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Shifting spatialities of power: the case of Australasian aviation

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ABSTRACT

This paper explores how different modalities, spatialities and scales of power operate in a geopolitical context. By tracing the dynamic and shifting economic geographies of state and firm power in the events leading up to the collapse of a major Australian firm, Ansett Airlines, it reveals the difference that place and position make to the creation and use of power. The paper stresses agents' relational positioning, their 'places' in multiple networks of association and the ways in which their past actions and visions of the future condition their strategic options. The paper contextualises the workings of power and explores how power relationships are re-configured in specific contested events. It concludes that power cannot be separated from the spatial and temporal dimensions of actual contexts, from actor's positions in contexts, or from their strategic objectives.

Keywords: Power; Airlines; Firm Strategy; Corporate Failure; Australia

Introduction

In this paper, the struggles that have reshaped the Australasian aviation sector provide the raw material for a critique of John Allen's (2003) spatialised definition of power as a 'relational effect of social interaction'. Based on this critique, the paper constructs an alternative spatialised understanding of the workings of power that link power with positions and strategies. Because its competitive dimensions are focused on territories and access to territories, the aviation sector provides an illuminating case for exploring the spatiality of power. In contrast to the way leading firms exert repressive 'power over' their suppliers in the manufacturing industry (Rutherford and Holmes, 2008), power relations in the aviation industry are played out in multiply scaled arenas of intersecting firm, state and inter-state

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networks. They incorporate complex interdependencies. The paper focuses on the reworking of power relations among Singaporean, Australian and New Zealand aviation firms and their host states in the 1990s, following the deregulation of Australia's domestic air services. It highlights the deteriorating position and eventual demise of an Australian airline, Ansett Airlines.

How power is defined very much determines its location and spatial expression. This paper contributes to the theorisation of power's spatiality in four ways. First, it associates power's spatiality with agents' relational positioning or 'place' in a constructed world of relationships and an evolving history of interactions. Second, it proposes that the impact of power is intrinsically related to its timing and infers that power's spatiality cannot be divorced from its temporality. Third, it contends that agents' dispositions and strategic options, and therefore the types of power available to them, are the product of their past interactions as expressed in their contemporary spatio-temporal positioning. This positioning is dynamic, constructed and requires ongoing maintenance. Fourth, it highlights how specific events precipitate reconfigurations of power networks and the positions actors have in them. This approach, it is argued, circumvents any need to explain power as somehow traversing across space.

The remainder of the paper is structured as follows. The next section critically reviews recent theories of power and sets out this paper's approach. Its arguments are developed via a sustained engagement with John Allen's (2003) view of power as an immanent 'effect of social interaction'. These ideas are then demonstrated by tracing the shifting networks of relations between states and firms in Australasian aviation as they restructured after air services were deregulated, privatised and marketised. The penultimate section explores the implications of this case study for theories of power. The conclusion insists that a spatially attuned understanding of power must incorporate the positions of agents in relation to others and recognise how the histories and trajectories of their interactions condition the strategies available, their timing and their subsequent outcomes.

Spatialising Power

The complexities embedded in the notion of power have produced a massive literature spanning numerous disciplines. Their approaches to the location and spatial workings of power vary depending on whether power is defined as a capacity held by entities in proportion to their resources, is viewed as a mobilisation of resources or is conceived as being woven in and through structures (see Lukes, 1986). John Allen's (2003) *Lost Geographies of Power* is informed by a selection of these texts. This section begins with a brief introduction to the literature on power, outlines Allen's approach and then offers a critique of it.

Three Understandings of Power

It is useful to begin with what are known as the 'three faces' of power (Lukes, 1974). The first 'face' is found in Dahl's (1957) behaviourist view, where power involves one agent impelling another to do something that he or she would not otherwise have chosen to do. This commonplace view is epitomised by the metaphor of power being 'wielded' like a weapon. It assumes that agents 'have' power and that they prevail 'over' other (less powerful) agents. Power is therefore something that agents own and deploy; a quantifiable, embodied and dispositional quality. This power definition underpins critical realism's view of power as a latent capacity that can be held in reserve (Bhaskar, 1975) and infuses realist theories of international relations in which 'strong' and powerful states uncomplicatedly lord over 'weak' less powerful states (see Guzzini, 1993). Allen (2003) contends that this approach imbues power with a mechanical or 'thing-like' quality and, consequently, with fixed spatial characteristics. He suggests that in this form, power's spatiality 'radiates out' from its core, travels intact across space and operates with predictable effects.

Bachrach and Baratz's (1962) second face of power adds the possibility that power is found in non-action; in the capacity to manoeuvre or manipulate a situation to achieve a desired outcome. Exercising this form of power does not necessarily require that agents do anything out of the ordinary, although it does demand the ability to maintain the *status quo*.

The third face of power incorporates the first two but adds the capacity to modify beliefs. In this form, power insinuates itself into social practices, shapes the organisation of space and permeates the construction of subjectivities. Power becomes an immanent force inseparable from its effects (Foucault, 1970); a force that is at once 'everywhere' and 'nowhere'. Such power can stifle political dissent if agents embody accepted norms of conduct to such a degree that they become incapable of resistance. Whilst sympathetic to this view, Allen (2003) is keen to reinvigorate it by reasserting the capacity to rebel.

Lost Geographies of Power

A second group of authors understand power as a structuring social context or field of forces. Parsons (1957), for example, rejects definitions that locate power 'in' entities. Parsons views power as a 'systems resource', analogous to money, that constitutes the legitimate institutionalisation of authority. In a related vein, Hannah Arendt (1958) defines power as a collective force that corresponds to the ability to act in concert. In her hands, power is a fluid, expandable and emergent force generated by collective action. Allen (2003) is attracted to the way this approach views power as a product of spatio-temporal arrangements and as involving control over both resources and rules of interaction. But he is critical of its under-theorisation of power's spatiality.

The main concern of Allen's own theory of power is with how power traverses space; that is, with understanding how it 'plays across the gap between here and there' (Allen, 2004,

p. 25). Allen develops an approach in which power is neither centred nor decentred, but is instead a ‘relational effect of social interaction’ that is produced in and through inherently spatial social interactions (Allen, 2003, p. 40). Thus defined, power exists only in practice. It confers the ability to mobilise resources. From this perspective, resources are not in themselves ‘power’ and those in command of resources do not always prevail (Allen, 2003, p. 190). Moreover, since power is removed from its embeddedness in entities, it has no ‘predefined distances’ or ‘simple proximities’; its spatiality is both complex and relational (Allen, 2004, p. 19). Power adopts a variety of forms or ‘modalities’ (for example, seduction, coercion, manipulation or authority) each of which possesses its own ‘empirical logic’ and spatial expression. Each modality’s spatial reach then depends on how its mobilisation produces a succession of ‘mediating effects’ in space and time (Allen 2003, p. 97). In actual situations, multiple modalities operate together as complex sets of topographical ‘arrangements’. Consequently, outcomes are not pre-given; they depend on both the modes of power in use and the social and physical distance between actors. As different modalities of power combine to stretch, shrink or dissolve space, power becomes constitutive of space and the spatial becomes imbued with power. In essence then, Allen’s spatialisation shifts the concept of power from a dispositional attribute ‘held’ by entities to a quality immanent in its multi-faceted forms of expression. This decontextualises and democratises power, restricting it to an ‘effective’ moment of interaction that is independent of the resources and the capacities of actors.[1]

Three aspects of Allen’s spatialisation of power require further explication. First, Allen’s definition of power is not exclusive – many phenomena are ‘relational effects of social interaction’. If his definition is seen to imply that all social interactions are imbued with and express power relations, then some demarcation of power from other aspects of social interaction is needed. The extent to which power infiltrates social interactions based on economic exchanges or involving mutually beneficial alliances, for example, would vary substantially between instances. Allowing the idea of power to subsume all social interactions would blunt its analytical utility; but the manner in which power relations enter into 'arrangements' with other types of social interactions requires further specification. Second, it is by no means clear how Allen's framework incorporates structural forces or abstractions; forces that cannot easily be explained as combinations of 'modalities' of interaction. Allen's examples focus mainly at the micro-scale, on relations between paired entities, where structural forces are not immediately visible. Yet both actors *and* structures contribute to the configurations of power relations, especially in higher-order systems of authority and governance, such as those that exist in international institutions (Yeung, 2005, p. 38). Allen's emphasis on social inter-*action* does not easily accommodate agenda-setting or the bureaucratic and diplomatic strategies of non-intervention. Power expressed in non-action could not be understood as a 'relational effect of social interaction' unless the effects of past interactions are somehow stored within existing arrangements, in which case power might return to its familiar identity as an individual capacity or held resource.

The third issue is power's relationship to cause and effect. Consistent with his critical realist understanding of causality, Sayer (2004, p. 260–64) understands Allen's use of the word 'effect' in the phrase 'relational effect of social interaction' to mean result or outcome. He consequently accuses Allen of conflating power with its effects; of defining power tautologically as a synonym for its outcomes. Perhaps Allen is more correctly read as focusing on the exercise of power; where the word 'effect' is used in the sense of a mobilisation or causal force, analogous to Giddens's (1977, p. 384) notion of power as transformative capacity.[2] Allen's focus on power's immediacy has the effect of decontextualising power, of separating it from the historical and social contexts in which it is embedded. This issue is taken up in the next section.

Power, Position and Intentionality

Although de Certeau's (1984) view of power is not considered by Allen in *Lost Geographies*, he develops an alternative spatialisation that links place, power and intentionality. De Certeau (1984) grounds power in the territorial positioning of actors and in the degree of control they exercise over (material or imagined) places. Agents mark out spaces or territories, the overlapping configurations of which are the outcome of evolving and path-dependent histories of relationships and interactions. Each agent's place (*un lieu propre*) conditions the repertoire of strategies and tactics available at any time. Place is also the platform from which these strategies and tactics are performed. Well-placed actors are able to pursue strategic actions that will realise their long-term aims. Less well-placed actors, in contrast, are compelled to resort to fragmentary, opportunistic tactical interventions that play out in spaces dominated by their adversaries. Thus strategies and tactics make use of space in different ways: strategies "are able to produce, tabulate and impose" whereas tactics "can only use, manipulate and divert" (De Certeau, 1984, p. 30). The strategic capacities that make it possible to define issues, set agendas and change rules are only available to particular (powerful) actors. Both tactics and strategies imply movement—stretching and shrinking—of relational space as agents' positions relative to one another change. Power provides relative room to move, a degree of freedom that facilitates certain types of action taken at particular moments in time, while powerlessness becomes an absence of manoeuvrability, the sense of being 'cornered' in space and time.

The relational spaces created by complex, intersecting and fluid networks of adversaries can be conceived as arenas of conflict that are constantly redefined as agents mobilise and reposition themselves in relation to others. Following Bourdieu (1993) we might think of these networks as 'fields' of power that include "a set of institutions, including practices, understandings and rules; and, a network of organisations" (Lawrence and Phillips, 2004, p. 692). Fields, rules, networks and organisations are structures that define agents' places, condition their intentions, constrain their range of feasible strategic and tactical moves, and shape subsequent outcomes. The layers of outcomes created by repeated interactions become structural constraints to future actions. They tend to selectively reinforce and reproduce dominant power relations (see Jessop, 2001). By highlighting both intentionality and constraint, De Certeau's approach enables different weights to be applied to agents' capacities to act. This makes it possible to view intentions as conditioned by both specific contextual 'spatio-temporalities' and future 'horizons of action' (Jessop 2001).

Massey (2000) reads de Certeau's 'dual dichotomisation' of space-time and strategy-tactic as over-simplifying complex processes and as immobilising space while according transformative capacity to time. Whilst this is a valid point, his central argument—that available 'modalities' of power are deeply structured by the spatio-temporal positioning of agents—provides a strong challenge to theories that separate power from its context.

Of course, linking different forms of power to position does not resolve the debate about what power actually is. But what de Certeau's work does do is to provide a bridge between the aspatial notion of power as a mobilisation at the interface of cause and effect, and the fixed location of power when it is understood as an embodied resource. If the spatial configuration of the field of engagement defines and creates the various possibilities available to each agent, then placing power at the boundaries or limits of action that "shape the field of the possible" (Haywood 2000, p. 118) also places power spatially. This is what Low (2005, p. 86) does when he views power as a "conceptual translation point" located at the interface between cause and effect, integrated into the spatio-temporal fabric and reproduced "through the active maintenance of certain structural social relations". Recognising the processes of power—as it imbues positioning, strategic intentions, timing, constraints, and outcomes—

makes it possible to understand power relations without resorting to the idea that power is held in reserve or that it is somehow transmitted between ‘here’ and ‘there’.

Positions and Power in Australasian Aviation

The shifting power relations of Australasian aviation in the 1990s provide an opportunity to explore the spatial workings of power in practice. The discussion in this section considers three states (Singapore, Australia and New Zealand) and four airlines (Singapore Airlines, Qantas, Ansett Airlines and Air New Zealand). Their field of associations included twenty-one separate but simultaneous dyad relationships (three state-to-state, six firm-to-firm, four direct state-to-firm, and eight indirect firm-to-state). The firms involved in this field of interactions differed in resources, state patronage, international links and political influence. Their relationships with states involved decreasing degrees of overt dependence, whilst their relationships with each other exhibited increasing degrees of interdependence. We can think of these dependencies and interdependencies in spatial terms, as social distance or proximity. Following Ruigrok and van Tulder (1995), firms’ dependencies can also be understood as expressing asymmetrical power relationships and as conditioning the types of power—such as coercion, bargaining, cooperation or competition—available to them. Thus, their ‘repertoires’ of strategies and tactics depend on their ‘place’ in an underlying structure of associations.

Stopford and Strange (1991, p. 19) characterise the mesh of simultaneous state-to-state, firm-to-firm and state-to-firm interactions as ‘triangular diplomacy.’ It is shaped by the fundamentally different intentions and objectives of states compared to firms. For states, air services present strategic complications. From a security perspective, states are compelled to support national services because they guarantee export and import deliveries and provide growth-enhancing technological spillovers. From an economic viewpoint, on the other hand, global connectivity and service efficiency may well be optimised by relying on overseas-based firms. The politics of aviation policy may divide the state. For example, the tourism sector might support liberalisations that maximise incoming passenger numbers, even if such reforms are at the expense of local airlines. Inter-national services require states to negotiate with other states over air service access, but these discussions can never be independent of international geo-politics.

Airlines are influenced by a potent mix of political and economic concerns. They operate within national jurisdictions but provide international services that are governed by a plethora of international rules and treaties among states. This reality requires them to maintain relationships with states and to take geo-political influences and tensions into account. Transnational regulatory structures constrain firms' activities and force firms to cooperate with states to secure market access. The economics of aviation businesses are conditioned by the high costs of aircraft and fuel. Airline profitability depends on maximising capacity utilisation, streamlining connectivities and efficiently matching service capacity to consumer demand. Consequently, firms have an incentive to cooperate (for example, through code-sharing arrangements) on low density routes, while competing for market share on high density routes. The low marginal cost of carrying additional passengers on any flight produces the sector's propensity for aggressive ticket price discounting. Airlines favour organising service delivery in a hub-and-spoke arrangement because it reduces costs, consolidates activity and enables aircraft size to be optimally matched to route demand (Button, 2002). But hubbing is resisted by the cities, states and airlines peripheralised by their relegation to the status of spokes to a dominant hub.

In this environment, airlines behave strategically. They routinely employ formal strategic planning tools to identify optimal strategies, consistent with their longer range plans, and to predict the likely second- and third-order effects of their own and their competitors' strategic moves (Godet, 1991). Competitive strategies may involve building mutually beneficial alliances with other firms, states or non-state actors. Airlines' strategies are often predatory (Hinthorne, 1996). Competitive advantage can be secured by seeking to alter policy settings or by circumventing regulatory constraints. The industry's legalistic regulatory framework tends to formalise competition in struggles over access to territories, routes and destinations.

The next sections describe how the 1990s restructuring of the Australasian aviation sector realigned states' and firms' relational positions and complicated the region's power relations. It traces the interplay between policy reforms brought about by states and changes in the ownership and control of aviation firms. The workings of power are illuminated by mapping firms' changing positions in relation to states, markets and other firms. The narrative is reconstructed from interviews with former Ansett Airlines employees and with expert observers, along with an extensive review of secondary sources. The data obtained from former employees included the responses to open questions in a mail survey of post-retrenchment outcomes conducted a year after Ansett's closure. It invited the 600 respondents to append additional information about the circumstances of the collapse. This generated about fifty responses and included some detailed accounts by former managers. A selection of twenty survey respondents participated in depth interviews which, *inter alia*, discussed the events leading up to the collapse and workers' responses to them. Additional information was collected in later telephone follow-up surveys. A separate, internet-based survey of former Ansett employees who had found employment with overseas airlines, especially in Asia, also produced insights about the configurations of airlines in the region (see Weller, 2004; 2008; 2009, forthcoming). Whilst retrospective construction of events risks imposing an unwarranted degree of coherence on what could be interpreted as a series of unrelated occurrences, this historical overview enables power to be 'placed' in context; in relation to the sequential unfolding of historically embedded social practice. The narrative highlights Ansett Airlines' progressive loss of place in firm and state networks after the aviation industry made its transition from state-centred to market-led regulation. These changes are presented in three phases: first the ensemble of states and firms before deregulation; second, their reconfigurations soon after deregulation; and third, the formation of global alliances among firms and the realignments that culminated in the demise of Ansett Airlines.

An 'Ensemble of States'

Singapore, Australia and New Zealand share many social, legal and business traditions through their common membership of the British Commonwealth. However, under post-WWII nation-building policies, each state acted in the international realm as an autonomous entity; that is, as a quasi-individual oriented to internal concerns.[3] Each of the three territories established a wholly-owned national flagship airline—Singapore's Singapore Airlines (SIA), New Zealand's Air New Zealand (Air NZ) and Australia's Qantas—which operated as public services and were essential components of each state's infrastructure (Kangis and O'Reilly, 2003). Airlines were markers of nationhood (Ragamuran, 1997) that reinforced the state's 'infrastructural' power (Mann, 1986).

International air services were coordinated under a negotiated regulatory framework designed to respect national territorial jurisdictions. As early as 1919, the Paris Convention established each state's complete and exclusive sovereignty over the airspace above its territory (Abeyratne, 1993). The 1940 Chicago Conference later reinforced this framework by codifying the rights and responsibilities of air service providers into a set of rules known as the Freedoms of the Air (Table 1).

Table 1 Freedoms of the Air

First Freedom	To fly across a nation's territory without landing;
Second Freedom	To land in a nation's territory for non-traffic purposes;
Third Freedom	To put down, in the territory of the first State, traffic coming from the home State of the carrier;
Fourth Freedom	To take on, in the territory of the first State, traffic destined for the home State of the carrier;
Fifth Freedom	To take on, in the territory of the first State, traffic coming from or destined to a third State.
Sixth Freedom	To transport, via the home State of the carrier, traffic moving between two other States;
Seventh Freedom	To transport traffic between the territory of the granting State and any third State with no requirement to include on such operation any point in the territory of the recipient State;
Eighth Freedom	To transport cabotage traffic between two points in the territory of the granting State on a service which originates or terminates in the home country of the foreign carrier or outside the territory of the granting State;
Ninth Freedom	To transport cabotage traffic of the granting State on a service performed entirely within the territory of the granting State.

Source: *Manual on the Regulation of International Air Transport* (Doc 9626, Part 4) at http://www.icao.int/icao/en/trivia/freedoms_air.htm (last accessed July 2007).

After the 1946 Bermuda Agreement (between the United States and United Kingdom), the Freedoms were operationalised globally in multiple reciprocal bilateral agreements between states (and backed by detailed Memoranda of Understanding). Only the first five of the Freedoms listed in Table 1 are recognised by international treaties. They are incorporated in most bilateral Air Service Agreements.

This regulatory framework produced an 'ensemble' arrangement controlled by states and designed to repel encroachments on national territories (see Agnew, 1999). The international web of regulation constrained the activities of airlines (Kasper, 1988). Figure 1 depicts the aviation industry structure produced by this Westphalian system as comprising three rigidly separated national air services in which states exercised direct authority over their owned airlines. States could influence each other through the persuasive means of diplomacy, but had little direct influence over other states' airlines. Inter-airline competition, when it existed, was intertwined with national interests and played out through negotiations about access (as framed by the agenda-setting parameters of the Freedoms). In 1979, for example, Qantas and British Airways attempted to force Asian carriers off the lucrative Australia–London (Kangaroo) route by convincing the Australian and British governments to limit the 'sixth freedom' rights of Asian carriers (Conybeare, 1987).

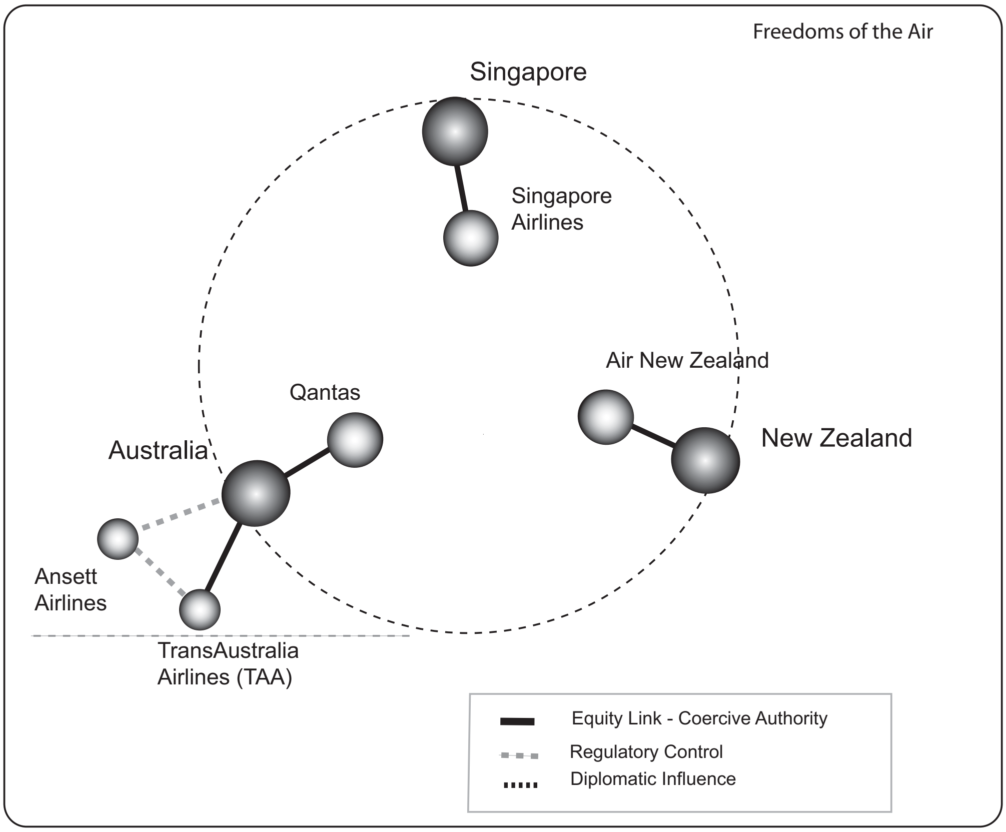

Figure 1: Ensemble States

An additional feature of this regulatory structure was the rigid separation of domestic and international services. Australia's domestic market was served by a state-subsidised and controlled 'Two Airline' duopoly comprising a state-owned airline, Trans Australia Airways (TAA), and a private quasi-competitor, Ansett Airlines. Their matching services on designated trunk routes were provided within a tight framework of non-negotiable regulatory controls. Within this structure, however, Ansett Airlines operated profitably as the centrepiece of a diversified portfolio of travel and tourism businesses that were based on its protected position in air service delivery. In de Certeau's (1984) terms, Ansett's business model was based on tactical exploitation of the regulated industry structure.

De-regulation and New Relationships

In the 1980s, governments came to view globalisation and market competition as a precondition to sustainable long-term national competitiveness. Competitive markets were seen to make airline services more efficient and more responsive to market signals, which in turn would reduce the costs of trade, facilitate the expansion of export industries and promote aggregate welfare. The regulatory frameworks and state patronage that had previously underpinned the aviation sector were recast as 'non-tariff barriers' that inhibited the expansion of international trade (Findlay *et al*., 1997).

Singapore, Australia and New Zealand each began the process of separating airlines from direct state control in the mid 1980s. Singapore and New Zealand embraced the virtues of competitive markets earlier than Australia. Singapore Airlines was listed on the Singapore Stock Exchange in 1985, although the Singapore government retained effective control via Temasek Holdings (Pte) Ltd. In Air New Zealand's 1989 privatisation, the government retained a local ownership requirement but relinquished control to New Zealand investment firm Brierley Investments, which took a 65% share in the national carrier. Both SIA (25%)

and Qantas (19%) purchased large enough shares to ensure that Air NZ's decisions would not be detrimental to their interests.

In Australia, the reform process was slow. After a series of reports highlighting the high costs of air travel (Forsyth and Hocking, 1985) and a major inquiry in 1986 (May *et al*., 1986), the Government resolved to deregulate the domestic market, to privatise Qantas and to open Australia's international aviation markets to competition. It nonetheless set conditions on Qantas's sale that would guarantee continuing national control: no more than 49% of the carrier would be sold to institutional buyers, no more than 35% to overseas buyers and no more than 25% to any single buyer.

Airlines prepared for impending deregulation by shifting their competitive strategies. Australia's only private national airline, Ansett Airlines, shored up its competitive position by purchasing numerous small regional airlines and incorporating them into its network. In 1986 it also extended into New Zealand by purchasing a regional service and re-launching it as Ansett NZ. The Ansett Group also began divesting non-core businesses and accelerated internal efficiency-oriented restructuring. In 1989, Australia's impending regulatory changes (or, more exactly, airlines' cost-containment strategies in anticipation of the changes) triggered Australia's national pilot's strike. Its eventual defeat enabled Australian airlines to restructure their employment practices in preparation for a more competitive environment.

As planned, Australia's 'Two Airline' domestic regulatory structure was dismantled in 1990. Regulations establishing a competitive framework were then phased in to induce the two domestic carriers, Ansett and TAA, to operate competitively. Additional reforms announced in February 1992 allowed Qantas to fly on domestic routes (creating the possibility of it becoming a third domestic airline), enabled domestic airlines to fly on international routes and commenced negotiations toward an 'Open Skies' agreement with

New Zealand that would establish a single trans-Tasman aviation market. These liberalisations aimed to construct a competitive Australasian market.

In theory, TAA and Ansett Airlines would become true competitors after deregulation. In practice, however, they joined forces in a price war that crushed the market's new entrants Compass Airlines I and II (Wilson, 2002). Meanwhile, Qantas maintained its focus on international services. As a consequence, a de-facto two airline arrangement continued to operate, but with the two main players (TAA and Ansett) specialising their services and destinations in an effort to establish quasi-monopolistic control over niche market segments. Ansett Airlines, with its regional interests in Australia and New Zealand, was well placed to prosper in an opening Australasian market (Kissling, 1998).

In September 1992, the Australian government moved to break the continuing domestic duopoly by selling the state-owned domestic carrier TAA (now renamed Australian Airlines) to the state-owned international carrier Qantas. The AUD$400 million sale provided Qantas with a domestic customer base to 'feed' its international services. Because the merger would enable Qantas to compete in a deregulated international market, it also made Qantas more attractive to prospective investors. Soon after, Qantas was partially privatised. After considering numerous offers, the Government elected to sell a 25% interest to British Airways (BA). This link would strengthen Qantas's global position by giving it access to BA's superior resources and technologies.[4] However, commentators saw the move as subordinating Qantas to BA, as repositioning it as the 'Asia Pacific piece' in British Airways' 'global jigsaw' (AFR 1993, p. 35) and as a bit-part player in British Airways' 'grand strategy' of global service reach (Richardson, 1992).

The state-orchestrated re-positioning of Qantas altered power relations among the region's other air service firms. If air traffic between Australia and Europe used Hong Kong rather than Singapore for refuelling, as was likely in a Qantas–BA alliance, they would directly threaten SIA's regional position (AFR 1993, p. 35). Such a reconfiguration would have also directly challenged Singapore's development strategy, which sought to position the island as a key node in globalising flows (Castells, 1988) and which was predicated on Singapore's positioning as the region's primary air service hub (Bowen, 2000; Ragamuran, 1986). Already, Singapore Airlines' growth during the 1980s had been based around 'sixth freedom' travel to and from Australia (Hanlon, 1999).

Qantas's enlarged resources, state patronage and capacity to offer direct international connections also threatened the positions of the two smaller Australasian players, Ansett Airlines and Air New Zealand. As a defensive tactic, both sought to extend their international operations and to enter code-sharing arrangements with airlines beyond the region.

Ansett Airlines became especially vulnerable. In the recession years 1990–91, when it made a loss of AUD$50 million, Ansett was already carrying a debt of AUD$2.5 billion. It needed an AUD$200 million capital injection – an amount that neither of its diversified (and not aviation specialised) owner firms, TNT and News Ltd, was in a position to provide. Instead, both Ansett's joint owners were considering selling their aviation interests. By the mid 1990s industry analysts had formed the view that a deregulated Australasian market could support only two competitive carriers – and that these would be Qantas and Air New Zealand.

However, while firms' strategies were oriented to securing a place in the new Australasian market, negotiations between the Australian and New Zealand governments over the market's establishment had stalled amid anxieties about its implications for tourist inflows and the competitive positions of airlines. Smaller regional airlines had cause to resist unfettered 'Open Skies' liberalisations because open aviation markets favour larger carriers with higher volumes of domestic feeder traffic.[5]

In October 1996, the region's geometries of power (Massey, 1993) shifted dramatically when Air New Zealand purchased a 50% share in Ansett Airlines. The purchase gave Air NZ access to the Australian domestic market and to Ansett's extensive regional feeder network without having to rely on the planned single aviation market (Kissling, 1998). The purchase tilted the region's inter-firm balance of power by bringing Ansett into a network of equity linked firms that were the global competitors of Qantas and British Airways. An united and globally connected Air NZ–Ansett alliance could create strong competition for Qantas. In response to Air NZ's action, Qantas sold its share in Air NZ in March 1997. The resulting reconfiguration is shown in Figure 2.

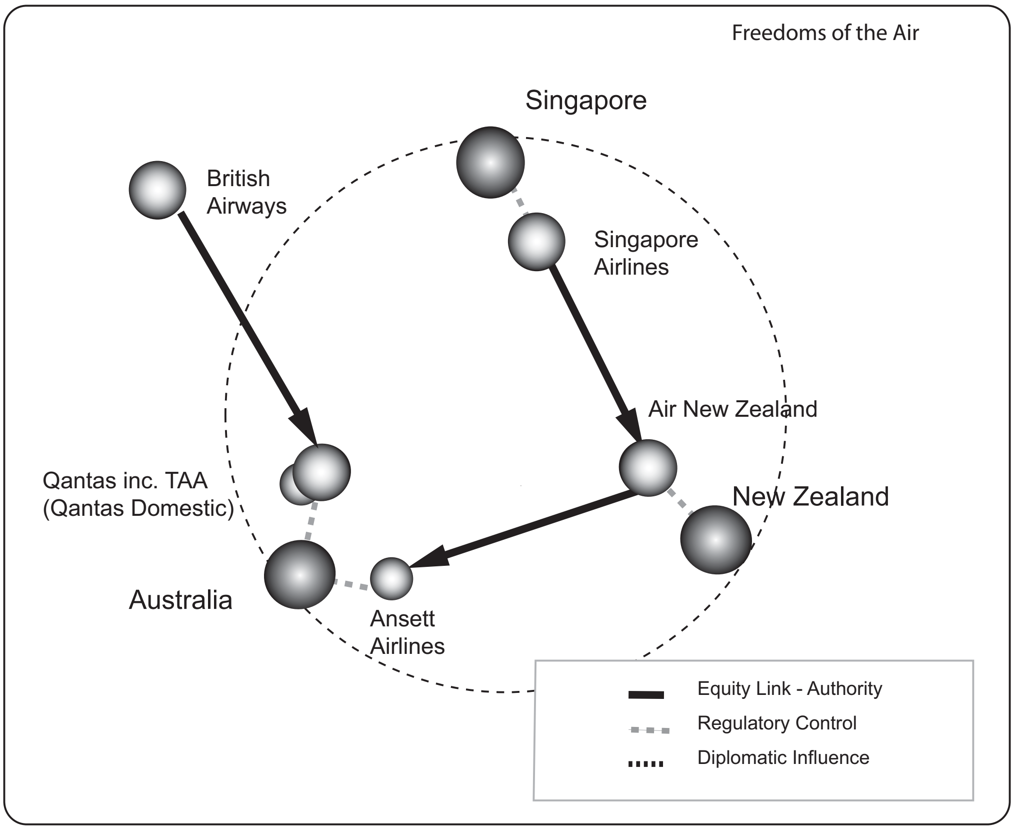

Figure 2 After De-Regulation

Whether intentionally or not, the effect of the conditions placed on the Ansett sale by national regulators favoured national flagship airlines. National competition regulators on both sides of the Tasman demanded ownership changes to satisfy competition and foreign ownership laws. The New Zealand Commerce Commission determined that Ansett's New Zealand subsidiary, Ansett New Zealand, would have to be sold. It later became Qantas NZ. Meanwhile, the Australian Foreign Investment Review Board required that 51% of Ansett's fledgling international business, Ansett International, would also have to be sold. These rulings resulted in Ansett's international operations being dismantled, which meant that Ansett would be restricted to the finite and crowded local market, where there was little scope for profit-taking. It also meant that Air NZ would be the Air NZ–Ansett alliance's sole international carrier. These regulatory interventions reinforced Ansett's already disadvantaged international position: unlike Qantas and Air NZ, Ansett had never been one of the designated national carriers favoured in bilateral air agreements.

Inter-firm Alliances and the Demise of Ansett Airlines

Governments' continued intervention in both airline ownership and in setting the territorial boundaries of markets encouraged airlines to focus on alliances, code-sharing arrangements and other cooperative efficiencies (for example, sharing outsourced maintenance and provisioning services) to expand their service reach. Singapore Airlines, Air New Zealand and Ansett Airlines formalised their links by becoming members of the *Star Alliance* in 1998. It linked their services with the United States' United Airlines and Thai Airways, among others. Meanwhile, Qantas and British Airways, which were already linked through British Airways' share in Qantas, had become part of the competing *oneworld* alliance, and through it, had become allies of American Airlines and Cathay Pacific. Code-sharing among alliance partners improved efficiency and connectivity, and made it possible for firms to create 'seamless' services without relying on their host states' capacity to negotiate access.

These new configurations clarified a competitive division between two near-global aviation networks. They created, for networked firms, quasi-monopolistic markets based on inter-firm flows of loyal passengers. They effectively extended market access throughout the network without directly confronting the constraints of the bilateral agreements between states. They extended airlines' spatial reach and enabled them non-exclusive access to each other's domestic markets without the need to enter into equity-based partnerships. They also encouraged firms to frame their interests in global rather than national or regional terms.

The competitive context encouraged service rationalisation and therefore stimulated further shifts in airline ownership. SIA and Qantas each considered increasing their stake in Air NZ, but their plans were frustrated by the New Zealand Government's 25% cap on foreign ownership. After Australia further deregulated ownership rules to allow domestic airlines (i.e Ansett Airlines) to be 100% foreign owned, SIA and Air NZ each considered buying the remaining 50% share of Ansett Airlines. SIA made a friendly offer for the remaining 50% of Ansett Airlines in March 1999. This purchase would have given SIA direct access to the Australian market independent of its links with Air NZ. In the same year, it purchased a 49% share in Virgin Atlantic.

However, under an agreement made when it purchased the first 50% share of Ansett, Air NZ held the right to purchase the second 50% share. This meant that SIA could not buy into Ansett without Air NZ's permission. In the ensuing struggle, Air NZ's largest shareholder, Brierley Investments, manoeuvred to force SIA to purchase Ansett through Air NZ. The seller (News Ltd) subsequently withdrew and the deal collapsed. In February 2000, then, Air NZ exercised its pre-emptive right and purchased the second 50% share of Ansett. Given that Ansett was a larger airline than Air NZ (in terms of financial resources, aircraft and personnel) this outcome produced considerable disquiet among Ansett employees.

Air NZ then began the process of subsuming Ansett Airlines. It flexed its authority over its subsidiary by embarking on a rationalisation program that involved jettisoning Ansett's senior management, incorporating Ansett's management functions into Air NZ's Auckland head office and reorganising the Ansett business model. The Ansett workforce resisted these changes and relations between Ansett and Air NZ deteriorated quickly. On one side, Ansett's woes were attributed to the 'inflexibility' of Ansett's organisational structure and to the high wages enjoyed by its unionised workforce. On the other side, Air NZ was accused of milking Ansett's profits, of failing to keep up with maintenance, of failing to invest in new technologies and of wasting resources on ill-advised organisational changes (see Easdown and Wilms, 2002; Painter, 2001). When the Australia–New Zealand common aviation market was eventually finalised in November 2000 (NZMFAT, 2000), restrictions on Air NZ's access to the Australian market were removed. Ansett's brand reputation then became its only strategically significant asset.

However, the entry of Virgin Blue into the Australian market in August 2000 disrupted Air NZ's strategy. With a low-cost business model, backing from the Virgin group and support from the state government in its base city of Brisbane, Virgin made an immediate impression on the already-overcrowded local market.[6] Despite restructuring to reduce its operating costs, Ansett Airlines' full-service delivery model could not compete. In the ensuing price war, Ansett lost market share and was soon losing AUD$2.4 million a day (Easdown and Wilms, 2002, p. 111). Air NZ sought to halt Virgin's encroachment by offering to buy it out, but Virgin was not for sale. Air NZ's share price plummeted, which in turn pushed it to an unacceptably high debt-to-equity ratio. According to Easdown and Wilms (2002, p. 112), the New Zealand government ignored capital-for-equity offers by SIA and Qantas. Qantas moved to replace SIA as Air NZ's key investor.[7] Instead, Air NZ offered

Ansett (including its assets and liabilities) to Qantas for the token amount of one Australian dollar.

When Air New Zealand announced Ansett's closure on the 12^{th} of September 2001, the Australian Government elected not to intervene and Ansett's affairs were put under the control of a bankruptcy Administrator. A buyer able to inject sufficient capital to revitalise Ansett could not be found, and the airline folded some five months later.[8] Air NZ's failure to pay Ansett workers' their outstanding entitlements soured relations between Australia and New Zealand. The configuration of services at the conclusion of this saga is summarised in Figure 3. Within this overall framework, under open skies agreements airlines enjoyed much greater access to national ports.

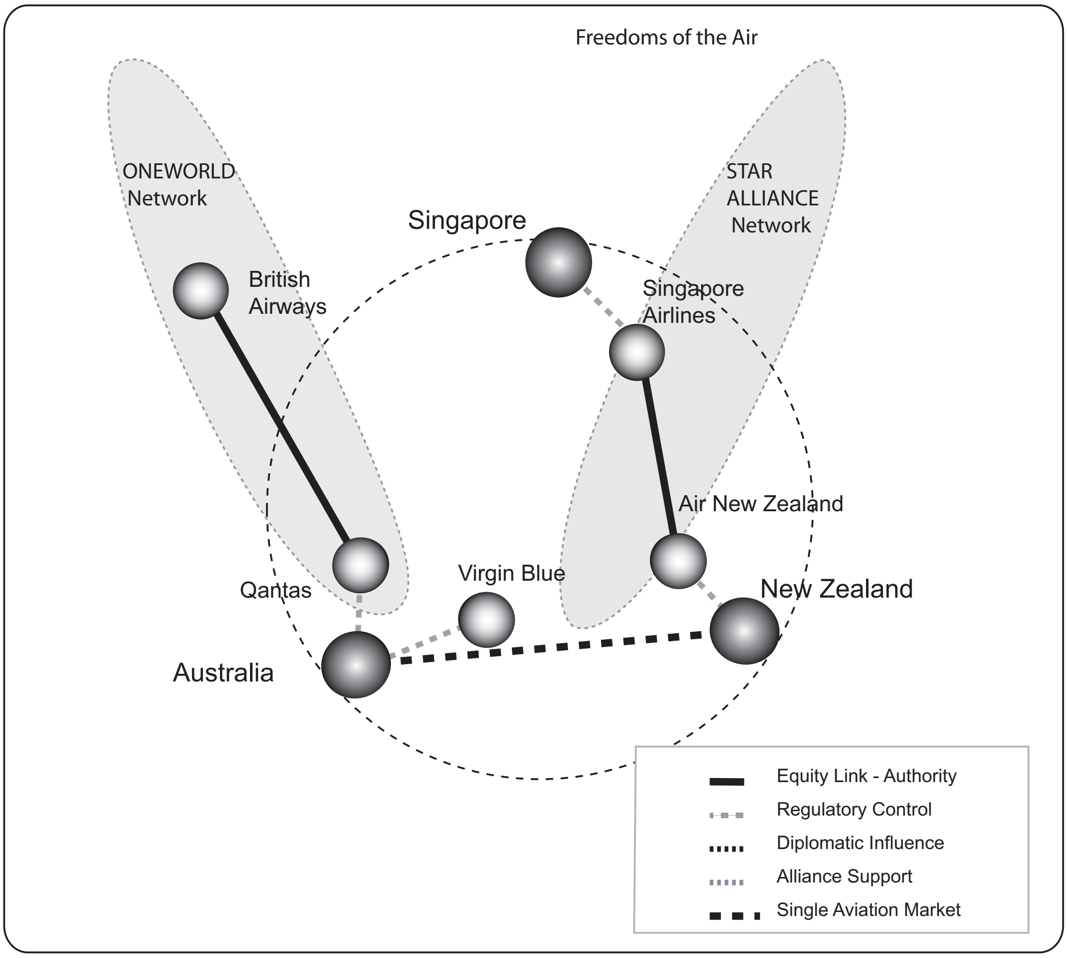

Figure 3 After Ansett Airlines

In the aftermath, Virgin Blue replaced Ansett as Australia's second airline. Qantas gained control of Ansett's feeder regional air services and reasserted its dominance over Australia's international air service linkages (Weller, 2007). In February 2002, the New Zealand government was forced to inject NZ$885 million into Air NZ in a loan and equity investment that resulted in it holding a 82% ownership share (Air New Zealand, 2006). A leading aviation commentator described this intervention as "putting the privatisation genie back in the bottle" (Harbison, 2001:1).

Subsequently, Qantas and Air NZ planned to form a strategic alliance. However, decisions by the Australian Competition and Consumer Commission (ACCC) and the New Zealand Commerce Commission, in September 2003 and October 2003 respectively, rejected this option on the grounds that it would render the Australasian market uncompetitive. These rulings, which ignored the firms' strategising for control of the key Australia-London link in a global marketplace, reinforced Qantas's and Air NZ's national carrier status and had the effect of 'locking in' the inter-firm structure shown in Figure 3. The Australian government has continued to deny Singapore Airlines access to operate services between Australia and the United States. Despite BA selling its share in Qantas in September 2004, the two airlines continue to cooperate as alliance partners. Qantas and SIA have both established low cost subsidiaries (Jetstar and Tiger Airways respectively) to compete with Virgin Blue in local tourist markets.

Throughout these reconfigurations, firms' strategies were complicated by state political interests. Before Ansett's demise, Ansett employees' preferred outcome – and probably the most logical outcome at the time – was that Ansett be purchased by Singapore Airlines. Air NZ's and Qantas's efforts to block this outcome are best understood in the context of the impact the impending Australia–New Zealand common aviation market would have on feeder traffic in the crucial Australia–London corridor. When the trans-Tasman market came into force, ownership of Ansett Airlines would have given SIA unrestricted access to the Australian and New Zealand markets. Qantas' interests would have been undermined, since the purchase would have redirected Ansett's regional feeder traffic to SIA's international network. Singapore Airlines would then have had no need to cooperate (and would very likely have switched to competing) with its alliance partner, Air New Zealand. Therefore, the viability of New Zealand's national carrier would also have been compromised. Qantas pressured the Australian government in an effort to frustrate any Ansett–Singapore link.

Relational Geographies of Power

The failure of Ansett Airlines was the culmination of a path-dependant sequence of shifting power relationships between airlines and states and among competing airlines. In retrospect, we can see that as Ansett Airlines became more dependent on other firms, it progressively lost its capacity for autonomous strategising and ultimately became a pawn in the strategies of other firms. Whilst not wishing to overstate the link of strategies to place and tactics to lack of place, there is value in thinking of Ansett's deteriorating position after deregulation as 'displacement' and of its actions after deregulation as survival tactics rather than viable long-term strategies. Conversely, when other airlines used alliances and equity shares to expand their territorial reach, they did so without risking or relinquishing their existing 'place' in territorialised relationships. Throughout, the changing relationships among states and firms were expressed in territorial terms.

In this history, changes in the region's regulatory structure stimulated reconfigurations of relations among firms and therefore in the trajectories of the aviation sectors' geometries of power. However, while states deregulated and privatised their aviation services, national competition and foreign investment regulations continued to limit capital movements and bilateral agreements made within the Freedoms of the Air framework continued to impose territorial limits on aviation markets. In practice, therefore, national regulations maintained national markets that were favourable to former national flagship airlines (see also Button, 2003). Ansett Airlines' demise was in part a product of its unique status as the only major airline in this story that did not attract state patronage. Paradoxically, then, the airline most disadvantaged by deregulation was the region's only continuously privately owned airline. It appears therefore that the Australasian experience is an exception to Leinbach and Bowen's (2004, p. 296) conclusion that aviation privatisation and liberalisation "shift[ed] the balance of power to shape airline networks and patterns of accessibility from national governments to the industry's leading airlines." In this case, states continued to underwrite their respective national airlines' competitive positions. And this, arguably, reflects the positions of these states at the extremities of the world's air service networks.

Nonetheless, the liberalisation process reconstructed the region as a market and redefined the aviation industry's position in state economies. In contrast to its former status as national infrastructure, aviation was redefined as a service industry with the role of linking world cities, delivering transaction cost efficiencies and accelerating commodities trade. States distanced themselves from direct control of airlines and in effect shifted the airlines from the trade-protected to the trade-exposed sectors of their economies. This discursive repositioning was crucial in altering the context in which the region's aviation power relations were produced and reproduced. Flyvbjerg (1998) argues that powerful actors are those able to define the reality in which power relations are played out. But here, no particular 'powerful actor' was orchestrating the definitional shift. Rather, the aviation sector's position changed because states and firms collectively agreed that it should. Airline firms wanted liberalisation because the bilateral Freedoms of Air framework had become an impediment to multi-destination route and capacity planning in interconnected networks. States wanted liberalisation to eliminate the cost burden of supporting airlines and to unleash competition that would reduce air transport costs. Nonetheless, since the region's airlines were small in global terms and consequently unlikely to withstand open competition, they also sought protection for their market territories. As a result, flagship airlines remained closely aligned to their parent states.

What then does the demise of Ansett Airlines say about the whereabouts of power? This shifting set of relationships was characterised by purposeful strategies of firms and states. The outcome, Ansett's disempowerment and displacement, was not the specific intention of any single agent, but the result of deliberate actions among a complicated field of adversaries. The result can be understood only by taking into account the trajectories of these relationships and considering how actions produced a variety of anticipated and unanticipated second- and third-order repercussions. Ansett's strategies in preparation for deregulation appeared rational, but the possibilities available to it were constrained by the structure of the relationships in which it was embedded. In a large part, its disempowerment was an incidental effect of the struggle between SIA and Qantas for control of global connectivities. In these struggles, each firm's choices were conditioned by its position in networks of relationships. However, the outcomes may well have been different. For example, without the manoeuvring of Brierley Investments, Ansett Airlines could have come under the control of SIA and flourished within the Star Alliance. In other words, to understand the workings of power and its outcomes requires consideration of an entire field of interactions, as they evolve in time, and not only direct interactions within immediate arrangements of forces.

For both firms and states, intentions were continually adjusted to account for what we might call the 'possibility boundaries' of their positions and the self-imposed limitations produced by their ‘horizons of action’. In retrospect, for example, Ansett’s pre-deregulation objective of expanding into the planned trans-Tasman market (at Air NZ’s expense) seems parochial. Its narrow horizon not did take sufficient heed of the threat it would pose for SIA and Qantas, and their struggle over international traffic. Virgin Blue entered the Australian market at an opportune time, when Ansett and Air NZ were pre-occupied with their own struggles. However, even if Ansett and Air NZ had been more alert to the threat that Virgin posed, their options were circumscribed by the organisational structures and market positions their histories had created.

Regardless of whether attempts to carve out new positions relied on competitively dislodging competitors or cooperatively building network alliances with them, strategies were conditioned by the uneven distribution of territorialised resources. State-maintained authority over territorialised markets, via the Freedoms of the Air, was the crucial factor in whether or not firms could realise their strategic intentions and whether or not they were able to defend their existing positions. The fact that Ansett had no state-sanctioned ‘place’ was therefore significant to its demise. Resource differences continue to be important to the operation of power because they condition strategic intentions, shape the choice of means by which agents act and, in large part, determine how others respond.

This narrative also highlights the link between the timing of actions, the types of power deployed and the nature of outcomes. Incremental and non-confrontation changes in relationships within a dominant structural arrangement tended to reinforce existing power relations. Government rulings on airline ownership, for example, generally favoured existing relationships. Other actions or inactions, such as Air NZ’s purchase of Ansett Airlines or the Australian Government’s decision not to help revive the failing Ansett, precipitated major realignments of multiple relationships.

Thinking of power as an immanent 'relational effect of social interaction' cannot explain these variations in the significance of different exercises of power. This illuminates two principal limitations of Allen's (2003) displacement of power from entities: his theoretical inability to accord different weights to agent's capacities and the exclusion of the relationship between the selection of instruments (modalities) and the contexts in which they are exercised. Together, these observations suggest the need for a more process-oriented and strategic view of power; a view sensitive to the timing of key events and the tipping points that reconfigure relational trajectories in fields of relationships. In summary, power cannot be separated from the spatial and temporal dimensions of actual contexts, from agent's positions in contexts, or from their strategic objectives. In a strategic view, power involves defining the context as well as acting in it. It involves reading a situation, knowing how and when to deploy which strategies, and anticipating their likely direct and indirect impacts. Power is therefore a function of social and spatial position, experience and intellect, as well as physical resources. Power may exist in instantiated moments, but it is always an expression of the relational geometries in which it is embedded.

Conclusion

This paper has used the shifting power relations in airline networks to argue that a spatialised understanding of power must take into account resources, capacities positioning and strategies. This example illuminates two neglected aspects of power. First, there were undoubtedly 'powerful actors' in this story. Their secure place enabled them to define situations and to maintain relatively stable power relations across multiple domains. This not only reduced the likelihood of unexpected events occurring, but also produced space; a greater capacity to choose the timing of their strategic plays or to use stalling tactics to further their strategic interests. They were more able to turn complex situations to their advantage (or, at least, to limit the negative consequences). Second, however, the power of powerful actors was not ‘held’ in reserve, but was a fluid consequence of their spatio-temporal position. Networks of association and histories of interaction are both central to the spatial workings of power.

To conclude, power is not equivalent to strategy, nor is it another word for the boundary between cause and effect. It is a spatialised form of agency, but not one that is confined to the immediacy of particular modalities and their arrangements. Power is found in relational positioning, expresses resource endowments, shapes intentions, defines strategic horizons and conditions the range of possible outcomes. Through these processes, the spatiality of power can be comprehended without resorting to metaphors of flow or translation or the idea that power somehow moves from A to B.

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Endnotes

[1] Contrast, for example, Clegg’s (1989, p. 32) definition, in which power is “a produced and reproduced effect which is contingent upon the strategic competencies and skills of actors who would be powerful”.

[2] In this author’s reading, Allen (2003) slips between ‘effects’ as catalyst and as outcomes. The word ‘effect’ can also be read as the essence or central meaning of a social interaction (“words to the effect that”), as an illusion, outward appearance or artifice (something done “for effect”), as a dispositional quality (“the law took effect …”) or as a possession (“personal effects”).

[3] Singapore is the exception. After WWII, it was made a British Crown Colony in 1946, achieved self-government in 1959 and independence in 1965.

[4] The remaining 75% of Qantas was sold in a public float in 1995.

[5] Since aviation markets are finite, strategic trade theory predicts that open competition is a zero-sum game that will deliver benefits to resource-rich firms (see Elek *et al.*1999; Oum, 1998).

[6] Other contingencies undermining airline profits included rural stagnation, inter-modal competition from rail and road transport, the abandonment of regional development incentives, increasing fuel prices, and an appreciating Australian dollar.

[7] This would mean buying back the share of Air NZ that it had sold in 1997. Easdown and Wilms (2002, p. 127) cite a letter to New Zealand Finance Minister Michael Cullen, dated 25 June 2001 (before Ansett's fall) in which Qantas CEO Geoff Dixon states: "As you know from our various meetings and telephone conversations, our aim would be to replace Singapore Airlines as the cornerstone investor in Air New Zealand".

[8] Under Australian law, Administrators appointed to manage bankrupt firms are encouraged to assist firms to trade out of difficulty.

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