

The Comparison of Multilateral, Bilateral and Global Alliance Cooperation of Airline Operations

Usporedba suradnje multilateralnih, bilateralnih i globalnih udruženja u zračnom prometu

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Summary

The article is describing the possibilities of cooperation among airline companies, its influence on their development and economic growth. The central focus of the text is to clarify the history of collaboration between airliners, comparing advantages and negative factors of strategic cooperation. It goes into details about trade cooperation air carriers resulting in new multilateral and bilateral agreements at various levels of competence. As concluded by the paper, airlines are required to adapt dynamically to the frequently changing nature of air passengers well as market demands.

KEY WORDS

airline company
multilateral cooperation
bilateral cooperation
global cooperation
freedoms of the air

Sažetak

U radu su opisane mogućnosti suradnje zrakoplovnih tvrtki, utjecaj suradnje na njihov razvoj i ekonomski rast. Cilj rada je razjasniti povijest suradnje zrakoplovnih tvrtki, uspoređujući prednosti i mane strateške suradnje. Rad detaljno objašnjava suradnju zrakoplovnih tvrtki koja rezultira novim multilateralnim i bilateralnim sporazumima na različitim razinama odgovornosti. U radu se zaključuje da se zrakoplovne tvrke trebaju dinamično prilagođavati čestim promjenama prirode putnika i zahtjevima tržišta.

KLJUČNE RIJEČI

zrakoplovna tvrtka
multilateralna suradnja
bilateralna suradnja
globalna suradnja
sloboda zračnog prostora

INTRODUCTION

Development in air transportation over the recent decades has brought some significant changes and incentives in business relations worldwide. Globalization with deregulation of all markets had a significant impact on the dynamics, structure and general aviation industry. Wide area of multilateral, bilateral and global agreements air carriers significantly affects the development and operation of air carriers. Interrelations among airlines represent a kind of a driver involved in the development of a global mindset. Currently, the scope of trade agreements is discussed on numerous occasions and finding optimal trade relations among several airlines. Today's structure and scope of activity of individual alliances in the global context is so vast that finding the best business relationships is not easy.

HISTORICAL DEVELOPMENT COOPERATION OF AIRLINE OPERATIONS

Collaboration air carriers dates back to 1930, where the first Allied alliance was formed between companies Panair and South American countries of Brazil. Mutual agreement between North America and Latin America. Panair - Brazilian

started from October 22, 1929 under the name NYRB Inc. Since 1927 was founded by German trading airline Condor Syndikat, with offices in Berlin. Later the successor airline Deutsche Lufthansa. From September 8, in 1933 the Condor Syndikat extended cooperation between the regions of Rio de Janeiro and Sao Paulo. Condor Interline established international connection to the capital of Bolivia. Cruzeiro Airlines, Varig and VASP started a shuttle service between Rio de Janeiro - Santos Dumont and Sao Paulo airports.

The first big alliances between airlines began in 1989, when Airlines Northwest Airlines and KLM Royal Dutch Airlines signed the first code-share agreements. In 1997 a major global airline alliance Star Alliance was founded, with offices in Frankfurt am Main in Germany. The Alliance has also adopted their first slogan "The Airline Network for Europe" (Air Network for Earth) and should be an alliance linking the passenger in every major city in the world. Varig airline alliances joined the Star Alliance on October 22, 1997 which opened its gates to Latin America. Airlines to join alliances on March 30, 1999, the Anse Australia and Air New Zealand Air companies created a network of the Pacific area and Australia.

July 1, 2000 and BMI airlines Mexicana Airlines will

become part of the Star Alliance. During the year, considered the input, the airline Emirates, which ultimately decided not to join. In the same year, the now defunct airline BWIA entered into an alliance with United Airlines and BWIA however never joined the Alliance. In 2003 more airlines such as the Asiana Airlines, LOT (Polish Airlines), Spanair, Lineas Aereas Azteca, TAP Portugal, U.S. Airways joined the alliance. Swiss airline Swissair predecessor, was admitted to the alliance in 2001 , but due to bankruptcy in October of the same year his membership terminated. In May 2007 , Star Alliance and its members celebrated the 10th anniversary of the alliance . The Alliance has grown from a basic five -TIMI 17 other alliance members worldwide to 23 members. On 1 April 2008 joined the Alliance after a 18-month integration process and the Turkish airline Turkish Airlines. African Alliance members is July 11, 2008 became the official Egyptian EgyptAir airline company. On October 27, 2009 Airline Continental Airlines became a full member of the Alliance after leaving SkyTeam group. On 13 May 2010 the leader of the Brazilian carrier TAM Airlines was invited to the ceremony in Sao Paulo , thereby deepened support the Alliance in South America . Aegean Airlines, Greece's largest airline in terms of passengers carried was joined by 30 June 2010. Later December 13, 2011 was joined by Ethiopian Airlines. Due to the termination of the existence of Continental Airlines and the merger with the airline United Airlines, the beginning of 2012, membership in the Alliance officially ended. Longtime member Spanair left the alliance after he suffered a financial collapse and halted air traffic. Subsequently, 20 April 2011 leaving the Alliance, the airline BMI (British Midland International) On 21 June 2012 Avianca, TACA Airlines and Copa Airlines joining the Alliance increasing its presence in Latin America.

The global alliance Oneworld was founded September 21, 1998 from its founding airlines were American Airlines, British Airways, Canadian Airlines, Cathay Pacific and Qantas. Oneworld was officially launched and entered into force on 1 February 1999 when the Alliance has outlined its range of services and benefits such as: More efficient and smoother transfers for passengers and under. The first member of the Oneworld Alliances Group, became the Finnish Airline Finnair

Subsequently, the negotiations for admission to join the alliance was the Spanish Iberia airline. Both airlines have created such a large network of 50 destinations in the Oneworld network. The first representative from Latin America has become the LAN Chile, now known as LAN (LAN Airlines). The ninth member of the alliance becomes airline Aer Lingus, Irish air operators. Airline Swiss International Air Lines accepted the invitation in September 2003 along with another airline British Airways creating extensive business cooperation. Finally the company Swiss, on June 3rd, 2004 announced to discontinue the key elements of the agreement. In the period 2005-2006 the Oneworld alliance, they were met by one of the largest expansions of enlargement in its history. Entering into alliance air carrier Malév, Hungarian national carrier, Royal Jordanian, Japan Airlines (JAL). On 1 April 2007, together with associate members and received other members of LAN Argentina and LAN Ecuador thus created a one-world network with almost 700 airports in 150 countries. On May 26, 2009 was unanimously elected to the alliance and Russian Airlines, Oneworld alliance thus became the most extensive

network covering an area of Russia. Subsidiaries MexicanaClick and MexicanaLink were formally invited to join the Oneworld , on 9 April 2008. Second most important airline received in the Oneworld network on March 20, 2012, the German Air Berlin. Other airlines Oneworld connected to the network, were SriLanka Airlines and Qatar Airways airline. Oneworld in 2013 adopted additional airlines like American Airlines and U.S. Airway, LATAM Airlines Group, as well as subsidiaries LAN Columbia and TAM Airlines (Paraguay)

Based on franchising agreement between Kenya Regional Air and British Airways, the African airline to date 1 July 2001 becomes member of the alliance. In the past decade, the Alliance has doubled from the original five members of the current ten members. A total of 2.5 billion passengers in the amount of \$ 500 billion of passengers were transported by the member airlines.

FREEDOM OF THE AIR

Freedom of the air can be described as the sum of the commercial rights to individual states grant one another due to the regulation of international commercial aviation. The receipt of the Manual on the regulations of international aviation organization ICAO, which deals with nine air freedoms. Freedom Air was established as a result of international consensus States and as a result of the historical development of civil aviation after the Paris Conference of 1919.

The first agreement is adopted by international agreement on the transit of air services signed by a majority of the 36 states out of 55 and be considered by 90 states and is also called as the "Contract of two freedoms". The second contract is adopted as the International Treaty on International Air Transport.

For efficiency of skies bilateral (sometimes multilateral) Air Transport Agreement must be concluded between two or more nations. For the last thirty years, created in regulating aviation significant changes, especially starting several newly established agreements. In 1979, they were just the United States, the initiator of the creation of new open skies agreement. A significant step was made in 1992, when the Netherlands signed the first open skies agreement with the United States, where despite several objections from the European Union.

US-EU OPEN SKIES AGREEMENTS

The Open Skies Agreement between the European Union and the United States was one of the most important agreements in the field of aviation. Agreement allow any air carrier of the European Union and any airline in the United States to fly between any point in the EU and any point in the United States. At the same time the key provisions of the open skies of free competition were approved, while price is determined by the market power and equal business conditions of competition.

TRADE COOPERATION OF AIRLINE OPERATORS

Air transport is one of the few areas in which its gradual expansion, development, improvement and especially strong internal competition has come to an essential industry, which managed to create a separately functioning transport system.

MULTILATERAL TRADE COOPERATION AIRLINE OPERATORS

By creating new standards and practices that are supported and developed by IATA, ICAO, AEA gets the multilateral cooperation between air carriers and their partners. The basis of the agreement of the parties on the adoption of a common policy on charges for the use of route air navigation facilities and services, use of flight information areas falling within their competence. The issue of air along with other alternative modes of transportation (land, rail, ship and others) has created a new way of streamlining and improving the multilateral agreements on the electronic contract e-AWB. An Air waybill, the AWB, is a contract of carriage concluded between the airline and the shipper.

Multilateral agreement and e-AWB also provides the legal framework for the parties concluding contracts for freight transportation. Contains provisions concerning the approval e-AWB, high-level operational aspects of e-AWB, confidentiality and security of data, the rights and obligations of the parties, contract and conditions of carriage are fixed.

Prorating of air transport is the process of the allocation of the individual activities of passenger and freight traffic between carriers involved in the transportation of the production lines. These agreements are referred to the airline as multilateral agreements passenger transport and freight transport multilateral agreements. Prorate freight - Cargo is limited to those airlines that are signatories to the pro rata distribution of profits. Airlines are signatories agreed joint revenues from transport aircraft shipments and have priority over any direction. Redistribution of freight are distributed according to the following rules more than the main rate / General Cargo Rate (GCR), the issue of the air waybill Airline (AWB), multiple fees, standard charges, basic "prorate" factor symptom rate or charge, prorate manual - cargo (PMC), interline transportation, shared revenue, multilateral rates or charges and a number of other rules and regulations.

Prorate passenger transport - Passengers its scale and scope of the agreement are subjected to tickets, which include electronic tickets and coupons to link the segments containing electronic tickets. The agreement applies to the international division of tariffs and fees, home distribution of tariffs and charges sold as possibly in conjunction with international electronic tickets for passengers. The value of each flight coupon is calculated continuously according redistribution factor and validity period of the ticket, which is published in the PMP. In 1947, the organization established a single IATA clearing headquarters airlift - IATA Clearing House / ICH, for the purpose of offsetting reciprocal transactions that reduce hundreds of bilateral and multilateral transactions per passenger, freight transport, baggage, meals, ground clearance, etc. The Agreement on the implementation of settlements established in the U.S., every week between more than 350 airlines and IATA Clearing House party millions of transactions are settled.

BILATERAL TRADE COOPERATION AIRLINE OPERATORS

Top of development dates back to the 20th years of the last century up to 40 years. The historical development of this represented the only form of cooperation air carriers to the minor exceptions. An important step in bilateral conditions

were set down in the Chicago Convention adopted at the end of World War II in 1944. Before airline will perform international air transportation to another area of action, every government must first negotiate an agreement at the country of destination. These contracts are known as bilateral air services agreements. For air carriers, the contract represent a variety of services and provision of traffic rights, capacity, partnership, check prices, tariffs and other.

Meeting in Bermuda was the basis for the creation of a new Bermuda Agreement while determining the most important provisions in the post-war international civil aviation. There were also the first two agreements freedoms of civil aviation. The United States agreed that the Association for international aviation will set and approve the sphere of bilateral agreements. This bilateral agreement is a model for numerous future bilateral agreements between the United States and other countries.

The British government of Harold Wilson in October 1976 unilaterally terminated the contract called Bermuda I Agreements and announces new version as Bermuda II Agreement from the beginning of June 1977. This unilateral termination has been widely criticized in the United States, where it was seen as an attempt to return the situation thirty years ago, when the British impose restrictive conditions on civil air transport. British move was prompted by a relatively low share of British Airways transatlantic route, which accounted for 1/3 to 2/5 passengers despite that among the passengers were members of the American agreement Bermuda II, which entered into force in 1978 was less liberal than an agreement Bermuda I. It sets out a limited number of airport gates in the United States directly addressed from London Heathrow Airport. At the same time, it was concerned with charter airlines which operate between the two countries. The British objective was the provision of all airlines from each country under the same conditions of competition in the field of civil aviation. Unlike Bermuda I, the Bermuda II Agreement framework agreement, allowing any changes in the scope.

In the second half of the 20th century were one of the most widely used forms of business cooperation between air carriers currently in pooling contract. By default, approve agreements between two or more rarely among air carriers. Includes information about the partnership and agreed to the terms of lines between airlines based in near neighboring states. The range of exposure, form, structure and terms of the contracts may vary depending on the agreed terms of trade cooperation between air carriers.

Summary of trade agreements granted to foreign carriers requiring approval from its national carrier is an interesting agreement called Royalties. Royalties forms part redistribution or part of the proceeds from the sales share of the national carrier.

Partnership relationship between two or more independent air carriers represents another agreement called Joint Venture (JV), which in the 70th and 80th years through close cooperation between several air carriers and that there is the conclusion of new bilateral agreements. The result was an effort to increase efficiency in the operations of air carriers but with the difference that the JV contract air carriers has participated and the total cost of agreed air lines. JV contracts are defined on all business activities of the partners, as the

number of frequencies, pricing policies, operating times, aircraft capacity offered, approved tariffs, the method and form of levy revenues from the joint account, the definition of common costs of tracks in particular.

New cooperation between air carriers apply in granting rights to use the name or trademark of a large carrier (the franchisor) to a smaller carrier is a trade agreement called Franchising. The air carrier accepts certain character elements, elements and services of large carriers. It may be, for example: sale of air transport, the look, the reservation information system, making available to the FFP, in-flight services, clearing sales. The adoption agreement franchising carriers have resulted in partial or complete loss of identity while gaining access to new destinations and possible expansion.

Another type of trade is called a bilateral agreement termed as code-share agreements, the popularity of which has been growing popularity among air carriers since the 90s. The basic attributes of this contract is the designation of one flight codes of two or more airlines. The basic advantages of code-share agreements is the ability to offer travellers greater number of connections at various points in an air transport network, thus ensuring greater marketability on flights of air carriers.

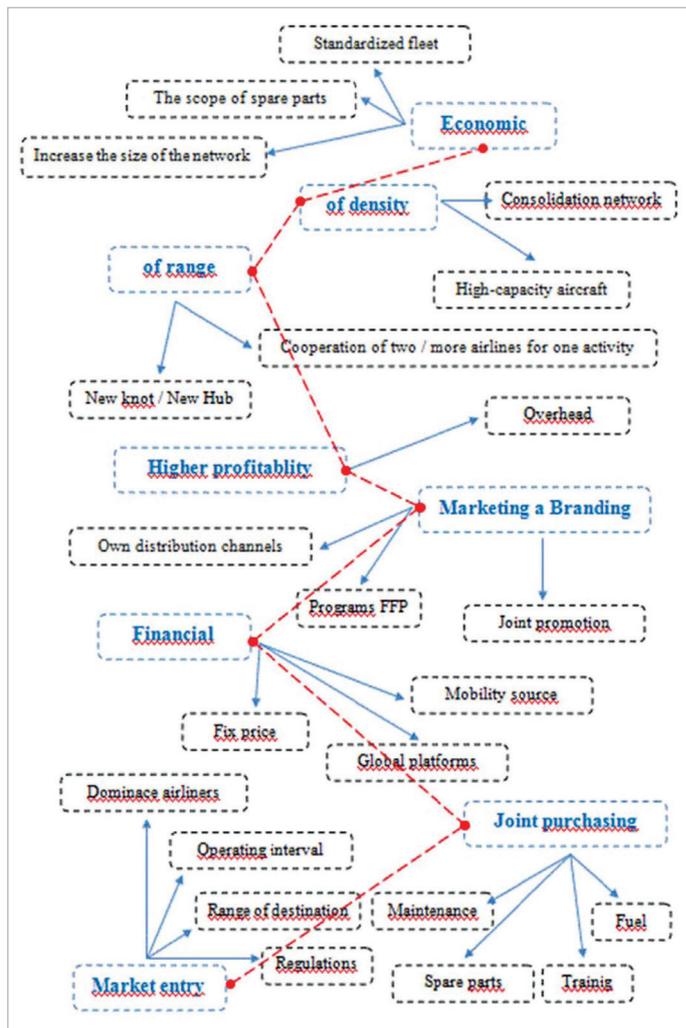
Performance of another contract called block-space agreements, which are used in conjunction or outside code-share agreements, by airlines based on block-space contracts for the

sale of capacity on fixed routes with another carrier. Purchases take place at a pre-agreed conditions and time limits laid down. Bilateral trade agreements are based on closer cooperation between two air carriers, is another type of contract called so SPA - Special Prorate Agreements. The basis is an agreed-upon-price between air carriers and change in prices. The change consists of fixing a lower price, as they are commonly published and what each other are sold on their designated routes. A contract is signed mainly between companies operating in the downstream transport network.

GLOBAL ALLIANCE COOPERATION AIRLINE OPERATIONS

Represents one of the most fundamental and increasingly used forms of business cooperation between airline operators. Merging several AO creates a broad business alliance in the field of civil aviation. We say that this is what a sequel respectively. the need to achieve economic benefits in order to competitiveness of airlines. Merging the alliances and finally mastering the capital regulatory restrictions. The idea of global alliances, cooperation airline operators to individual sections or air network nodes, which provide their air services. Principles for a Global ingame alliance cooperation is its scale, scope and depth of cooperation air carriers. Basic parameters used in the ingame alliance partnership are:

- coordination of schedules and parameters of the alliance



- harmonization of capacity offered on flights,
- unification of reservation and check-in systems,
- offer prices to the ongoing World Alliance,
- creation of a joint Frequent Flyer Program,
- alliance offer additional services to passengers,
- unification fleet and repair capabilities,
- integration and sharing other activities.

Further, the formation of alliances, liberalization, deregulation of world air traffic and changes resulting from international legislation.

POTENTIAL BENEFITS OF A STRATEGIC ALLIANCE

The growth of airlines in the international air network and their mutual strategic cooperation is utilized to achieve the set goals. Elements of strategic advantages, depending on the strategic alliance are portrayed in the diagram as follows:

It describes both the decision-making process of entry and selection alliance, the possible positive elements, and the potential negative factors expected in the future. Long-term relationships in business cooperation must be viewed in a larger scale and therefore its scope and scale binds to areas beyond aviation.

CONCLUSION

Since that historical moment, several guidelines, rules and agreements in the field of international civil aviation have been developed for the airlines taking into account their options, scope and coverage of international air transport. Wide trade cooperation air carriers resulted in new multilateral and bilateral trade cooperation at various levels of competence. Their size, structure and scope of the airline indicate the

dynamism of the airline business. Each airline is performing its business under several trade-economic factors as well as a variety of bilateral or multilateral agreements. Especially high quality processing agreements can indicate future positive or negative developments for the airlines. Airlines are required to adapt dynamically to the frequently changing nature of air passengers well as market demands. Relationships, characteristics of the different trade agreements and global alliance of cooperation are now big issues along with the cooperation of large commercial airlines operators in solving routing problems.

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