

## Airline Code Sharing

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# Code Sharing

## What is it?

- A way that airlines can efficiently operate their fleet, expand their network and work with their partners to offer customers a comprehensive service

## Commercial considerations

Alliances/Interline/MITA

Market expansion vs. competitor market expansion

Service differential

Frequent Flyer Data

## Aero-political considerations

Rights

## Liability?

- Eg: Pax travels on the service of the carrier that sold her the ticket (ie: marketing carrier)
  - Thus code on the ticket is that of the marketing carrier

**That carrier is liable under Warsaw system!**

## Standard form?

- Bespoke contracts:
  - Code share agreements need to be agreed and documented on case-by-case basis, depending on the circumstances
- NO IATA standard for such agreements!

# Enabling code sharing between Turkey and US

128544



UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

Order 2001-5-4

Served: May 7, 2001

Issued by the Department of Transportation  
on the 7th day of May, 2001

U.S.- TURKEY THIRD-COUNTRY  
CODE-SHARE OPPORTUNITIES

Docket OST-2001-8781-17

## ORDER TO SHOW CAUSE

### SUMMARY

By this order, we tentatively select Northwest Airlines, Inc., and United Air Lines, Inc., to serve Turkey under code-share arrangements with third-country carriers, and we tentatively award each carrier seven weekly frequencies to perform these services.

### BACKGROUND

The U.S.-Turkey aviation agreement, signed May 3, 2000 (the Agreement), permits U.S. carriers to provide third-country code-share combination service on a phased-in basis over a three-year transition period.<sup>1</sup> Pursuant to our award of authority for the first year of the transition period, Delta, Northwest, and United provide service between the United States and Istanbul under code-

## Drafting a Code Sharing Agreement

- Starts with a detailed explanation of the service and how it will be operated and delivered
- Clauses move from:

(1) Very specific about the service



(2) More general: how service will fit into the airlines' operations

**Parties (generally):**

- ‘Operating carrier’ – operates the aircraft
- ‘Marketing carrier’ – Sells capacity on operating carrier’s aircraft

**What do we need to include?**

- Developed case-by-case
- HOWEVER, follow the same format:
  - Parties agree the technical issues (as precise as possible)
  - Then set out all other clauses

## **A. Passenger Code Share Agreements Pattern**

### **(1) Specific terms:**

- Definitions
- Codeshare service
- Implementation expenses
- Inventory control and procedures
- Marketing and product display
- Traffic document issuance and financial settlement

## **(2) More general airline operations:**

- Facilities
- Training
- Security
- Maintenance
- Free and reduced rate travel
- Frequent flyer programmes
- Trademarks and corporate identification



Then more standard clauses:

- Representations and Warranties
- Government approvals
- Term (Length of time of contract)
- Indemnification
- Insurance
- Taxes

And governance structure for the code share:

- Proposes management committee to oversee all aspects of the operation – Joint alliance committee

## Finally, standard boilerplate clauses

- Force majeure
- Governing law and arbitration
- Dispute resolution
- Covenant to comply with all laws
- Publicity
- Confidentiality
- Assignment
- Severability
- Exclusivity
- Relationship between the parties
- Further assurances
- Notices
- Miscellaneous

## B. Cargo Space Agreements

Follow similar pattern

- Identification of the parties
- Contract sets out what it is trying to achieve:
  - The scope of the agreement
  - Main principles
- Specific operations issues
  - Focus on documents & air waybills
- Then more administrative issues (but specific to operations)
- Finally, non-specific clauses

# Example of Code Share Agreement: Polar Air Cargo & Qantas Airways

BLOCK SPACE / CODE SHARE AGREEMENT  
Between  
POLAR AIR CARGO, INC. and QANTAS AIRWAYS, LTD.  
(Redacted Version)

This Agreement is made as of this 5th day of April, 2002, by and between Polar Air Cargo, Inc. (hereinafter referred to as “Polar”), a company organized and existing under the laws of the State of California of the United States of America, whose head office is at 100 Oceangate, Fifteenth Floor, Long Beach, California, 90802, U.S.A., and Qantas Airways, Ltd. (hereinafter referred to as “Qantas”), a company organized and existing under the laws of Queensland, Australia, whose head office is at 203 Coward Street, Mascot 2020, Australia, each referred to in the singular as “the Party” or both collectively as “the Parties”.

WHEREAS Polar operates scheduled all-cargo services between the United States of America, Australia and New Zealand and is willing to allocate capacity for use by Qantas on a code share basis on these services; and

WHEREAS Qantas desires to block space and code share on Polar’s scheduled all-cargo services between the United States of America, Australia and New Zealand;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, Polar and Qantas agree to enter into a code share/block space agreement as follows:

**Article 1: Scope of Agreement**

...

# Example of Code Share Agreement: Swissair & American

## CODESHARE AGREEMENT

This Codeshare Agreement (the "**Agreement**"), dated as of June 22, 1999, is entered into by and between **Swissair, Swiss Air Transport Company Ltd.**, a corporation organized under the laws of Switzerland ("**Swissair**"), and American Airlines, Inc., a Delaware corporation ("**American**").

In consideration of the mutual covenants and promises in this Agreement, Swissair and American hereby agree as follows:

### 1. **DEFINITIONS**

- 1.1 Terms used in this Agreement, unless the context otherwise requires or expressly provides, shall have the meanings set forth in Annex A.
- 1.2 The parties agree that accepted industry procedures and agreements relating to the interlining of passengers and baggage, including those set forth in (a) the ATA Resolution 5.65 (Interline Traffic Agreement - Passenger) for carriage solely within and between the United States, Canada, Puerto Rico and the U.S. Virgin Islands; and (b) the IATA Resolution 780 Interline Traffic Agreement - Passenger with respect to all other types of carriage, shall apply to the provision of air transport and the related transactions contemplated by this Agreement, except to the extent that they are inconsistent or conflict with the terms of this Agreement.

# Aviation Advocacy

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