

Airline Choices for the Future: From Alliances to Mergers

By Kostas Iatrou and Mauro Oretti

The formation of alliances and the combining of forces between airlines through mergers or acquisitions have become an unavoidable trend, due to limitations on obtaining traffic rights and resources. At a time when the Air France/KLM merger has provided the merged carrier with generous profits and the Oneworld alliance is still operating on a limited scale due to lack of immunity from US and EU competition authorities, the publication of this book is timely and the authors' insightful observations are highly useful.

A Book Review by Angela Cheng-Jui Lu

Discussion

This book provides an in-depth analysis of airline alliances and mergers from various perspectives. It describes the unique regulatory and economic background of alliances and mergers, the factors leading to the formation of alliances, and also historical developments from the very first alliances and mergers in the industry down to the most recent ones. It provides a clear overview of how existing alliances work, and of the different degrees of cooperation in various types of alliances. The book touches upon the competition constraints imposed on alliances and mergers by transportation and competition authorities of individual countries and regional authorities. The authors list the pros and cons of alliances and mergers from the perspective of the benefits to airlines and customers, profit generation, cost reduction, and customer satisfaction. These analyses provide a solid base for the authors to speculate on future trends. All of this makes this book relevant and worth reading.

The authors are very successful in combining academic research with practical data on alliances and merger management. They make good use of statistics, charts, and figures on revenue passenger kilometers, passengers flown and revenue data, and various consultancy group studies as evidence of the current status and market share of each alliance and

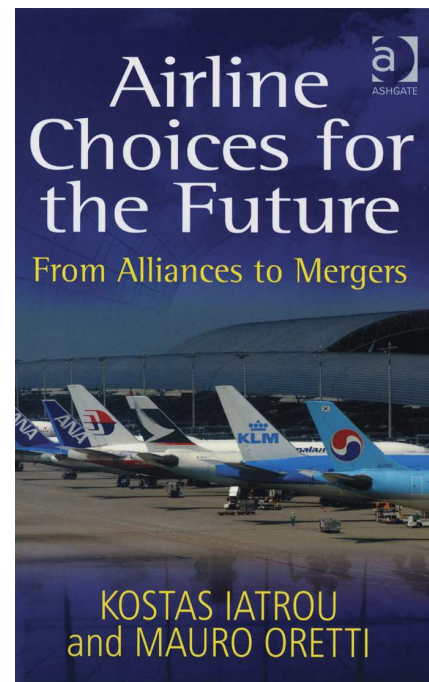
merger and their individual members. These data also provide convincing evidence for the authors to demonstrate whether airlines have benefited from forming alliances and from mergers between airlines.

Another achievement of this book is that it makes use of the point of view of airlines' executives in evaluating the pros and cons of alliances and mergers, thus successfully integrating practical experience and academic research. This helps to make the book interesting to read and to make academic research known to a wider audience.

A slight shortcoming is that the authors seem to focus almost exclusively on passenger traffic and legacy carriers. Given the authors' research and their extensive industry network, it would also be interesting to see more in-depth discussion on alliances between cargo airlines and alliances formed for increasing cargo traffic. Recently, low-cost carriers have also been forming alliances with one another. It would be worthwhile to examine the developments in this sector with follow-up discussions from academia and industry.

Conclusion

This book is highly recommended to anyone who is new to airline alliances and mergers or to anyone who wants to know more about how



these business models work, and about their pros and cons, past, present and future.

About the Authors

Dr. Kostas Iatrou is an air transport consultant, a partner of AirConsulting Group, a published author in various air transportation-related journals, and the editor of AirTransportNews.aero.

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About the Reviewer

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