.

[44] *Ibidem*.

[45] *Ibidem*.

[46] ICAO, Regulatory and Industry Overview, 20.09.2013, Appendix: Global Quantitative Indicators For Evaluating the Degree of Liberalization (ICAO Air Transport Bureau and OAG-UBM airline schedule database).

[47] See P. Clark, *Stormy Skies. Airlines in Crisis*, Ashgate, Farnham 2010, pp. 1–42.

[48] ICAO, Regulatory and Industry….

[49] Airbus A330 is a wide-body, twin-engine airliner with typical seating capacity of 253 in 3 class configuration and 292 in 2 class configuration up to possible maximum of 380 passengers with maximum range (with maximum payload) up to 13,900 km (A330-200) and 295 in 3 class configuration, 335 in 2 class configuration up to possible 440 with maximum range (with maximum payload) 11,900 km (A330-300). Airbus A340 is long-range, wide-body, four engine airliner with typical seating capacity of 335 in 2 class configuration and 295 in 3 class configuration up to possible 440 with maximum range (with maximum payload) 13,700 km (A340-300) and 419 in 2 class configuration and 380 3 class configuration up to possible 520 with maximum range (with maximum payload) 14,350 km/ 14,600 km – HGW version (A340-600). Boeing 777 is a wide-body, twin-engine airliner with typical seating capacity of 314 in in 3 class configuration and 400 in 2 class configuration up to maximum 440 with maximum range (with maximum payload) respectively 777 - 9,700 km; 777-200ER - 14,310 km; 777-200LR - 17,370 km (777-200 family) and 386 in 3 class configuration and 451 in 2 class configuration up to possible 550 with maximum range (with maximum payload) respectively 777-300 - 11,120 km; 777-300ER - 14,690 km (777-300 family). Furthermore not all, even international, airports are capable of receiving Airbus A380s (lack of adequate runways, terminal capacity etc.).

of providing direct non-stop services which in some cases may render usage of fifth freedom obsolete[50].

Second trend is inherently interwoven with the former as some markets has reached maturity, especially when A330/340s and B777s were introduced, and thus are deemed self-sustainable on the point-to-point basis without, both operational and economic, need for stopover. This option naturally serves only for those carriers without immediate plans of expansion and network enlargement through further development of these mature routes.

Third pattern of fifth freedom utilization is especially apparent in case of airlines pursuing development of their long-haul routes[51]. The freedom in question offers the opportunity to increase their presence on the intra-EU market especially if the given long-haul routes are too thin to be operationally or economically viable without their intermediate stops[52]. But insufficient profitability is usually of the secondary concern for larger airlines developing new markets (notable examples Gulf States airlines); the main point is to circumvent legal barriers preventing expansion into new markets[53]. It is noted that a measure of success for a global carrier would be a pronounced, well-established presence in a major domestic market[54]. In this respect, the approach using code-share agreements where airline brand is not directly introduced but rather via alliance logo seem to be optimal win-win scenario for all carriers concerned[55]. The benefits are mutual both for long-haul provider and local/regional airline. The former gained added visibility and feed for markets which would be barred otherwise while the latter was able to offer wider coverage while retaining control over its home market and maintaining its corporate identity[56].

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[50] M. Weber, J. Dinwoodie, *Fifth Freedoms and…*, p. 55.

[51] Gulf States Airlines (chiefly Emirates based in Dubai, Etihad based in Abu Dhabi and Qatar based in Doha) serves as a prime example. See J.T. Bowen, J.L. Cidell, *Mega-airports: The Political, Economic, and Environmental Implications of the World's Expanding Transportation Gateways*, in: S.D. Bruun (ed.), *Engineering Earth: The Impacts of Megaengineering Projects*, Springer, Dordrecht, Heidelberg, London, New York 2011, pp. 867–888; W. Grimme, *The Growth of Arabian Airlines from A German Perspective – A Study of the Impacts of New Air Services to Asia*, Journal of Air Transport Management, Vol. 17, no. 6, 2011, pp. 333–338; G. Lohmann, S. Albers, S. Koch, K. Pavlovich, *From Hub to Tourist Destination – An Explorative Study of Singapore and Dubai's Aviation-Based Transformation*, Journal of Air Transport Management, Vol. 15, no. 5, 2009, pp. 205–211.

[52] P. Hanlon, *Global Airlines: Competition in a Transnational Industry*, Butterworth-Heinemann, Oxford 1996, p. 70.

[53] W. Grimme, *The Growth of Arabian…*, p. 333 et seq.; B. Havel, *Beyond Open Skies…*, p. 12 et seq.; M. Weber, J. Dinwoodie, *Fifth Freedoms and…*, p. 55.

[54] R. Axelson, *Cloning a Winner?*, Airline Business, 9/1993, p. 71.

[55] H. S. Harris, E. Kirban, *Antitrust Implications of Code Sharing*, Air & Space Law, Vol. 23 no. 4/5, 1998, pp. 166; S. D. Liyanage, *International Airline Code-Sharing*, McGill University, 1996, pp. 22–23.

[56] See *inter alia* P. Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, Prentice-Hall Upper Saddle River NJ 1997; S. Shaw, *Airline Marketing and Management. 7th Edition*, Ash-

To sum up, the observable decrease in the usage of fifth freedom routes (for some airlines) should be seen as an evolutionary pattern of transition from grid network to direct links providing its economic and operational viability. However this does not imply the decline of fifth freedom importance. Traffic right in question serves as "gateway" to markets otherwise inaccessible and thus are indispensable in alliance forming[57]. Especially that even those mature routes which are viable on point-to-point basis cannot be further developed without resorting to fifth freedom. Therefore it is not overstatement that the traffic route in question is indispensable for airline expansion[58]. It goes without saying that economic viability of these routes depending on a existence of efficient coordinated feeder service especially in the context of network expansion. Due to the discussed legal constraints this in turn creates a network on interdependencies between origin-based, intermediate-based and destination-based airlines which poses specific managerial challenges.

IV. Resource Dependence in Alliance Environment

From managerial standpoint the airlines (and for that matter all undertakings) could be perceived as a holders of a set of resources[59]. In market uncertainties the emphasis is therefore generally put on preserving these assets[60]. Organizational behavior, especially in the long-term is to a large extent determined by the resources and capabilities[61]. From this perspective, enterprises seek to reduce uncertainty within their

gate, Aldershot 2010. See also U.S. DOT, International Aviation Developements: Global Deregulation Takes Off (First Report), Washington, December 1999, p. 5.

[57] B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths…*, p. IX-73 et seq.; A. Cheng-Jui Lu, *International Airline Alliances.…*, p. 16 et seq.; K. Iatrou, L. Mantzavinou, *The Impact of…*, p. 233; M. Stainland, *Europe of the Air…*, p. 245 et seq.

[58] See in this respect analysis S. Harding, T. Long, *MBA Management Models*, Gower, Aldershot 1998, pp. 201–205; P. Kotler, *Marketing Management…*, p. 75.

[59] See *inter alia* J. Barney*, Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? Yes*, Academy of Management Review, Vol. 26, no. 1, 2001, pp. 41–56; K. Conner, *A Historical Comparison of Resource-Based Theory and Five Schools of Firm?* Journal of Management, Vol. 17, no. 1, 1991, pp. 121–154; R. Grant, *The Resources-Based Theory of Competitive Advantage: Implications for Strategy Formulation*, California Management Review, Vol. 33, no. 3, 1991, pp. 114–135; J. Mahoney, J.R. Pandian*, The Resource-Based View within the Conversation of Strategic Management*, Strategic Management Journal, Vol. 13, 1992, pp. 363–380; K. Monteverde, *Mapping the Competence Boundaries of the Firm: Applying Resource-Based Strategic Analysis*, in: H. Thomas, D. O'Neal, M. Ghertman (eds.), *Strategy, Structure and Style*, Wiley, New York 1997; R. Priem, J. Butler, *Is the Resource-Based "View" Useful Perspective for Strategic Management Research* and *Tautology in the Resource-Based View and the Implications of Externally Determined Resource Value: Further Comments*, Academy of Management Review, Vol. 26, no. 1, 2001 pp. respectively 22–40 and 57–66.

[60] R. Grant, *The Resources-Based…*, p. 114 et seq.; B. Wernerfelt, *A Resource-Based View of the Firm*, Strategic Management Journal, Vol. 5, 1984, pp. 171–180.

[61] *Ibidem.* See also G. Ahuja, *The Duality of Collaboration: Inducements and Opportunities in the Formation of Interfirm Linkages*, Strategic Management Journal, Vol. 21, no. 3, 2000, pp. 317–344.

operating environment[62]. This can done by minimizing their dependence on specific partner, as it would give that firm power over given company, and/or to a certain extent modify their resource dependencies on other commercial actors[63]. Following this logic, managing its dependencies and interdependencies could be perceived as a key consideration in functioning in the alliance environment. In other words an airline faces dilemma, of how to retain its resource independence while regulatory setting requires (*de facto* not *ex lege*) close-knit cooperation[64].

It is a little surprise that at the core of major alliances there is large American and large European carrier[65]. Cooperation offers practical way to increase market shares in gaining to a great number of cities on opposite continents[66]. The rest undertakings in the given alliance are generally interlinked in the complex pattern of both competition and cooperation on their domestic (intra-EU and intra-US) markets with these major players. Therefore alliancing behavior is noticeably shaped by the power imbalance between partners[67]. Asymmetries resulting from multitude of factors (many inherited from pre-liberalization status) are natural in market economy and in itself bear no negative connotation[68]. Although there it is possible to dampen the effects of such inequality by creating so-called reciprocity in asymmetry, the main focus of airlines is to handle them in such a way that they do not jeopardize company's self-determination[69]. One may further distinguish between specific and unspecific dependence. The former refers to a resource that is not substitutable (at least not wholly)[70]. In other words in order, to obtain that specific resource (i.e. particular slots), the cooperation with a specific carrier, holder of that asset, is a must[71]. This in turn may create instability of the relationship, where one partner is specifically dependent on the other, as holding or controlling access to

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62 B. Kleymann, H. Seristö, *Managing Strategic Airline…*, p. 50.

63 K. Provan, *Interorganizational Linkages and Influence over Decision Making*, Academy of Management Review, Vol. 25, no. 2, 1982, pp. 443–451.

64 B. Allan, M. Furse, B. Sufrin (eds.), *Butterworths…*, p. IX-73 et seq.; A. Cheng-Jui Lu, *International Airline Alliances…*, p. 16 et seq.; K. Iatrou, L. Mantzavinou, *The Impact of…*, p. 233.

65 K. Shibata, *Motives for Mega-Alliance between US Ex-trunk Carriers and European Flag Carriers*, Journal of Air Transport Management, Vol. 7, 2001, pp. 197–206; M. Stainland, *Europe of the Air…*, p. 245 et seq.

66 A. Cheng-Jui Lu, *International Airline Alliances…*, p. 63.

67 In this vein the success of cooperation within alliance would chiefly depends on the ability to manage and dampen these imbalances. See L. Bucklin, S. Segupta, *Balancing Co-Marketing Alliancing for Effectiveness*, Working Paper, Report no. 92-120, Marketing Science Institute, Cambridge MA 1992.

68 See G.J. Stigler, *The Economics of Information*, Journal of Political Economy, Vol. 69, no. 3, 1961, pp. 213–225.

69 B. Kleymann, H. Seristö, *Managing Strategic Airline…*, p. 52; J. Pfeiffer, G. Salancik, *The External Control of Organizations*, Harper & Row, New York 1978.

70 B. Wernerfelt, *A Resource-Based…*, p. 171 et seq.

71 *Ibidem.*; B. Borys, D. Jemison, *Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combination*, Academy Management Review, Vol. 14, no. 2, 1989, pp. 234–249.

resource implies power[72]. Later sub-category of dependence implies that partner retains option to choose between and if the need arise switch between partners[73]. It goes without saying that airline in a specific-dependence relationship is in a way held hostage of the holder of the given resource (especially that any structural changes taken to accommodate cooperation with a partner on which is specifically dependent represent sunk costs)[74].

The level of dependency from power inequality is to a certain extent limited by the temporal dynamics of an alliance. In other words, due to a multitude of strings (managerial decisions, random events, market conditions etc.) company's market power changes over time and by this the level of inequality (its ratio) is ever-changing[75].

This leads to crucial issue of bargain, or power play, between partners regarding market shares which translate directly into yield shares. However disparity in term of revenue generation throughout the given reference period (late morning and evening flights generally have higher yields due to business travelers) might cause that even if market shares are evenly distributed, yields would not[76]. Also one must take into account the network effect of hub-and-spoke operations, where some routes provide feeder service for long-haul connections contributing to its financial performance[77]. This in turn creates mutual dependence which is especially prone to put an airline into disadvantage when there is a codeshare on a given route[78]. Unlike Joint Venture where costs and revenue are shared between partners in regular codeshare agreement each carrier remains fully responsible for its operation[79]. This airline is at the risk of being excluded from operating high-earning routes in favor its alliance partner[80].

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72 B. Kleymann, H. Seristö, *Managing Strategic Airline…*, p. 54.

73 *Ibidem*.

74 T. Das, B. Teng, *A Risk Perception Model of Alliance Structuring*, Journal of International Management, Vol. 7, 2001, pp. 1–29.

75 R. Gulati, T. Khanna, N. Norhia, *Unilateral Commitments and the Importance of Process in Alliances*, Spring 1994, pp. 61–69; J.C. Jarillo, *On Strategic Network, On Strategic Networks*, Strategic Management Journal, Vol. 9, 1988, pp. 31–41. See the game-theory scenario in B. Sheppard, M. Tuchinsky, *Micro-OB and the Network Organization*, in: R. Kramer, T. Tyler (eds.), *Trust in Organization*, Sage, Thousand Oaks 1996.

76 One must take into account that slot allocation system within EU generally positions well-established incumbents in the better position versus new entrant. Especially that most of European flag carriers have dominant position on their home airport inherited for their pre-deregulation status. J. Balfour, *Some Lessons from the European Experience*, Annals of Air Space and Law, Vol. 20, no. 1, 1995, 497–508; J. Kociubiński, *Regulatory Challenges of Airport Slot Allocation in the European Union*, Wroclaw Review of Law, Administration & Economics, Vol. 3, no. 1, Issue 1, 2013.

77 P.P. Belobaba, *The Airline Planning…*; G. Burghouwt, *Airline Network Development…*. See also K. Shibata, *Motives for…*, p. 197 et seq.

78 See S. D. Liyanage, *International Airline…*.

79 *Ibidem*; A. Cheng-Jui Lu, *International Airline Alliances…*, p. 59 et seq.

80 B. Kleymann, H. Seristö, *Managing Strategic Airline…*, p. 53.

These potentially harmful consequences are generally outweighed by the positive effects of network effect and efficient coordination[81]. At the same time such tight cooperation is inherently linked with the interweaving business connections within alliance partners through common investments[82]. The reasons for such stipulations in alliance are twofold. They serve as a deterrent of both defection and opportunistic behavior. Joint alliance-related investments, especially in terms of associated sunk costs, increases risks related and thus fostering trust between partners[83]. Also in case where alliance partners are specifically dependent input from holder of that resource will prevent the company from opportunistic behavior[84]. And this pattern of behavior fits neatly to the bill of hub-and-spoke model. Disruption of parts of network, regardless long haul or feeder service will inevitably have negative impact on other connections of the system[85]. Therefore one may say that trust between alliance partners is built on deterrence coined by risk-sharing[86]. In other words quoting J. Child and D. Faulkner, sunk costs can be seen as a "safeguard of goodwill"[87].

To summarize, these steps could be seen as a deterrent against opportunistic behavior and/or defection but at the same time increasing interdependence of the parties concerned[88]. Over time this relation allows partners to gather experience of partner's behavior (technical, operational etc.) and priorities, as rigid regulatory framework generally requires such cooperation[89]. This setup fosters gradual transition from deterrence-based cooperation to trust-based cooperation[90]. Of course power asymmetry resulting to a certain extent from the specific-dependence situation impairs this symbiotic relation but in principle the common goal and inability to achieve it with current legal framework is driving airlines into interdependent cooperation.

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81 A. Cheng-Jui Lu, *International Airline Alliances*..., p. 63.

82 T. Das, B. Teng, *Managing Risk in Strategic Alliances*, The Academy of Management Executive, Vol. 13, no. 4, 1999, pp. 50–62; B. Kleymann, H. Seristö, *Levels of Airline Alliance Membership: Balancing Risks and Benefits*, Journal of Air Transport Management, Vol. 7, no. 5, 2001, pp. 303–310.

83 *Ibidem.* See also T. Das, B. Teng, *A Risk Perception Model*..., pp. 1–29.

84 B. Kleymann, H. Seristö, *Levels of Airline*..., p. 303 et seq.

85 G. Dobson, P.L. Lederer, *Airline Scheduling and*..., p. 281 et seq.

86 R. Gulati, N. Norhia, A. Zaheer, *Strategic Networks*, Strategic Management Journal, Vol. 21, no. 3, 2001, pp. 61–69; B. Sheppard, M. Tuchinsky, *Micro-OB and*....

87 J. Child, D. Faulkner, *Strategies of Cooperation. Managing Alliances, Networks and Joint Ventures*, Oxford University Press, Oxford 1998.

88 W. Creed, R. Miles, *Trust in Organizations: A Conceptual Framework Linking Organizational Forms, Managerial Philosophies, and the Opportunity Cost of Control*, in: R. Kramer, T. Tyler (eds.), *Trust in*...; R. Gulati, N. Norhia, A. Zaheer, *Strategic Networks*, Strategic Management Journal, Vol. 21, no. 3, 2001, pp. 61–69; B. Sheppard, M. Tuchinsky, *Micro-OB and*....

89 W. Creed, R. Miles, *Trust in Organizations*.... Therefore alliance could be perceived as a string of infinitely repeated game where airlines seek to gain legitimacy/trustworthiness by showing will of cooperation through unilateral commitment. T. Das, B. Teng, *A Risk Perception Model*..., pp. 1–29.

90 B. Kleymann, H. Seristö, *Levels of Airline*..., pp. 307–308; T. Tyler, P. Deogey, *Trust in Organizational Authorities*, in: R. Kramer, T. Tyler (eds.), *Trust in*....

V. Standalone Capability

In the light of aforementioned mechanisms of interdependent cooperation, standalone capability could be perceived as a guarantee of an airline power within alliance environment[91]. Conserving a certain degree of independence enables detachment from current alliance or realignment within an alliance in order to strike more optimal parameters of cooperation[92]. It is based on protection of undertaking's core resources which are those that provide unique contribution to alliance and are thus not interchangeable with the assets at the disposal of other partners[93]. In the sectors concerned these are generally route-related[94]. From the managerial standpoint core resources could be perceived through the lens of their revenue-generating capability and through the impact they have on the alliance partners (what are their level of dependency from these resources). In other words retaining of core resources serves as a safety net in case of transition between alliances and as a bargaining chip in a power play within alliance[95].

In this vein non-core resources especially those sales-related (typically Frequent Flyers Programmes, Computer Reservations Systems), serves as a connecting point or interface with actual and potential partners[96]. The same is true to certain extent to some routes if the providing linkage to an airline's core market to a major hub. Therefore taking into account temporal dynamics of an alliance it is crucial to retain flexibility of deployment of these resources[97]. They have to be readily available to provide access to the core resources of different partners[98].

The attractiveness of a certain resource for other alliance partner translates directly into "Business Strength" of the carrier who possesses it[99]. These could be classified based on functional criteria. First would be resource importance which in airline business would be access to a high-yield markets and/or hubs[100]. Another factor would be the uniqueness of a certain assets, or in other words resource position barriers, usually associated with the market dominance on a home airport[101]. Assuming contestability of the market, it

[91] J. Pfeiffer, G. Salancik, *The External Control*….

[92] B. Kleymann, H. Seristö, *Managing Strategic Airline*…, p. 58.

[93] Ibidem; H. Håkansson, I. Snehota, *Developing Relationships in Business Networks*, Routledge, London 1995; B. Wernerfelt, *A Resource-Based*…, p. 171 et seq.

[94] Notably dominant position on hub airport. See J. Balfour, *Some Lessons*…; J. Kociubiński, *Regulatory Challenges of*….

[95] H. Håkansson, I. Snehota, *Developing Relationships in*….

[96] B. Kleymann, H. Seristö, *Levels of Airline*…, p. 305.

[97] B. Kleymann, H. Seristö, *Managing Strategic Airline*…, p. 60.

[98] B. Wernerfelt, *A Resource-Based*…, p. 171 et seq.

[99] S. Harding, T. Long, *MBA Management*…; P. Kotler, *Marketing Management*…, p. 75; M. Weber, J. Dinwoodie, *Fifth Freedoms and*…, p. 55.

[100] J. Pfeiffer, G. Salancik, *The External Control*….

[101] In EU law market power is generally measured by the percentage of market share which is particularly easy to gauge in case of airport dominance as global number of slot is known as well as percentage

goes without saying that it would require analysis of how difficult in terms of costs, regulatory barriers etc. it would be for other operator to begin operations on that market[102]. Especially in EU flag carriers usually inherited such position form pre-deregulation status and on top of that slot allocation system is preserving this situation[103].

VI. Conclusion – Independence or Survival?

The previous analysis showed that within the rigid regulatory framework multilateral airline alliances could be perceived as resource races[104]. Carriers following resource-based logic, places emphasis of the unique (specific) resources to exploit various structural holes[105]. This stems from aforementioned assumption that multilateral alliance benefits are neither distributed evenly nor are stable[106]. Participation in strategic alliance could thus be perceived as a continuous power play with the resources both internal and external for the alliance at stake (especially when resources are not complimentary)[107]. At the same time entering into specific dependencies may pose risk of being "held hostage". Thus position within an alliance depends chiefly on protection of its unique core resources. Following this logic stability of alliances is a function of reciprocal interdependences that exist between alliance partners that in turn serves as a building material for trust and goodwill.

At this stage one may try to formulate answer to a question from the title of this paragraph is it possible to retain independence and at the same time competitive operation within the current regulatory setup. As long as there is sufficient demand to sustain long-haul operations the network structure of hub-and-spoke paradigm coupled with "substantial ownership and effective control" will force airlines into cooperation. In other words, network carriers cannot flourish without reliable feeder service and those

of slots at the disposal of a given carrier. See J. Balfour, *Some Lessons…*; C. Esteva Mosso, S.A. Ryan, S. Albaek, M.L. Tierno Centella, *Article 82*, in: J. Faull, A. Nikpay (eds.), *Faull & Nikpay The EC Law of Competition*, Oxford University Press, Oxford 2007, para. 4.34; J. Kociubiński, *Regulatory Challenges of…*.

[102] B. Wernerfelt, *A Resource-Based…*, p. 171 et seq.

[103] See. J. Kociubiński, *Regulatory Challenges of…*

[104] S.V. Gudmundsson, C. Lechner, *Multilateral Airline Alliances: Balancing Strategic Constraints and Opportunities*, Journal of Air Transport Management, 12/2006, p. 154.

[105] D. Obstfeld, *Social Networks, the Tertius Iungens Orientation, and Involvement in Innovation*, Administrative Science Quarterly, 50/2005, pp. 100–130.

[106] S.V. Gudmundsson, C. Lechner, *Multilateral Airline Alliances…*, p. 154; R. Gulati, T. Khanna, N. Norhia, *Unilateral Commitments and…*, p. 61 et seq; J.C. Jarillo, *On Strategic Network…*, p. 31et seq.; B. Sheppard, M. Tuchinsky, *Micro-OB and…*.

[107] See M. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York 1980.

feeder operators benefiting from increase in demand which in turns creates win-win scenario for all parties concerned.

However recent strategic development suggests looming reshuffling of current alliancing pattern. Namely the dynamic expansion of Gulf States' airlines by acquiring shares in carriers belonging to various alliances[108]. This cross-alliance presence creates a new layer of complexity as it shifts loyalties between partner carriers due to their ownership structure. Nevertheless the basic resource-based optics remains to be valid and while cooperation's reconfiguration may be somewhere ahead, the core structure of alliancing behavior, as long as regulatory regime won't change, it seems would remain unchanged.

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[108] Notably Etihad owns 49% of Air Serbia (ex Jat Airways); 40% of Air Seychelles; 29,21% of Air Berlin; 24% of Jet Airways; 19,9% of Virgin Australia and 2,987% of Aer Lingus.

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