



McGill



TURKISH AVIATION ACADEMY



CONTRACT LAW

Module 28

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Air Law, Regulation and Compliance Management
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Contract law

- Main types of airline contracts
 - Contract of carriage – pax & cargo
 - Distribution agreements
 - 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(rescinded 2013) - still widely used as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 – Passenger

- IATA Conditions of carriage – pax, RP 1724 (resc.) but still widely used as Carrier's conditions of carr.
 - Applicability
 - Tickets (incl. validity)
 - Fares, taxes, fees and charges
 - Reservations
 - Check-in and boarding
 - Refusal and limitation of carriage
 - Baggage
 - Schedules, delays, cancellation of flights (

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Contract of carriage – Passenger

- IATA Conditions of carriage – pax, RP 1724 (resc.)
but still widely used as Carrier's Conditions of carr.
 - Refunds
 - Conduct aboard aircraft
 - Arrangements for additional services
 - Administrative formalities
 - Successive carriers
 - Liability for damage
 - Time limitations on claims and actions
 - Other conditions
 - Interpretation

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Contract of carriage – cargo

- IATA AWB Conditions of Contract – Reso 600b – in force
- IATA Multilateral e-AWB Agreement – Reso 672 – new, in course of implementation
- Carrier's AWB Conditions of Carriage

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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

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Contract of carriage – cargo

- IATA AWB Conditions of Contract – Reso 600b
 - Conditions on reverse side of AWB, cont'd:
 - Receipt of cargo w/o complaint is prima facie evidence of good delivery
 - Complaints: in writing; in case of damage, within 14 days; in case of delay, within 21 days; in case of non-delivery, within 120 days
 - Court action must be brought within 2 years
 - Shipper must comply with all laws and regulations regarding customs, packing, documentation, carriage, delivery. He shall indemnify carrier for loss/expenses due to his failure to comply
 - Carrier's agents and employees may not alter or waive these conditions

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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/Government 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

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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

END OF PART I
QUESTIONS ?