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A Conversation with
Abdul Wahab Teffaha,
Secretary General
Arab Air Carriers
Organization.



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GROWING LIKE WILDFIRE

■ By Phil Johnson | *Ascend Staff*

Many of the world's countries, such as China, India, Indonesia and Russia, are experiencing rapid growth that is boosting the economy in these emerging markets.



Within the broad scope of 21st-century global economics, it's certainly no secret that rapid growth trends in both China and India are figuratively setting the commercial world on fire.

But what about other "nontraditional" markets that are becoming hot items — in places such as the huge expanse of territory that is Indonesia? Or in the even greater territorial sprawl of Russia, or the awakening market economies of Eastern Europe?

The fact is that if commercial enterprises, including airlines, intend to maintain the status of truly serving a "worldwide" clientele, all of these and other expanding but nontraditional economies merit serious consideration. And that represents a sea change in global economics compared to the past few decades.

It's not that the trends haven't been discernible for a few years. It's more a matter of corporate planners collectively establishing a priority to adjust both their outlooks and their greater imaginations with regard to the world that will evolve in the coming decades.

"Clearly, what we describe today as 'emergent' markets will — in the future — play major roles in the world economy," said Dr. Garry Bruton of the Neeley School of Business at Texas Christian University. Dr. Bruton is also serving a term as president of the Asia Academy of Management, an ambitious Asian economic-management and education group.

"One of the current predictions," Bruton said, "is that the 'BRIC' nations — Brazil, Russia, India and China — will by year 2050 grow to have larger economies than the G-6, meaning the United States, the United Kingdom, Japan, Germany, France and Italy.

"Now, that doesn't mean per-capita annual income will be larger among these BRIC nations as compared to the G-6, but their total economies will be. And this would definitely represent a major shift in purchasing power across the world stage."

Nonetheless, there are various caveats to be considered in thoroughly evaluating the relative likelihood of fulfillment of such sweeping global economic predictions.

"Today, these nations — I'm talking about Russia, Brazil — are still relatively poor," Bruton said. "India and China, despite all of their current flash and sizzle in the world economic framework, still have per-capita annual incomes that amount to an equivalent of less than US\$1,000 per person.

"But growth in a number of emerging economies around the world can't help but affect industries such as transportation. A key part of these nations' economic growth will most certainly be increased air travel."

This air-travel increase within an emerging economy is already on prominent display in Brazil, where TAM and GOL Airlines have introduced thousands of South Americans to the convenience of modern flight with innovations and economy fares as they have outpaced and



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Countries such as China, India and Indonesia, with their once-volatile economies, are rapidly becoming the world's fastest-growing markets, providing expansion opportunities for the air transportation industry.

substantively outlasted their Brazilian airline competitors.

In Eastern Europe, commercial leadership is surfacing in places such as Warsaw

and Prague, as Poland, the Czech Republic, Hungary, Slovakia and other formerly controlled economies that were stymied under bygone Soviet domination are now entering a new era of market



Photo by shutterstock.com

Russia is one of several expanding nontraditional markets carriers should consider as they look to maintain their status of a worldwide air transport provider.

also issues involved in locating in China. So, the quandary becomes whether to locate in China, locate in Hong Kong to obtain protection of law but still be in China, or to subcontract."

The opportunity to cash in on the potential of the economic giant that China represents has become too strong a draw for many Western-based companies to resist.

"For academics, one of the great debates has become whether the newly dominant Asian economies will just continue to get bigger or whether calcification will set in," Bruton said. "What I mean by 'calcification' is the political forces tend to think they still need to try to control everything. And if that effect does develop, it would occur when these nations privatize. They ultimately end up with some major private firms. But then the question becomes: After these firms win, will their nations be willing for them to fail?"

"Recall that we heard many of the same things we're now hearing about India and China back in the 1980s about how Japan was going to rule the world and so on," he said. "And I tend to think we actually overestimate some nations."

"I tend to be in the camp that some nations, such as China, may turn out to be today's 'Internet boom,'" he said. "China as a nation is growing rapidly, offering great long-term opportunities, but at the same time, I see many firms making very unrealistic decisions about a market that will take time to fully expand and will not likely continue its current 9 percent growth rate over the next 50 years."

"Taiwan, Korea and Japan all had similar levels of growth at a similar level of development, and they eased off eventually to more typical growth levels," Bruton said. "Additionally, those nations at that time had developed clear world competitors among their own companies, which China is largely yet to do."

The same could be said of India. But none of that eradicates the clear potential of many of today's most prominent emerging economies — economies that will inevitably be reckoned with in the global commercial and trade picture of the 21st century to some significant extent.

Precisely how significant is one of those vital current economic questions. The answers to those questions will be apparent within a few very short but economically exciting decades. **F**

possibilities as proud members of the expanded European Union.

"I tend to be very upbeat on Eastern Europe," Bruton said. "I spent some time within the last couple of years in Poland in a Fulbright chair for entrepreneurship. These countries are democracies, which I think is critical to long-term growth. They're strong economies — and as parts of the European Union, the rule of law and other vital factors will be clear."

When looking at other emerging economic points on the globe, a country such as Indonesia stands out for its uniqueness. This largest Islamic-dominant nation in the world also has perhaps the most challenging logistical picture — with its thousands of miles of territory spread across thousands of islands in the Indian Ocean.

The Indonesian economy — like that of many of the former Soviet republics, as well as Russia itself — will long be bolstered by immense reserves of oil and gas that are in many instances just now being tapped through modern technological developments that have made production of those reserves economically feasible.

Still, any current analysis of global economic growth potential tends to be drawn like a powerful magnet back to the Indian subcontinent and mainland China.

"China is investing billions in new airports," Bruton said, "because the Chinese know that this is a key infrastructure investment that will seriously advance economic growth. And a side effect of this category of growth is in tourism. The number of tourists both in and from China is rapidly expanding."

"I was just in Hong Kong," he continued. "Of course, the city is now a special administrative region of China — and largely, outside of foreign

affairs, Hong Kong is able to administer its own economy under the stated Chinese principle of 'one nation, two systems.'

"Today, over half of the tourists to Hong Kong are mainland Chinese. Without these tourists, Hong Kong would be in an economic depression — but instead, because of the tourists who come largely from mainland China, Hong Kong is experiencing rapidly expanding growth."

There's obviously enormous potential for airlines to better serve the teeming populations of India and China, but in many subtle and some perhaps-not-so-subtle ways, it won't be easy.

"In places like India, how individuals book hotel rooms and reserve flights is much different than in mature markets like the United States," Bruton said. "Internet penetration is much lower, and the power of certain business groups much greater."

"How companies such as *Sabre Airline Solutions*® reach out to those markets — considering both the company's need and desire to maintain reasonable cost while also maintaining the firm's high quality — will be difficult."

And China represents an economic conundrum, with traditional "control" forces pulling and pushing against much more recently established "market" forces.

"One of the keys is how to reach these customers," Bruton said. "The Chinese government is much more prevalent than the U.S. government in the economy — and thus, the Chinese government has strong controls over data. In China, the powers-that-be want that data, and simple things like airline flights are controlled."

"To serve the Chinese market, a lot of Western companies have learned that they must have an actual presence in China. But there are