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A Conversation With...

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Communications: A Necessary Exchange

A sufficient communications infrastructure can play a vital role in enabling airlines to develop partnerships around the world.

■ By Phil Johnson | *Ascend Staff*

When evaluating the potential for countries in various areas of the world to be able to accept and support airline liberalization and open skies, one of the most fundamental building blocks that must be in place involves communications.

And that's not necessarily communications between and among human beings, although that type of communication is certainly vital.

But the key factor that may promote or hinder the entry of airlines in certain regions into open-skies agreements may well be communication infrastructure that supports not only voice and written messages, but data — the kind of communication that allows ready connectivity in a Web-based world.

Among the places in which such communication capability is most challenging are those areas generally considered remote corners of the world, such as the many islands in the vast Pacific region known in such groupings as Polynesia and Micronesia, many of the islands of the Caribbean, certain regions of Africa, polar geographies and other out-of-the-way areas.

These are regions in which the creation of communication infrastructure is a particular challenge. And if and when these areas do become connected, it's often through a single provider or an extremely small group of providers — at costs that elsewhere would usually be thought of as pretty extravagant (as compared to the typically much lower costs found in more competitive environments).

In most western areas — as well as in much of the developed east — competition among multiple telephone and other communications providers can usually be counted on to drive connectivity costs down. This, in turn, means the overall cost of doing business favors the connected areas with regard to open-skies agreements, cross-border ownership and general liberalization of the transportation industry.

HIGHlight

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And in the world's remote areas, if communications connectivity exists, it may only exist in particular and/or restricted forms, satellite or Internet connection, with severely limited bandwidth. Especially if there's little or no competition to upgrade the infrastructure, there may be no recourse in such a situation but to simply accept what's available and pay the premium.

Speed, data delivery and full global connectivity are all factors that tend to be limited significantly in an area of less-than-full-communication capability, which limits the ability of any business in that area to operate globally and, therefore, of any airline operating out of that locale to enter into liberalization agreements.



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In some regions of the world, such as some Caribbean islands and many countries in Africa, effective communications are a challenge due to limited infrastructure or due to their remoteness.



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These limited-communication conditions prevail not only in remote areas, but in areas of routine danger due to war and political instability or catastrophic weather occurrences (hurricanes, tornados) or high potential for major geologic events (earthquakes, tsunamis, volcanic eruptions).

Each of these types of general disruption can obviously present a new obstacle to the establishment of communication infrastructure. If the infrastructure existed previously and has been destroyed or severely damaged, it has to be rebuilt, sometimes completely. And the financial investment required to build, add and enhance infrastructure in these situations is often enormous.

Politics can also be a key factor in situations such as those involving totalitarian regimes that maintain tight control over communication infrastructure. On the World Wide Web, privacy and other considerations have prompted the fairly routine practice of data encryption. But governments in places such as China and Libya demand non-encryption of data.

Once again, such stringent political mandates can effectively prevent airline liberalization from ever even being considered, much less implemented.

In this era of China's commercial emergence, it seems almost odd to identify a factor that clearly limits a certain part of the advance of this gargantuan economic engine. That is not, however, to imply that China is anything but fully connected for business in the 21st century. As far as communication infrastructure, connectivity in China is readily available, although expensive due to state ownership and lack of competition.

But even in India — the other consensus emerging global economic power — communication infrastructure in the past has been so under-prioritized that Indian authorities today have been obliged to commit enormous financial investment to rapidly upgrade and modernize that infrastructure.

General political unrest is another area of concern when evaluating a country's communication infrastructure and its ability to interact effectively in a global economy. And even political uncertainty effectively limits any particular country's ability to join in true open-skies arrangements, bilaterally or multilaterally.

Cuba, of course, has long been subject to a controlled economy and U.S. trade sanctions that, taken together, effectively prevent the Cuban populace from sharing in worldwide economic growth and prosperity. A number of airlines fly to and from Cuba, but communications connectivity to their Cuban facilities are quite expensive and very limited.

Governments in controlled economies often own all of the means of improvement, such as the national telephone companies and



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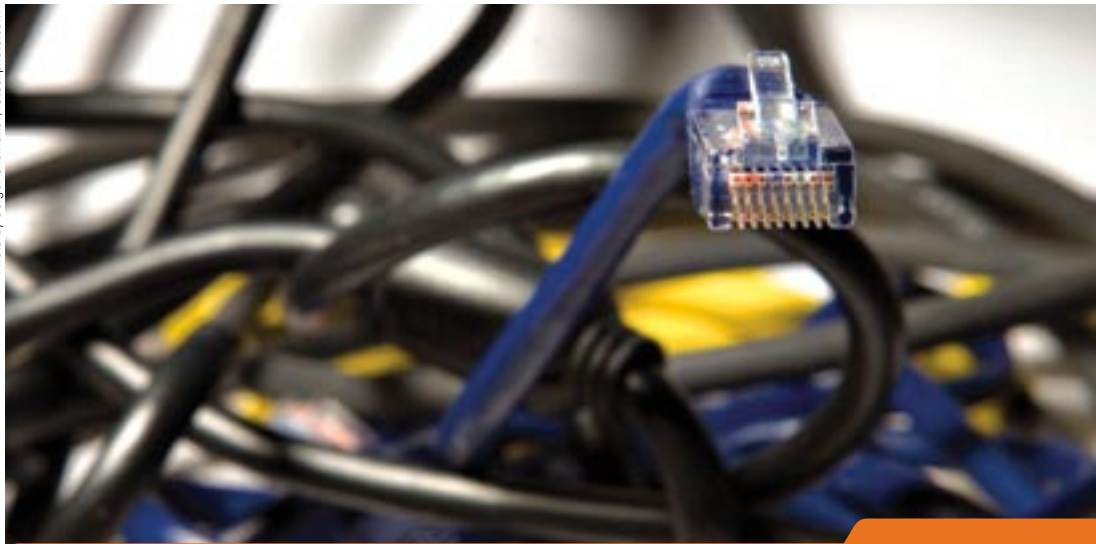


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Modern communications technology — such as satellite links, networks and the Internet — provide a key resource that could help promote the globalization of the air transport industry. A modern communications infrastructure provides a critical, cost-effective link among partners that can maintain the economic justification for developing global working relationships.

connections that are critical to any potential upgrading of communication infrastructure. And in these situations, there's no hope of improvement unless and until the government decides to commit substantial financial investment to upgrade.

And this again raises the original question: Is communication infrastructure a significant factor in promoting or hindering transportation liberalization, open-skies agreements and cross-border airline ownership?

Obviously, the answer is yes. A modern, fully up-to-date communication infrastructure is essential — and an inferior, limited communication infrastructure can drive prices and

unit costs so high that the very economic viability of pursuing business relationships in a particular country can be called into question. There has to be a fair chance of long-term profitability, or the business equation simply doesn't work.

So airlines are best advised to partner in areas of political stability and sound, modern communication infrastructure. These are bedrock foundations critical to achieving the next steps of liberalization. **F**

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