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

<table>
<thead>
<tr>
<th>Daily Flights:</th>
<th>Dep Tm</th>
<th>Seats</th>
<th>Cumulative Load Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSC-DEN #1</td>
<td>6:10</td>
<td>66</td>
<td>36%</td>
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<tr>
<td>PSC-DEN #2</td>
<td>11:41</td>
<td>50</td>
<td>21%</td>
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<tr>
<td>PSC-DEN #3</td>
<td>14:34</td>
<td>50</td>
<td>14%</td>
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</table>

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

How can three daily flights work?
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.

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

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

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Flight</th>
<th>Connection</th>
<th>Hub</th>
<th>Dep Time</th>
<th>Arr Time</th>
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<tbody>
<tr>
<td>United</td>
<td>6722/584</td>
<td>DEN</td>
<td></td>
<td>0610</td>
<td>1616</td>
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<tr>
<td>Alaska</td>
<td>2101/12</td>
<td>SEA</td>
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<td>0615</td>
<td>1715</td>
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<tr>
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<td>SLC</td>
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<td>0630</td>
<td>1634</td>
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<td>MSP</td>
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<td>0700</td>
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<td>DEN</td>
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<td>1141</td>
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<tr>
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<td>SEA</td>
<td></td>
<td>1730</td>
<td>0630</td>
</tr>
</tbody>
</table>

Note: reflects single online connection opportunities only
Source: OAG

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

The alliance helps United drive incremental traffic and revenue on its PSC-DEN service, which in turn, helps to sustain and grow service levels.
# National Transportation Safety Board Code-Sharing Symposium

## Development of Code-sharing

<table>
<thead>
<tr>
<th>Regional Partner</th>
<th>Mainline Partner</th>
<th>Alliance</th>
<th>Regional Partner</th>
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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
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.