

AIR LAW, REGULATION AND COMPLIANCE MANAGEMENT

**COURSE DESIGNED FOR
ISTANBUL TECHNICAL UNIVERSITY AND THE TURKISH AVIATION ACADEMY
BY MCGILL UNIVERSITY INSTITUTE OF AIR AND SPACE LAW**

CONTRACT LAW

**Prof. Ludwig Weber, McGill University
ISTANBUL, 12 FEBRUARY 2016**

Contract law

- Main types of airline contracts
 - Contract of carriage – pax & cargo
 - Distribution agreements and CRS
 - Aircraft purchase and lease
 - Interline
 - Cooperation, alliances, code-share, JV
 - Maintenance
 - Ground handling
- Structure, drafting, allocation of risk

CONTRACT LAW

- Contract of carriage – pax & cargo

1. Carriage of passengers

- IATA Conditions of contract – pax, Reso.724
e-ticket and hardcopy format – in force
- IATA Conditions of carriage – pax, RP 1724
(rescinded 2013) - still widely used as
Carrier's Conditions of Carriage incorporated into
Contract

CONTRACT LAW

Contract of carriage – Passenger

- IATA Conditions of contract – pax, Reso.724
e-ticket and hardcopy format – in force
 - Notice of Liability Limitations – Montreal and Warsaw, incl. EU 889/2002 and time limits for action
 - Notice of contract terms incorporated by reference
 - Contract of carriage subject to notices and terms
 - Different terms in successive carriage
 - Conditions, regulations and tariffs incorporated by reference
 - Description of Conditions
 - How to obtain more information
 - Carrier as agent
 - Notices on Denied Boarding, Baggage, Check-in times and Dangerous Goods

CONTRACT LAW

Contract of carriage – cargo

- IATA AWB Conditions of Contract – Reso 600b
 - Notice on face of AWB: Goods in good order, carriage by other means, intermediate stopping places, limit. of liability
 - Conditions on reverse side of AWB
 - Definitions, Warsaw & Montreal Conventions applicable, carriage subject to laws, regulations and carrier's conditions of carriage
 - Carrier's limit of liability if Montreal Convention does not apply: 19 SDR per kg
 - Shipper guarantees payment of all charges
 - Shipper may declare value
 - Rules on Foreign air transportation under U.S. Transportation Code
 - "Reasonable despatch" rule. Carrier may substitute carrier, aircraft or modes of transport w/o notice and may select alternative routing

CONTRACT LAW

Distribution agreements

- Traditional Sales Agency Distribution: IATA Reso 800 – Passenger Sales Agency Rules
- Revised Rules: IATA Reso 818g – Passenger Sales Agency Rules (applicable to 50,000+ Agents)
- Billing and Settlement Plans – IATA Reso 850
- Global Distribution Systems (GDS)
- IATA's New Distribution Capability (NDC) – STD's IATA Reso 878
- IATA's Study into Future Distribution (2013)

CONTRACT LAW

Aircraft Purchase and Lease Agreements

- 1. Aircraft Purchase Agreement
 - Term sheets / letters of intent (binding/non-binding)
 - Deposit / Escrow deposit
 - New aircraft purchase: Manufacturer's contract draft
 - Object(s) of sale, delivery, title and risk of loss
 - Price, taxes and customs duties, payment
 - Excusable delay
 - Changes to detail specifications
 - FAA/EASA/Governm. Requirements
 - Buyer furnished equipment
 - Demonstration and test flights
 - Assignment, resale or lease

CONTRACT LAW

Aircraft Purchase and Lease Agreements

- 1. Aircraft Purchase Agreement, cont'd:
 - Termination for insolvency
 - Inspections, plant representative
 - Product assurance, customer support
 - Spare parts
 - Notices and requests, miscellaneous
- Key issues:
 - Warranties and exclusions
 - Enforceability, assignability
 - Excusable delay
 - Manufacturer support and guarantees
 - Delivery, certification, registration, governing law

CONTRACT LAW

Aircraft Purchase and Lease Agreements

- 2. Aircraft Lease
 - Operating lease vs Finance lease
 - Typical lease agreement
 - Object of lease and conditions
 - Term; representations and warranties of Lessee
 - Delivery and acceptance; damage prior to delivery
 - Rental payments; insurance
 - Loss, damage and requisition
 - Maintenance and repair
 - Operation and use
 - Taxes and costs
 - Events of default

CONTRACT LAW

Aircraft Purchase and Lease Agreements

- 2. Aircraft Lease
 - Typical lease agreement , cont'd
 - Re-Delivery
 - Exclusion and Indemnity
 - Notices; Governing law, jurisdiction and service of process
 - Assignment; miscellaneous
 - Key issues
 - Quiet enjoyment
 - Termination payments
 - Maintenance reserves; unrecorded liens
 - Lessor's liability to third parties; taxation indemnities
 - Return conditions

CONTRACT LAW

Interline Agreements

- IATA Multilateral Interline Traffic Agreement – MITA Passenger / Cargo (ca. 750 carriers, incl. domestic)
- MITA one way Passenger
- IATA Intermodal Interline Traffic Agreement – Passenger
- MITA principles:
 - Mutual acceptance of reservations, ticketing, pax/cargo handling, credit, proration, claims handling
 - Settlement through IATA Clearing House
 - MITA has antitrust immunity US / EU

CONTRACT LAW

Alliances, Codeshare, JV

- Airline Alliances: Comprehensive cooperation on commercial matters, standards of service, marketing and branding, quality control, scheduling and planning matters
- Codesharing: Agreement on joint use of codes, CRS display improvement, check-in, reservations/ticketing, in-flight product coordination to achieve “seamless service”
- Joint Ventures: Cooperation to jointly organize and run a particular project or enterprise. Ex.: SITA, ULDs etc.

CONTRACT LAW

Maintenance Contracts

- Services provided (Aircraft / Engines; scheduled / unscheduled maintenance)
- Title to components (installed, replaced)
- Warranty (limited)
- Insurance (all risks insurance required at expense of client)
- Liabilities and Indemnities (damage to property of client due to negligence)
- Suspension and termination

CONTRACT LAW

■ Maintenance contracts, cont'd

- Lien (over the aircraft / engine & any other aircraft / engine of client in its possession)
- Parking and storage (even if lien is exercised)
- Taxes, duties and levies outside (procure exemption from foreign taxes or reimburse)
- Notices (in writing)
- Miscellaneous provisions (no assignment)
- Interpretation
- Applicable law and jurisdiction

CONTRACT LAW

Ground Handling Agreements

- Ground handling:
All services to meet the aircraft, process its loads (pax, baggage & cargo and mail) and prepare aircraft for departure
- IATA Standard Ground Handling Agreement (2013)
- International Airline Technical Pool Agreement (IATP)
- Document Service Agreement
- Catering Agreement

Ground handling contracts

- IATA Standard Ground Handling Agreement
 - AHM 801
 - Main Agreement
 - Provision of services
 - Fair practices
 - Subcontracting
 - Standard of work
 - Remuneration
 - Liability and indemnity
 - Arbitration
 - Duration, modification and termination

Thank you
QUESTIONS ?