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Legal Aspects in Business Alliances and Strategic Partnerships Between Airlines

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Abstract: The research explores the role of law in governing business alliances and strategic partnerships in the aviation industry, analyses its legal framework, its business implications, and provides policy recommendations. Qualitative methods are used by summarizing findings from several international scientific journals. The findings highlight legal aspects such as antitrust regulation, consumer protection, and liability towards employees. The importance of regulatory compliance for safe and fair operations is highlighted, as well as periodic reviews of legal responses. By strengthening understanding and implementation of legal aspects, the aviation industry can better address future challenges and safeguard the interests of stakeholders.

Keyword: Legal Aspects, Business Alliances, Strategic Partnerships, Airlines

INTRODUCTION

The aviation industry is one of the dynamic and fast-growing sectors around the world. Amid growing competition and changing market demands, airlines often look for strategies to improve their competitiveness. One of the commonly used strategies in this industry is through the establishment of business alliances and strategic partnerships between airlines. Such alliances not only allow airlines to expand their network reach, but can also provide significant economic and operational benefits (Burghouwt *et al.*, 2016). Business alliances and strategic partnerships between airlines have become a common sight in this industry landscape. By combining resources, flight networks, and services, airlines can create added value for their customers, improve operational efficiency, and reduce costs. In addition, such alliances can also help airlines to deal with external challenges such as fluctuations in fuel prices, changes in government policies, and competition from other airlines (Riwo-Abudho, Njanja and Ochieng, 2013; Shehawy and Abouzied, 2019).

While business alliances and strategic partnerships can provide many benefits to airlines, they also involve a number of complex legal aspects. Issues related to treaties, competition policy, international regulation, and property rights are in focus (Maria, 2020). Proper legal arrangements and good compliance are essential to ensure that the alliance does not violate antitrust regulations, avoids conflicts of interest, and meets aviation security requirements and safety standards (Omweno, 2021). The phenomenon that emerges in this

context is the rapid growth of various forms of business alliances and strategic partnerships among airlines around the world (van der Veer, 2017). From code-sharing and cross-border aviation partnerships to global alliances involving several major airlines, this phenomenon demonstrates the importance of collaboration in addressing complex challenges in the aviation industry (Yin *et al.*, 2017). However, in implementing such alliances, airlines are faced with a variety of legal questions that require a deep understanding of related regulations and practices.

However, while business alliances and strategic partnerships offer significant benefits, they also face a number of legal complexities. For example, the existence of these business alliances can raise concerns about market dominance, price discrimination, and disadvantages to fair competition. Therefore, governments and regulatory agencies often need to play a role in monitoring and regulating such alliances to ensure that they do not violate competition laws and do not harm consumers. It is important to further investigate the role of law in regulating business alliances and strategic partnerships between airlines (Shehawy and Abouzied, 2019). A deep understanding of the legal framework governing such alliances is not only important for airlines, but also for governments, regulatory bodies, and other stakeholders in the aviation industry. Thus, an in-depth study of this legal aspect will help us understand how business alliances can contribute to the growth and development of the aviation industry as a whole (Ag, 2012). The purpose of this study is to investigate the role of law in regulating business alliances and strategic partnerships in the aviation industry. In addition, to analyze the legal framework governing the alliance, review its business implications, provide policy recommendations, and provide a deep understanding of the legal complexities in the industry.

Legal Aspects

Legal aspect refers to all matters related to relevant laws or regulations in a given situation. In the business realm, the legal aspect includes all legal provisions, policies, and principles governing the company's operations and interactions with the various parties involved. This includes various matters such as antitrust regulation, consumer protection regulations, contract law, tax compliance, and other legal elements relevant to business activities (Reuvid, 2010). In the aviation sector, legal aspects also include aviation safety regulations, ownership rights, international agreements, as well as regulations governing the relationship between airlines and customers and other business partners (Burghouwt, 2016). By understanding and complying with relevant legal aspects, companies can manage risk, ensure compliance, and run their operations efficiently and in accordance with applicable legal standards (Dempsey, 2021).

The legal aspects of the aviation business in Indonesia include various laws, government regulations, and contractual provisions governing airline operations. References that can be used include Law Number 1 of 2009 concerning Aviation (Perhubungan, 2009), Ministerial Regulations, Directorate General of Civil Aviation Regulations.

Business

Business refers to economic activity in which individuals or entities produce, buy, or sell goods or services with the aim of making a profit. It includes various activities such as production, distribution, marketing, and sales of products or services (Ebert and Griffin, 2018). Business not only involves economic activities, but also covers various aspects of management such as strategic planning, human resource management, marketing, finance, and operations. In addition, businesses can also operate at various scales, ranging from small and medium-sized enterprises to multinational corporations (Ferrell *et al.*, 2023).

A business alliance is a partnership between two or more business entities working together to achieve a common goal, often by sharing resources and risks. In the aviation industry, business alliances often occur between airlines to increase network coverage, improve service to customers, and improve operational efficiency (Belobaba, Odoni and Barnhart, 2015). Business in aviation refers to economic activities related to air transport, including the production, operation, and provision of aviation services. This includes everything from ticket booking, flight network management, ground services at airports, to air cargo services. Business in aviation involves various aspects such as aviation safety, aviation regulations, airline marketing, operations management, and customer service (Grimm, 2015)

Strategic Partnership

A strategic partnership refers to a long-term business relationship between two or more entities working together to achieve common goals that are important to each party. Such partnerships involve close collaboration, sharing of resources, technology, expertise, and risk. Typically, strategic partnerships are built to face common challenges, take advantage of new market opportunities, or increase competitiveness in existing markets (Kale, Dyer and Singh, 2002). Strategic partnerships involve integrating resources, knowledge, and competencies between the parties involved. This can include many forms of partnerships, ranging from strategic alliances between parallel companies to partnerships between companies and governments or non-profits (Hitt, Ireland and Hoskisson, 2012).

Strategic partnerships are often an important strategy for airlines to expand market reach, improve operational efficiency, and strengthen competitive advantage. Such partnerships can take many forms, ranging from global alliances between several major airlines to code-sharing partnerships between different airlines. Some examples of strategic partnerships in the aviation industry include Star Alliance, SkyTeam, Oneworld, and alliances between airlines and land or sea transportation companies. Strategic partnerships in the aviation industry aim to create synergies between airlines, enhance network connections, optimize asset utilization, and enhance customer experience. Through partnerships, airlines can mutually strengthen their competitive advantage, access new markets, and expand their global network coverage (Belobaba, Odoni and Barnhart, 2015);(Susanto *et al.*, 2023).

Airline

An airline is a company that provides air transportation services for passengers and/or cargo. They operate aircraft and run flight routes to connect various destinations both domestically and internationally. Airlines can operate in a variety of business models, including full-service airlines, low-cost airlines (LCCs), and cargo airlines (Doganis, 2013);(Setyawati, Susanto and Hartono, 2020).

METHOD

This article uses qualitative methods, by providing an overview of findings related to the topics in this article, providing findings from articles from several scientific journals that exist internationally in recent years. After this to get the results of the findings in this article, a perception or view of the researcher is given, as a contribution as a result.

RESULTS AND DISCUSSION

Implementation of Legal Aspects in Aviation Business Alliance

The study results on the legal aspects that have been implemented from the results of proprietary research (Nugraha, 2018) states that alliances and code-sharing agreements have become common in the aviation industry, but they have legal consequences related to

responsibility, consumer protection, and competition. For example, the Warsaw-Montreal regime handles the responsibility of protecting airline passengers. The study of proprietary results (Taufik, 2023) which states that the aviation industry is subject to antitrust regulations, which aim to prevent monopolies and ensure fair competition. For example, in the case of PT. Garuda Indonesia's strategic business partner appointments are analyzed for potential violations of competition laws.

Another study states that the airline industry has a responsibility to protect consumers, which includes accountability for commercial aviation businesses. This is especially important in the context of airline alliances, which can affect consumer rights and protections (Lumaing and Wereh, 2020). In many countries, including Russia, there are ongoing efforts to balance the need for transport security with air transport efficiency. This involves the development and implementation of regulations that ensure safety, security, and fair competition (Minnikes and Esitashvili, 2021).

The results of another study related to legal aspects and business alliances in aviation related to technological developments stated in the results of his research In the face of new technological developments such as the Metaverse, the aviation industry needs to consider legal implications related to data security and privacy, as well as potential problems related to unfair competition (Alshamsi and Sipos, 2024). In addition, there are studies from the research results that state that the current development of the general aviation industry is lacking, and finally present a high-quality development path of the general aviation industry based on the dual-cycle theory (Zhang, 2023). The application of business planning aspects in the formation of aviation pools or aviation alliances shows that, despite the need and demand for practice, these aspects in theoretical, methodological and scientific directions do not receive enough attention. Literature analysis shows that aspects of using business plans as an element in determining the effectiveness of civil aviation company mergers in the context of European integration are not carried out (Kovalenko and Stoliarchuk, 2020).

Implementation of Legal Aspects in Strategic Partnerships in the Aviation Business

The results study states that the airline industry has historically not been subject to antitrust regulations, but there is increasing recognition of the need for competition within the industry. The Department of Transportation (DOT) has the legal authority to handle antitrust issues among airlines through section 411 of the Federal Aviation Act (Edelman, 2021). Another study states that airline alliances and profit-sharing code agreements have legal consequences related to responsibility, consumer protection, and competition (Nugraha, 2018) Another study in the results states that the airline industry has a responsibility to protect consumers, which includes liability from commercial aviation businesses. It is becomes especially important in the context of airline alliances, which can impact consumer rights and protection (Nienno and Hrinchenko, 2020).

In various countries, including Russia, efforts are being made constantly to balance the need for transport safety with aviation efficiency. This involves the development and implementation of regulations that ensure safety, security, and fair competition (Bidulský and Seman, 2020) As the aviation industry embraces new technologies such as the Metaverse, there are legal implications related to data security and privacy, as well as potential issues related to unfair competition (Vovk *et al.*, 2021). Another results study states the company's innovative activities also include the development of artificial intelligence and robotics, and that in the current state when creating and using artificial intelligence technology, the issue of ensuring national security in the digital environment becomes very important. In this regard, the strategic objective of ensuring information security is to protect the vital interests of individuals and society against internal and external threats associated with the application of information technology for various purposes contrary to civil law (Markova *et al.*, 2021).

Implementation of Legal Aspects with Airlines

Some of the existing results studies relate to aspects of relations with airlines where the first study results state airlines have a responsibility to protect consumers and ensure their rights are respected. This includes addressing the issue of discrimination, as demonstrated by the Supreme Court's ruling in the case of *Bostock v. Clayton County* that preserves employee protection from discrimination based on sexual orientation and gender identity (González, 2023). Another study states also that the airline industry is subject to antitrust regulation, which aims to prevent monopolies and ensure fair competition. This becomes especially important in the context of airline alliances and revenue sharing code agreements, which can affect consumer rights and protections (Lee, 2023). Another study found that there is a need for a regular review of legal and regulatory responses to address terrorism in Kenya to improve their effectiveness and responsiveness to the dynamics of international terrorism. In addition, training strategies should be strengthened through increased funding to strengthen the implementation of various legal and regulatory responses in various aviation security agencies in Kenya. The KCAA should also increase the frequency of aviation security audits, inspections, system tests, investigations, and surveys at airports, airlines, cargo agencies, and other aircraft food supply operators in response to the increasing complexity of international terrorism (Omweno, 2021).

A related outcome study states that the COVID-19 pandemic has significantly affected the health, safety, and security of flight attendants. Members of this group work in congested, enclosed spaces where social distancing is nearly impossible, adherence to mask rules is uneven, incidents of aggressive passengers are at all-time highs, and the vaccination status of passengers on domestic flights is unknown (Anderson, 2022). The study with related results also established the legal position of pioneer cargo carriers not only as carriers in cargo transport agreements but also in legal relations with governments on a contractual basis as part of the implementation of public services. Pioneer airlines are jointly responsible with local governments, airport authorities, and other relevant parties to ensure flight safety as an accident prevention measure. In the event of an accident that destroys the cargo, the airline is responsible for meeting the compensation suffered by the shipper in nominal form based on the provisions of the applicable air transport regulations (Ayuningtyas, 2023).

Another results study states in its findings that in various countries, efforts continue to be made to balance the need for transportation security with air transport efficiency. This involves the development and implementation of regulations that ensure safety, security, and fair competition (Xiao, Henderson and Newall, 2021). Another study states passenger protection regimes in Korea and the EU are among the most developed in the world. Korean models are more detailed and specific compared to European models; however, passenger rights are more rigorously enforced by courts and other bodies in EU countries. In addition, we analyze the conformity between decisions made by the Court of Justice of the European Union (CJEU) and global regulations relating to airline liability (de Leon and Choi, 2023). Event professionals within the aviation industry must understand their legal obligations and ensure compliance, as issues related to legal compliance are one of the most significant risk areas for practitioners (Wrathall and Steriopoulos, 2022).

Discussion

First of all, we will discuss the article with findings where the implementation of legal principles with aviation business alliances where some results are summarized and perspectives expressed in this scientific article where studies conducted by several researchers have revealed various aspects related to the implementation of legal aspects in aviation business alliances. Code-sharing alliances and agreements have become common in the airline industry, but they carry legal consequences regarding liability, consumer

protection, and competition. For example, there are regulations such as the Warsaw-Montreal regime that deal with passenger protection responsibilities. The aviation industry is also subject to antitrust regulation, with the aim of preventing monopolies and ensuring fair competition. For example, the case of PT. Garuda Indonesia has been analyzed in relation to the appointment of strategic business partners for potential violations of business competition laws. In addition, the responsibility of the aviation industry towards consumer protection is also emphasized, especially in the context of airline alliances.

The results of this study highlight the importance of understanding and complying with legal regulations in the aviation industry, especially in the context of business alliances. By understanding the associated legal implications, the industry can manage risk more effectively and ensure compliance with applicable legal standards. In addition, studies also point to the need for updates and improvements in the development of regulations governing consumer protection, safety, and competition in the aviation industry. Thus, this research makes an important contribution in increasing understanding of the importance of legal aspects in the management of business alliances in the aviation sector.

Second, Implementation of Legal Aspects in Strategic Partnerships in the Aviation Business with the discussion and perspective of this scientific article are Studies that have been conducted on the implementation of legal aspects in strategic partnerships in the aviation business reveal several important findings. The aviation industry has historically not been subject to antitrust regulations, but is increasingly recognized the need for competition in the industry. The Department of Transportation (DOT) has the authority to handle antitrust issues among airlines in the United States. Airline alliances and revenue sharing code agreements have legal implications regarding liability, consumer protection, and competition. In addition, the responsibility to protect consumers is also very important in the context of airline alliances.

This research highlights the complexity of the relationship between legal aspects and strategic partnerships in the aviation industry. There are challenges in balancing the need for operational efficiency with legal obligations and social responsibility, particularly related to consumer protection and information security. The study also points to the need for relevant regulatory updates to address technological changes and new challenges in the digital environment. As such, the research provides valuable insights for practitioners and policymakers within the aviation industry to understand and manage the legal aspects associated with strategic partnerships.

Third, Implementation of Legal Aspects with Airlines where the discussion and perspective given in this article are A number of studies have revealed various aspects of legal implementation in the context of airlines. The responsibility of airlines to protect consumers and ensure their rights are protected is the focus of several studies. Antitrust regulation is also a concern, especially in the context of airline alliances and revenue sharing code agreements. The need for periodic reviews of legal and regulatory responses to tackle terrorism in Kenya is also highlighted in several studies. The impact of the COVID-19 pandemic on the health and safety of flight attendants is also a concern, while the responsibility of cargo carriers for flight safety is highlighted in other studies. In addition, efforts to balance safety and efficiency in air transportation and passenger protection have also been the focus of several recent studies.

These studies provide diverse insights into the complexity of legal aspects in the aviation industry. The importance of understanding legal obligations and compliance in the context of aviation industry practices is highlighted, while also highlighting the associated challenges and risks. A better understanding of these legal aspects can help improve industry compliance with applicable regulations and improve consumer protection and aviation safety. In addition, the results of this study can provide a foundation for policymakers in designing

regulations that are more effective and responsive to the challenges faced by the aviation industry, both in emergency situations such as pandemics and in efforts to improve safety and consumer protection in general.

CONCLUSION

Consumer protection in this industry. The study highlights various aspects covered by legal aspects, ranging from antitrust regulations, consumer responsibility, to protection for employees and flight attendants. In addition, the role of regulation in dealing with challenges such as terrorism and pandemics is also clarified. The importance of regulatory compliance and periodic reviews of the effectiveness of legal responses are the focus in ensuring the aviation industry operates safely, fairly, and in accordance with applicable legal standards. By strengthening the understanding and implementation of these legal aspects, the aviation industry can better face future challenges and safeguard the interests of all stakeholders optimally.

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