



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** Audit Announcement – FAA’s
Oversight of Code Share Programs
Federal Aviation Administration
Project No. 10A3008A000

Date: August 17, 2010

From: Jeffrey Guzzetti *Jeffrey B. Guzzetti*
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Reply to
Attn. of: JA-10

To: Assistant Administrator for Financial Services
and Chief Financial Officer

There are more than 13,000 regional airline flights every day and approximately 160 million passengers travelling on regional aircraft each year. Regional air carriers use smaller aircraft to connect cities that cannot support major airline jet service to larger hub cities served by major air carriers. To do so, the mainline and regional carrier create a joint marketing agreement, known as code sharing, which allows them to coordinate flight schedules in order to interchange passengers. Under these agreements, the mainline carrier allows the regional airline to: (1) use the mainline carrier’s reservation system and flight designator code to identify flights and fares in computer reservation systems; (2) utilize the mainline carrier’s paint scheme, logos, service marks, and uniforms; and (3) participate in joint promotion and advertising. As a result, passengers receive lower fares and more seamless travel, regional carriers benefit from the recognition connected to the mainline carrier selling the tickets, and mainline carriers gain access to additional and smaller aircraft with no ownership stake for bringing passengers to their hub.

Given these benefits, airlines are increasingly using code share agreements. As these agreements become a more integral part of the aviation system, the Federal Aviation Administration (FAA) and the Department of Transportation (DOT) must make it a top priority to ensure the safety of passengers who depend on those flights. This is particularly critical given that seven of the last nine domestic, commercial airline crashes have involved regional air carriers flying under code share agreements.

On February 3, 2010, James L. Oberstar, Chairman of the House Committee on Transportation and Infrastructure, and Jerry F. Costello, Chairman of the

Subcommittee on Aviation, requested that we review domestic code share relationships. Accordingly, our audit objectives are to (1) examine DOT and FAA legal authority to review agreements between mainline air carriers and their regional partners, (2) assess policies and procedures between mainline air carriers and their regional partners to ensure one level of safety, and (3) determine whether passengers have adequate information to make informed decisions when purchasing an airline ticket.

We plan to begin the audit later this month and will contact your audit liaison to schedule an entrance conference. Our audit will include visits to FAA Headquarters and regional offices as well as Flight Standards Service field offices. If you have any questions, please contact Tina Nysted, Program Director, at (404) 562-3770 or William Leary, Project Manager, at (404) 562-3786.

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cc: Anthony Williams, ABU-100
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