

AIR LAW, REGULATION AND COMPLIANCE MANAGEMENT



TURKISH AVIATION ACADEMY

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

CONTRACT LAW

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Institute of Air & Space Law

Faculty of Law

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PLAN

1. Introduction in airlines contracts
2. General principles, drafting techniques
3. Role of IATA
4. Main types of airlines contracts

Specific Learning Objectives

1. To demonstrate knowledge of the main types of contracts signed by airlines.
2. To differentiate contracts' clauses which protect interests of airlines.

TYPES OF CONTRACT



CONTRACT OF CARRIAGE



1. Carriage of passengers

IATA Conditions of contract – pax, Res.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(rescinded 2013) - still widely used as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 OF CARRIAGE

1. Carriage of passengers (cont)



IATA Conditions of contract – pax, Res.724

- 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 OF CARRIAGE



**TÜRK HAVA YOLLARI
TURKISH AIRLINES**

A STAR ALLIANCE MEMBER 

NOTICE

For international passengers

Check-in formalities begin 2 hours before and must be completed 60 minutes prior to the scheduled aircraft departure time indicated on the flight coupons. Turkish Airlines reserves the right to cancel the reserved accommodation and to refuse to carry a passenger who fails to report at the airport of departure by time shown on this ticket.

For domestic passengers

Passengers lose all their rights relating to this ticket if they have not completed check-in formalities 45 minutes prior to the scheduled aircraft departure.

REFUND

Subject to the tariffs, rules and regulations of THY and to all applicable laws, refund will be made only to the passenger, unless another person shall have been designated as Refund Payee. THY refuses refund when application is made later than 24 months after issuance date. Refund is made only upon surrender of the passenger coupon, all unused flight coupons and excess baggage tickets.

CONDITIONS OF CONTRACT AND OTHER IMPORTANT NOTICES

PASSENGERS ON A JOURNEY INVOLVING AN ULTIMATE DESTINATION OR A STOP IN A COUNTRY OTHER THAN THE COUNTRY OF DEPARTURE ARE ADVISED THAT INTERNATIONAL TREATIES KNOWN AS THE MONTREAL CONVENTION, OR ITS PREDECESSOR, THE WARSAW CONVENTION, INCLUDING ITS AMENDMENTS (THE WARSAW CONVENTION SYSTEM), MAY APPLY TO THE ENTIRE JOURNEY, INCLUDING ANY PORTION THEREOF WITHIN A COUNTRY. FOR SUCH PASSENGERS, THE APPLICABLE TREATY, INCLUDING SPECIAL CONTRACTS OF CARRIAGE EMBODIED IN ANY APPLICABLE TARIFFS, GOVERNS AND MAY LIMIT THE LIABILITY OF THE CARRIER.

The Montreal Convention or the Warsaw Convention system may be applicable to your journey and these Conventions govern and may limit the liability of air carriers for death or bodily injury, for loss of or damage to baggage, and for delay.

Where the Montreal Convention applies, the limits of liability are as follows:

1. There are no financial limits in respect of death or bodily injury.
2. In respect of destruction, loss of, or damage or delay to baggage, 1,000 Special Drawing Rights (approximately EUR 1,200; US \$1,470) per passenger in most cases.
3. For damage occasioned by delay to your journey, 4,150 Special Drawing Rights (approximately EUR 5,000; US \$6,000) per passenger in most cases.

EC Regulation No. 889/2002 requires European Community carriers to apply the provisions of the Montreal Convention limits to all carriage by them of passengers and their baggage by air. Many non-European Community carriers have elected to do so in respect of the carriage of passengers and their baggage.

Where the Warsaw Convention system applies, the following limits of liability may apply:

1. 16,600 Special Drawing Rights (approximately EUR 20,000; US \$20,000) in respect of death or bodily injury if the Hague Protocol to the Convention applies, or 8,300 Special Drawing Rights (approximately EUR 10,000; US \$10,000) if only the Warsaw Convention applies. Many carriers have voluntarily waived these limits in their entirety, and US regulations require that, for journeys to, from or with an agreed stopping place in the US, the limit may not be less than US \$75,000.
2. 17 Special Drawing Rights (approximately EUR 20; US \$20) per kg for loss of or damage or delay to checked baggage, and 332 Special Drawing Rights (approximately EUR 400; US \$400) for unchecked baggage.

Notice of Baggage

For international Turkish Airlines value is declared for travel (including compensation for travel wholly or partly by air). For travel wholly or partly by air, fragile or perishable goods must be packed in other identifiable containers from or arriving at the airport of departure.

CHECK-IN TIMES

check-in or the latest times present themselves.

NOTICE TO PASSENGERS

- performed exclusively for death, wounding or injury.
1. Turkish Airlines is liable for damage to baggage.
 2. Turkish Airlines is liable for excess baggage.
 3. Except in the case of checked baggage, Turkish Airlines is not liable for loss of or damage to baggage.
 4. In case of excess baggage, Turkish Airlines is not liable for loss of or damage to baggage.

ATTENTION DANGER

Warsaw Convention and in most cases.

DANGEROUS GOODS

except as specified in the full list of dangerous goods may apply. Check the full list of dangerous goods.

RESTRICTED

The full list of restricted goods is available in the full list of restricted goods.

CONTRACT OF CARRIAGE

Conditions of Contract



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NOTICE

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For domestic passengers

Passengers lose all their rights relating to this ticket if they have not completed check-in.

REFUND

Subject to the tariffs, rules and regulations of THY and to all applicable laws, refund will be designated as Refund Payee. THY refuses refund when application is made for the surrender of the passenger coupon, all unused flight coupons and excess baggage.

CONDITIONS OF CONTRACT AND OTHER IMPORTANT NOTICES

PASSENGERS ON A JOURNEY INVOLVING AN ULTIMATE DESTINATION OR A JOURNEY WHICH IS ADVISED THAT INTERNATIONAL TREATIES KNOWN AS THE MONTREAL CONVENTION SYSTEM, INCLUDING ITS AMENDMENTS (THE WARSAW CONVENTION SYSTEM), MAY APPLY WITHIN A COUNTRY. FOR SUCH PASSENGERS, THE APPLICABLE TREATY IS THE WARSAW CONVENTION SYSTEM.

Conditions of Carriage <http://www.turkishairlines.com/en-int/travel-information/legal-notice>

**Conditions of Contract + Conditions of Carriage + Ticket =
= Contract of Carriage!**

CONTRACT OF CARRIAGE

2. Contract of carriage – cargo



IATA AWB Conditions of Contract – Res. 600b

- Notice on face of AWB: Goods in good order, Carriage by other means, Intermediate stopping places, Limit. of liability

001 NYC 12345678		001-12345678	
Shipper's Name and Address CABLE AND STEEL COMPANY 1234, INDUSTRIAL STREET NEW YORK, USA PHONE 555 55 55		Air Waybill AMERICAN AIRLINES CARGO P.O. BOX 61968 D/FW AIRPORT, TEXAS U.S.A.	
Comptroller's Name and Address CABLE BIG STORE 1321, ROGERS STREET LONDON, ENGLAND PHONE: 555 12 34		It is agreed that the goods described herein are accepted in apparent good order and condition unless otherwise stated and are subject to the conditions of contract on the reverse hereof. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER AND SHIPPER AGREES THAT THE SHIPPER MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES UNLESS THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. SHIPPER MAY RECEIVE SUCH NOTICE BY NOTIFYING CARRIER OF HIGHER VALUE FOR CARRIAGE AND PAYING A SUPPLEMENTAL CHARGE IF REQUIRED.	
Issuing Carrier's Agent Name and City BOND STUFF FORWARDERS QUEEN STREET 7 LONDON, ENGLAND PHONE: 555 55 12		Accounting Information NOTIFY: SCHEMBOY, PH: 555 55 34	
Agent's IATA Code 111-1 0000		Reference Number	
Point of Origin (IATA) of First Carrier and Requested Routing NEW YORK CITY		Destination (IATA) of Last Carrier and Requested Routing	
To: By First Carrier Routing and Destination CNR AA		Declared Value for Carriage USD 1234.00	
Point of Destination HEATHROW		Declared Value for Customs	
Handling Information		Insurance - If carrier offers insurance, and such insurance is requested in accordance with the conditions thereof, indicate amount to be insured in Dollars or the nearest amount of insurance.	
These communications, technology or software were exported from the United States in accordance with the Export Administration Regulations. Ultimate Destination		Classify commodity to U.S. law prohibited	
No. of Pieces	Gross Weight	Net Weight	Volume
2	324.00		
Charges		Total	
1234.00		1234.00	
Other Charges		Total	
1234.00		1234.00	
Total Other Charges Due Agent		Total Other Charges Due Carrier	
1234.00		1234.00	
Total Proposed		Total Collected	
1234.00		1234.00	
Carrier's Commission Rate		Signature of Shipper or its Agent	
1234.00			
For Carrier's Use only at destination		Signature of Issuing Carrier or its Agent	
Charges at Destination			
Total Charges at Destination			
		ORIGINAL 1 (FOR ISSUING CARRIER)	
		001-12345678	



CONTRACT OF CARRIAGE

2. Contract of carriage – cargo (cont)



IATA AWB Conditions of Contract – Res. 600b

- 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
 - "Reasonable despatch" rule. Carrier may substitute carrier, aircraft or modes of transport w/o notice and may select alternative routing

DISTRIBUTION AGREEMENTS



Traditional Sales Agency Distribution: IATA Res. 800
- Passenger Sales Agency Rules

Revised Rules: IATA Res. 818g – Passenger Sales
Agency Rules (applicable to 50,000+ Agents)

Billing and Settlement Plans – IATA Res. 850

Global Distribution Systems (GDS)

IATA's New Distribution Capability (NDC) – STD's IATA Res. 878

IATA's Study into Future Distribution (2013)

Aircraft Purchase and Lease Agreements

1. Aircraft Purchase Agreement

- Letter 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
 - FAA/EASA/Governm. Requirements
 - Buyer furnished equipment
 - Demonstration and test flights
 - Inspections, plant representative
 - Product assurance, customer support
 - Spare parts



Aircraft Purchase and Lease Agreements

1. Aircraft Purchase Agreement (cont)

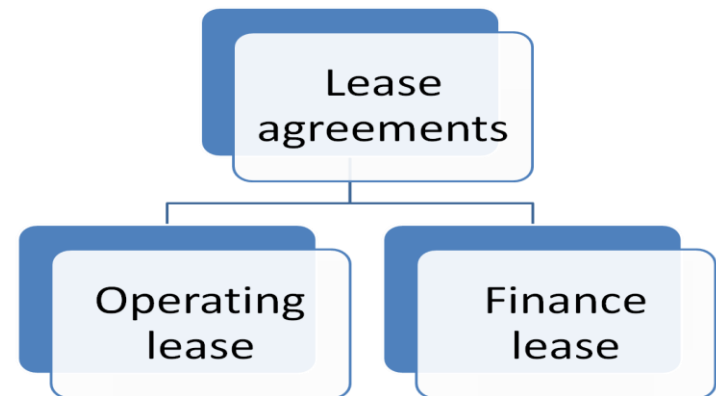
- Key issues:
 - Warranties and exclusions
 - Enforceability, assignability
 - Excusable delay
 - Manufacturer support and guarantees
 - Delivery, certification, registration, governing law



Aircraft Purchase and Lease Agreements

2. Aircraft 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



Aircraft Purchase and Lease Agreements

2. Aircraft Lease (cont)

- Typical lease agreement:
 - 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



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

Question

Q

What are the main purposes of the IATA Multilateral Interline Traffic Agreement?



Alliances, Codeshare, JV



STAR ALLIANCE



- **Airline Alliances:** Comprehensive cooperation on commercial matters, standards of service, marketing and branding, quality control, scheduling and planning matters
- **Code-sharing:** 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.

MAINTENANCE CONTRACTS

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



MAINTENANCE CONTRACTS

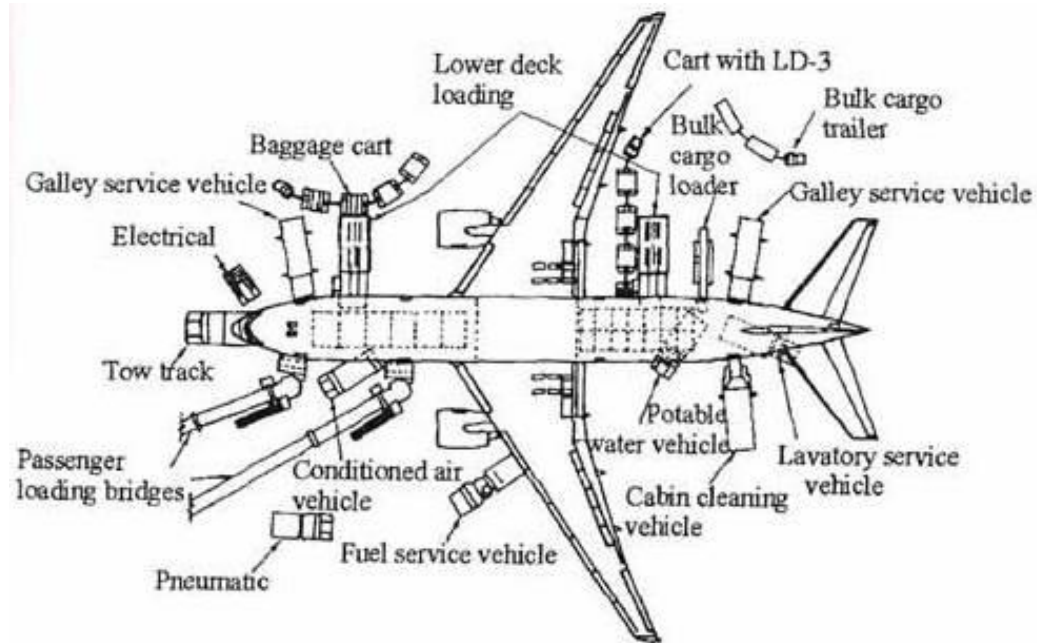
7. Lien (over the aircraft / engine & any other aircraft / engine of client in its possession)
8. Parking and storage (even if lien is exercised)
9. Taxes, duties and levies outside (procure exemption from foreign taxes or reimburse)
10. Notices (in writing)
11. Interpretation
12. Applicable law and jurisdiction



Ground Handling Agreements

Ground handling:

All services to meet the aircraft, process its loads (pax, baggage & cargo and mail) and prepare aircraft for departure



Ground Handling Agreements



- IATA Standard Ground Handling Agreement (2013)
- International Airline Technical Pool Agreement (IATP)
- Document Service Agreement
- Catering Agreement



Ground Handling Agreements

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
- **Annex A:** Types of services covered
- **Annex B:** Location, services and charges

LEARNING REFLECTION

What are your key takeaways?

What questions do you have?

Thank you!

