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**Ethical Issues in Collaboration in the Aviation Industry:**

Abstract submitted by

Ravi Ravinder

Senior Lecturer, School of Leisure Sport and Tourism

University of Technology Sydney

P O Box 222

Lindfield NSW 2070, Australia

Tel: 61 2 9514 5278

Fax: 61 2 9514 5195

Email: [ravi.ravinder@uts.edu.au](mailto:ravi.ravinder@uts.edu.au)

The aviation industry is a critical element of any tourism system, and has several secondary effects – a source of employment and foreign exchange earnings. 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, 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. This paper uses some ethics-based approaches to examine three particular aviation industry issues. .

In this paper, only the passenger product-market of airlines will be considered. It will, however, cover both domestic and international airlines, (both full-service and low-cost) and airports.

### **An Ethics-based Approach**

Approaches based purely on economics or management ignore broader ethical issues and/or issues of social responsibility. Tribe (2006) quotes Sayer in saying that discipline-based analysis “tend to be incapable of seeing beyond the questions posed by their own discipline, which provide an all-purpose filter for everything” (1999:2). Hence Macbeth (2005) argues for a sixth platform of study arguing that future action be studied within an ethical framework. Such studies will also need to be proactive, rather than reactive (Dwyer, 2005).

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). Tribe (2002) and Jamal (2004) use Aristotle’s concept of *telos* to underpin their discussion of tourism ethics. To complement Jamal’s ‘dimensions’ of *telos* in hotels, sustainable tourism and ecotourism, this paper proposes some principles for the aviation industry. This paper also identifies the direct ‘beneficiaries’ of such principles from among the six sets of stakeholders as identified by the Caux Round Table (Grace and Cohen, 1998), viz. customers, employees, owners, suppliers, competitors and communities.

## A Proposed *Telos*

The proposed *telos* for the aviation industry are:

- Sufficient, rather than maximum profitability, which benefits shareholders and their employees, and suppliers by reinforcing the firm's long-term sustainability ,
- Provision of safe, efficient and comfortable transport services, (This principle is currently being well-served),
- 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.

## Discussion

Three aspects of airline operations are discussed below.

1. **Airline-Airport Relationships:** Oum, Adler and Yu (2006) found that airport privatization does produce higher profitability and productivity. However, the relationship with airlines is often contentious, with airlines being denied landing slots (London Heathrow), or adequate terminal facilities (Sydney Airport). Albers *et al* (2005) propose a framework for a constructive engagement, based on recognitions that the airline is but one stakeholder of an airport, but simultaneously, that the airlines are the *raison d'être* for airports.

Airports may also negotiate clearly 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 (Gillen *et al.*,2005). If the airline-airport nexus is not managed on sound ethical principles, the 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 *et al.* (2005) suggest that the Canadian National Airport Policy might be a worthwhile model to follow.

2. **Bilateral Air Service Agreements** inhibit the ability of airlines to respond to passenger demand, but, airlines also use these ASAs to protect their key (read profitable) routes. The continuing stoush over the trans-Atlantic routes is a case in point. The USA is fiercely protecting incursions into the market share (and profitability) of its financially vulnerable airlines. As the 'thickest' set of airline routes in the world, between two avowed advocates of open markets, this situation is hypocritical.

The Pacific route between Australia and the USA is another example. Notwithstanding a free trade and open-skies agreements between Australia and Singapore, Qantas lobbied hard to deny its competitor's entry into this trans-Pacific route. Qantas is said to derive 15% of its operating profit from this route. The tourism industry protest against the high cost per seat-mile that Qantas enjoys on this route.

In both cases, there may well be some benefit for the owners and employees of the airlines concerned, but the tourism industry suppliers and tourists at both ends of the route may not be well-served as a result of the double-standard being applied.

3. **Airline Alliances and Consolidation:** The EU has taken the lead in allowing and regulating alliances and mergers amongst European airlines, using a strong set of public-interest principles. Even the government of China oversaw a period of consolidation of their publicly owned and private airlines into three large groups, giving them sufficient economies of scale 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 baulk at the idea of foreign ownership of 'their' airlines. It may possibly be a public interest issue for Australia, being an end-of-line destination; a foreign-owned Qantas may not provide sufficient airline services at all times. There is, of course, the issue of possible job losses, national pride, and their attendant electoral pull. This is probably the reason behind New Zealanders' rejection of a proposed Qantas –Air New Zealand merger (Duval,2005). Note that the authorities also rejected the merger in spite of the

Single Aviation Market of Australia and New Zealand which is somewhat akin to the EU in its scope.

The situation illustrates of market forces being compromised – itself an unethical, unprincipled stance. The EU example however shows how such alliances could be managed.

Whilst operations of individual airlines and airports have not been examined, this paper has looked at contentious issues that touch on collaboration between airlines and airports and governments that may be construed as being against the public interest. “Business life is fundamentally co-operative” (Soloman, 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. This paper proposes a *telos* for the aviation industry. It may be up to trans-national associations and inter-governmental bodies to ensure that “the public interest” is maintained, even as they attempt to provide ample opportunity for satisficing profit for airlines and airports.

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