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National Transportation Safety Board
Code-Sharing Symposium

**WHAT IS CODE SHARING AND HOW
DOES IT FACILITATE AIR TRAVEL?**



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- **Overview of Code Sharing**
- **Background:
Pre-Airline Economic Deregulation**
- **Development of Code Sharing**
- **General Business Arrangements and
Regulatory Issues**



OVERVIEW

What Is Code Sharing?

- Code sharing is a marketing arrangement in which an airline places its designator code on a flight operated by another airline and sells seats on that flight.
- Term applies across the industry, from short, commuting domestic flights to international operations.
- Underlying business arrangements vary widely; safe to say that no two are identical.
- Direct passenger notification required by DOT regulation (14CFR257)



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BACKGROUND Why Code Share?

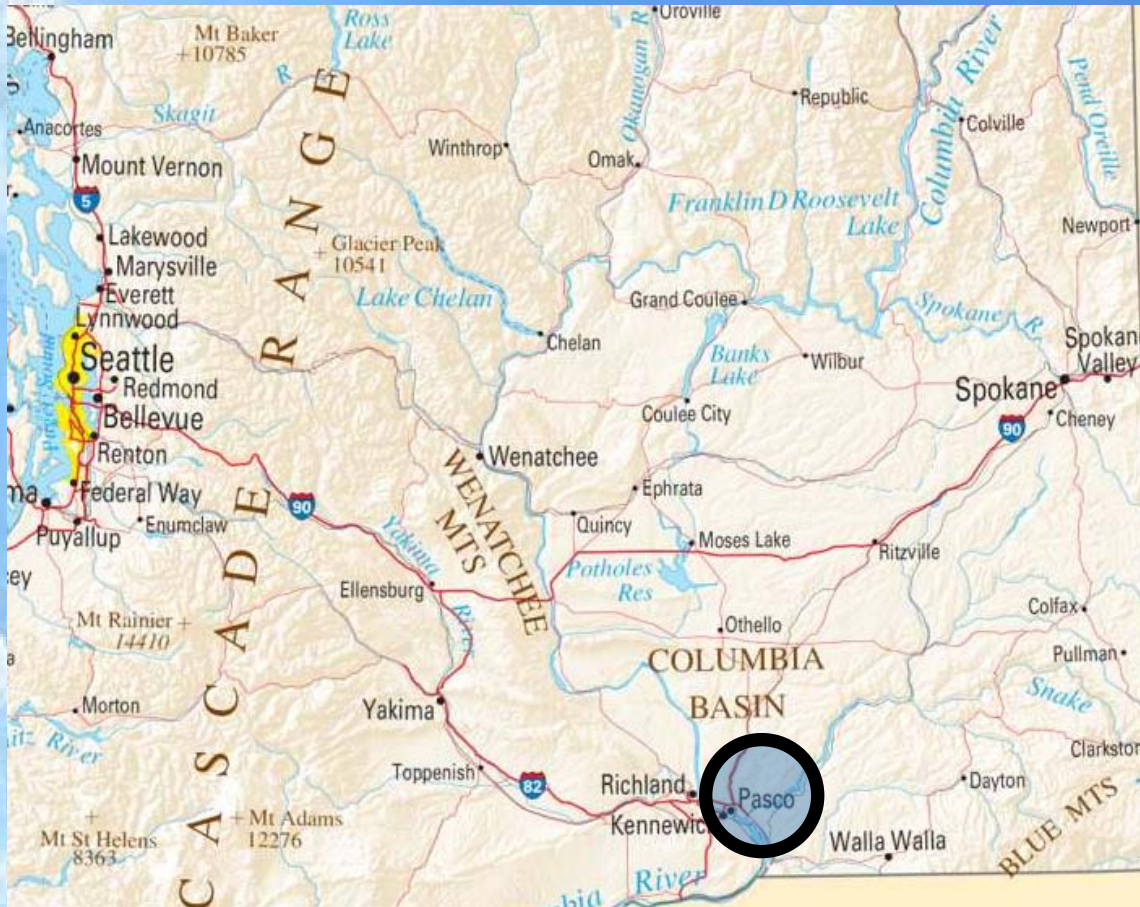
- To understand, it is helpful to look at the pre-airline economic deregulation world
 - Airlines were generally limited to serving a modest number of city pairs with fixed fares; linear routes.
 - Consumer choice limited – St. Louis, MO to Green Bay, WI
 - ❖ Only “efficient” route was through Chicago on a very limited schedule.
 - ❖ Without Interline arrangement-separate tickets; no connecting baggage; no scheduling simplicity.
 - ❖ With Interline agreement, baggage connected but still very limited service.
 - ❖ Price was the sum of each segment fare.
- Fast Forward - Let’s look at the post-economic deregulation impact of code sharing on one small town.



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Development of Code Sharing

Pasco, WA: Small Community Profile



Population: 55,000

Nearest Major Cities

Spokane (137mi)

Seattle (226mi)

Portland (214mi)

Largest Employers

Hanford Nuclear Reservation

Burlington Northern

Boise Cascade

Tyson Foods

Bechtel

Batelle Pacific Northwest Labs



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Development of Code Sharing

Pasco-Denver Is An “Overserved” Market

With 24 passengers travelling daily from Pasco to Denver, the market is too small to support one mainline flight – regional airlines, operating smaller aircraft, can fill the void

O&D Passengers Per Day Each Way: 24

Daily Flights:	Dep Tm	Seats	Cumulative Load Factor
PSC-DEN #1	6:10	66	36%
PSC-DEN #2	11:41	50	21%
PSC-DEN #3	14:34	50	14%

Source: YE1Q 2010 U.S. DOT DB1A; United Airlines October 2010 Schedule

How can three daily flights work?



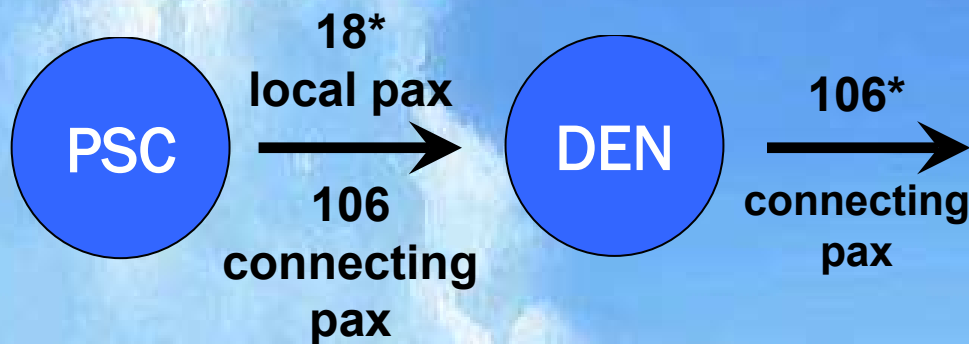
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PSC-DEN can support three daily regional flights because of connecting service offered through United's DEN hub

United carried 124* passengers per day in the PSC-DEN market



Key Connecting Markets

Baltimore
Boston
Chicago
Dallas/Ft. Worth
Houston
Omaha
Orlando
Phoenix
San Antonio
Washington
+
Other Communities

Without the hub, PSC-DEN could only support one daily RJ flight at best.



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Development of Code Sharing

The Pasco community benefits from hub-spoke networks, mainline carriers and regional partners

On average, only eight daily passengers travel between Pasco and Boston but passengers benefit from seven daily options to reach Boston

Air Service: Pasco to Boston, October 15, 2010

Carrier	Flight	Connection Hub	Dep Time	Arr Time
United	6722/584	DEN	0610	1616
Alaska	2101/12	SEA	0615	1715
Delta	3336/1210	SLC	0630	1634
Delta	3482/1492	MSP	0700	1650
United	6479/872	DEN	1141	2314
Delta	4777/1216	SLC	1310	2339
Alaska	2109/24	SEA	1730	0630

Note: reflects single online connection opportunities only

Source: OAG

For small communities, regional carriers offer one-stop access to the world



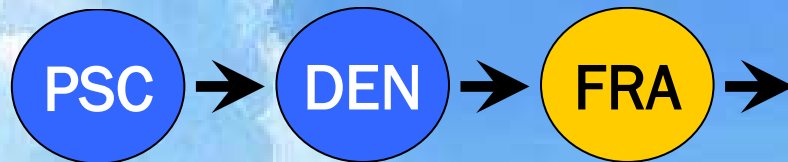
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Development of Code Sharing

Strategic Code-Share or Joint-Venture Alliances Allow U.S. Carriers To Offer Seamless Service To More Global Destinations

United's alliance with Lufthansa offers PSC customers access to destinations that are not served directly by United aircraft.



Lufthansa Destinations Not Served By UA

Barcelona	Basel
Berlin	Budapest
Cologne	Dresden
Dusseldorf	Hannover
Istanbul	Leipzig
Lyon	Nice
Vienna	
+	
Other Communities	

The alliance helps United drive incremental traffic and revenue on its PSC-DEN service, which in turn, helps to sustain and grow service levels.



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Development of Code-sharing

<u>Regional</u>	<u>Mainline Partner</u>	<u>Alliance</u>	<u>Regional</u>	<u>Mainline Partner</u>	<u>Alliance</u>
American Eagle	American	oneworld	Horizon	Alaska	
Atlantic Southeast	Delta United	SkyTeam Star Alliance	Lynx	Frontier	
Cape Air	Continental	Star Alliance			
Chautauqua	American Continental Delta US Airways	oneworld SkyTeam Star Alliance	Mesa	United US Airways	Star Alliance
Commutair	Continental	Star Alliance	Mesaba	Delta	SkyTeam
Colgan	Continental United US Airways	Star Alliance	Midwest	US Airways Frontier	
Comair	Delta	SkyTeam	Penair	Alaska	
Compass	Delta	SkyTeam	Piedmont	US Airways	Star Alliance
Executive	American	oneworld	Pinnacle	Delta	SkyTeam
ExpressJet	Continental United	Star Alliance	PSA	US Airways	Star Alliance
			Shuttle America	Delta United	SkyTeam Star Alliance
			SkyWest	Delta United	SkyTeam Star Alliance



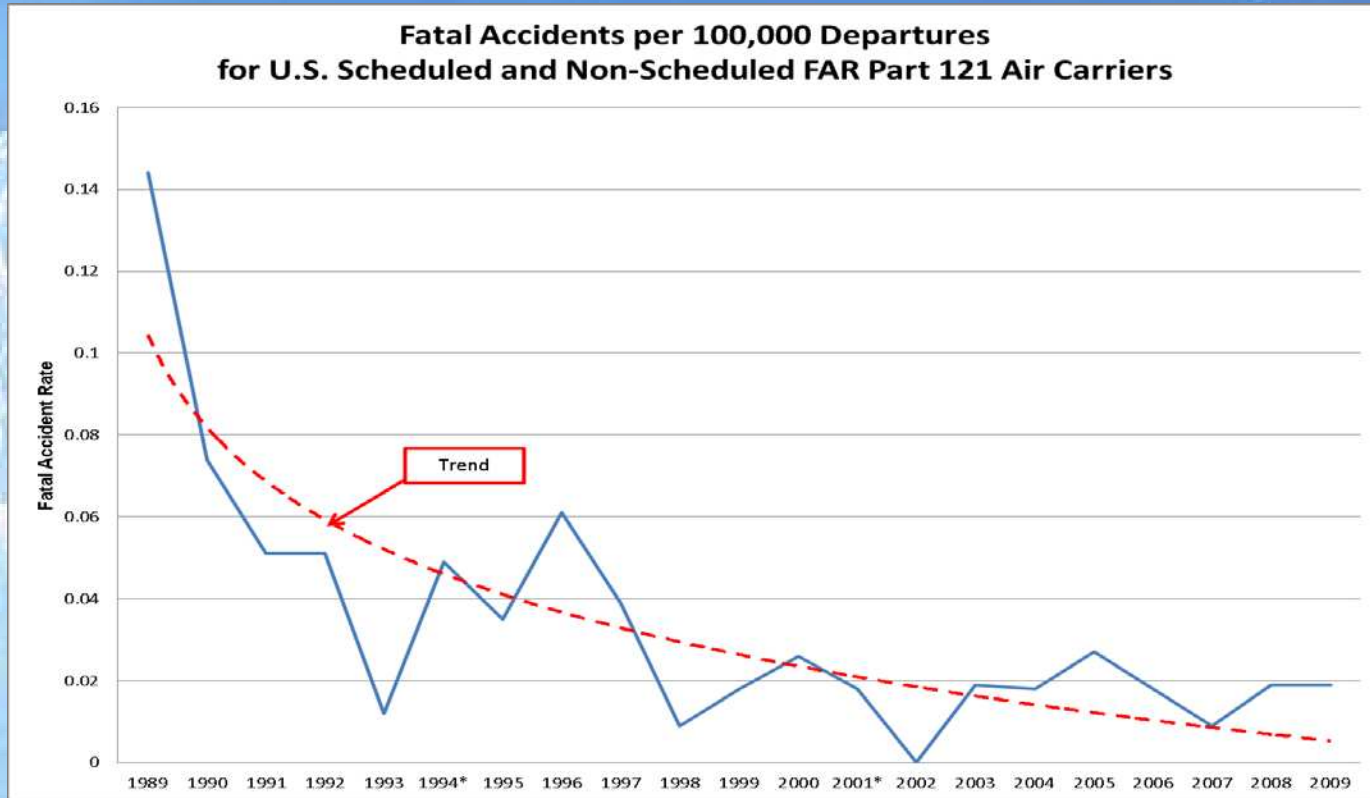
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General Business Arrangements/Regulatory Issues

- **Relationships vary widely**
 - **Outright ownership**
 - **Shared livery**
 - **Complex to simple sharing of marketing, ground handling, etc.**
 - **Long-term, short-term**
 - **Governed by private, contractual terms**
 - **Single carrier may have multiple relationships; all have different cultures, approaches and operating characteristics**
- **How to manage Regulatory Relationships Clear**
 - **Each air carrier is certificated by FAA; air crews and mechanics licensed by the FAA; aircraft and appropriate maintenance and operating procedures overseen by FAA**
 - **Within these relationships and this framework, safety continues to improve**
 - **Industry/Government work to share experience—wide array of innovative, data driven safety initiatives continue safety performance improvement**



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- Thought we had plateaued in mid-1990s
- Aggressive data collection, analysis and action continues positive trend
- The enhancement of these programs will see safety progress continue



Source: National Transportation Safety Board (NTSB): Table 5
* NTSB accident rates exclude events resulting from illegal acts

Conclusion

- **Code sharing maximizes travel opportunities for passengers and helps vitalize many communities that would otherwise be underserved.**
- **Code sharing allows America's passengers to travel from anywhere to everywhere.**
- **Code share operations continue to improve through the use of voluntary reporting systems and utilization of state-of-the-art aircraft and technologies.**





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