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# AIRLINE INTERCHANGE AGREEMENTS

BY ROBERT J. KEEFER

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## GENERAL

THROUGH interchange of equipment, airlines are able to provide through service for passengers (as well as mail, express and cargo) from points on the route of one air carrier to points on the route of another air carrier. Where interchange service exists, it is unnecessary for passengers, mail, express or cargo to leave a plane at the terminal of one carrier and continue a trip beyond that terminal aboard the plane of another air carrier. Such service is effected through agreements entered into between two or more air carriers with the approval of the Civil Aeronautics Board under Section 412 of the Civil Aeronautics Act.

## EXTENT OF INTERCHANGE SERVICE

All but two of the certificated trunkline carriers had interchange agreements as of October 1956. In addition, interchange agreements participated in by Pan American Airways, Pan American Grace Airways and Braniff Airways provide through service to many points in South America. Table 1 indicates the carriers participating in interchange flights and the dates such service was inaugurated under current interchange agreements.

TABLE 1  
CARRIERS PARTICIPATING IN INTERCHANGE FLIGHTS  
AS OF OCTOBER 4, 1956

<i>Carrier</i>	<i>Date Inaugurated</i>
American Airlines	9-25-49
Braniff Airways	12-1-51
Capital Airlines	3-16-51
Continental Air Lines	7-26-51
Delta Air Lines	6-1-48
Eastern Air Lines	12-1-51
National Airlines	3-16-51
Northwest Airlines	12-15-54
Pan American-Grace Airways	6-17-47
Pan American World Airways	6-17-47
Trans World Airlines	6-1-48
United Air Lines	9-15-53

Source: Air Carrier Interchange Agreements  
filed with the CAB.

Table 2 shows the participants to interchange agreements together with the terminals of the parties to the agreement and the point of interchange.

TABLE 2  
INTERCHANGE AGREEMENTS AS OF OCTOBER 4, 1956

<i>Carriers</i>	<i>Interchange Point and Terminals</i>		
	<i>Terminal</i>	<i>Interchange Point(s)</i>	<i>Terminal</i>
AAL-CAL	Houston	El Paso	Los Angeles San Francisco
AAL-DAL	Atlanta	Dallas	Los Angeles San Francisco
AAL-DAL-NAL	Atlanta	Ft. Worth	Los Angeles
	Miami	New Orleans-Dallas	Los Angeles San Francisco
	Miami	New Orleans-Ft. Worth	Los Angeles San Francisco
BNF-CAL	Denver	Kansas City	St. Louis
BNF-EAL	Denver	Memphis	Miami
	Kansas City	St. Louis	Miami
	New York	Miami	Buenos Aires Rio de Janeiro
			Miami
CAP-NAL	Buffalo	Washington	Miami
CAL-UAL	Tulsa	Denver	Seattle
DAL-TWA	Detroit	Cincinnati	Atlanta
			Savannah
			Knoxville
			Houston
			Miami
DAL-TWA	New York	Indianapolis	Houston
EAL-NWA	Minneapolis	Chicago	Miami
NAL-PAA-Panagra	New York	Miami-Balboa	Lima-Balboa

Source: Airline schedules filed with the CAB pursuant to Part 233, CAB Economic Regulations.

Domestic interchange service has expanded substantially since 1948 when only the interchange agreement between Delta Air Lines and Trans World Airlines was in effect and 16 cities were served by interchange flights. By October, 1956, 50 cities in the United States were served by interchange flights, 21 of which were served under more than one interchange agreement. This expansion of service, when coupled with the non-interchange service of individual carriers, enables passengers, cargo, mail and express to travel between most of the large cities of the United States without changing planes notwithstanding the fact that the origin carrier may not be certificated to the destination city of the passenger or cargo. Table 3 lists the domestic points served by interchange flights together with the interchange agreement carriers serving these cities.

TABLE 3  
INTERSTATE POINTS SERVED BY INTERCHANGE FLIGHTS  
AS OF OCTOBER 4, 1956

<i>City</i>	<i>Carrier</i>	<i>City</i>	<i>Carrier</i>
Amarillo	BNF-EAL	Dayton	DAL-TWA
Atlanta	AAL-DAL	Denver	BNF-CAL
	BNF-EAL		BNF-EAL
	DAL-TWA		CAL-UAL
	EAL-NWA	Detroit	DAL-TWA
Birmingham	AAL-DAL	El Paso	AAL-CAL
	BNF-EAL		AAL-DAL
			AAL-DAL-NAL
Buffalo	CAP-NAL	Ft. Smith	BNF-EAL
Chattanooga	DAL-TWA	Ft. Worth	AAL-DAL
Chicago	EAL-NWA		AAL-DAL-NAL
Cincinnati	DAL-TWA		
Colorado Springs	BNF-CAL	Houston	AAL-CAL
	BNF-EAL		DAL-TWA
Columbus, Ohio	DAL-TWA	Indianapolis	DAL-TWA
Dallas	AAL-DAL	Kansas City	BNF-CAL
	AAL-DAL-NAL		BNF-EAL
Knoxville	DAL-TWA	Pittsburgh	CAP-NAL
Lexington	DAL-TWA		DAL-TWA
Little Rock	BNF-EAL	Portland, Ore.	CAL-UAL
Los Angeles	AAL-CAL	St. Louis	BNF-CAL
	AAL-DAL		BNF-EAL
	AAL-DAL-NAL	St. Petersburg-	
Macon	DAL-TWA	Clearwater	BNF-EAL
Memphis	BNF-EAL	San Antonio	AAL-CAL
	DAL-TWA	San Diego	AAL-CAL
Miami	AAL-DAL-NAL		AAL-DAL
	BNF-EAL		AAL-DAL-NAL
	CAP-NAL	San Francisco	AAL-CAL
	EAL-NWA		AAL-DAL
	NAL-PAA-Panagra		AAL-DAL-NAL
Minneapolis-		Savannah	DAL-TWA
St. Paul	EAL-NWA	Seattle	CAL-UAL
New Orleans	AAL-DAL	Shreveport	DAL-TWA
	AAL-DAL-NAL	Tallahassee	BNF-EAL
New York	BNF-EAL	Tampa	AAL-DAL-NAL
	NAL-PAA-Panagra	Toledo	DAL-TWA
	DAL-TWA	Tucson	AAL-DAL
Oakland	AAL-DAL-NAL	Tulsa	BNF-EAL
Oklahoma City	BNF-EAL		CAL-UAL
Orlando	BNF-EAL	Washington	BNF-EAL
Phoenix	AAL-CAL		CAP-NAL
	AAL-DAL		NAL-PAA-Panagra
		Wichita	CAL-UAL

Source: Airline schedules filed with the CAB pursuant to Part 233, CAB Economic Regulations.

In addition to the domestic points served by interchange flights, 14 Caribbean and South American cities are so served enabling passengers leaving many American cities to reach these Latin American points

without change of planes. Table 4 lists the foreign points served by interchange flights and the parties to the agreements under which these cities are served.

TABLE 4  
FOREIGN POINTS SERVED BY INTERCHANGE FLIGHTS  
AS OF OCTOBER 4, 1956

<i>City</i>	<i>Carrier</i>	<i>City</i>	<i>Carrier</i>
Antofagasta, Chile	NAL-PAA-Panagra	Havana, Cuba	BNF-EAL
Asuncion, Paraguay	BNF-EAL	La Paz, Bolivia	NAL-PAA-Panagra
Balboa, C.Z.	NAL-PAA-Panagra		BNF-EAL
	BNF-EAL	Lima, Peru	NAL-PAA-Panagra
Buenos Aires, Argentina	NAL-PAA-Panagra	Quito, Ecuador	BNF-EAL
	BNF-EAL	Rio de Janeiro, Brazil	NAL-PAA-Panagra
Cali, Colombia	NAL-PAA-Panagra	Santiago, Chile	BNF-EAL
Guayaquil, Ecuador	NAL-PAA-Panagra	Sao Paulo, Brazil	BNF-EAL
	BNF-EAL	Talara, Peru	NAL-PAA-Panagra

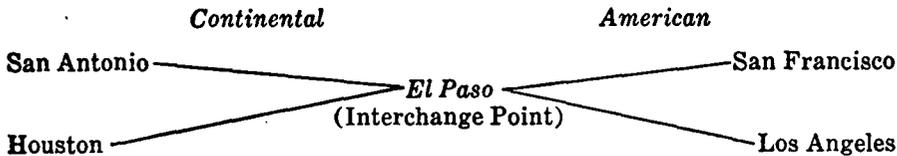
Source: Airline schedules filed with the CAB pursuant to Part 233, CAB Economic Regulations.

#### INTERCHANGE AGREEMENTS

As is evident from the foregoing tables, interchange agreements are entered into most frequently by two air carriers and in some instances among three air carriers. The agreements are initially drawn up by the carriers concerned and set forth: (1) the purpose of the agreement, (2) provisions for the leasing of aircraft and use of through aircraft, (3) method of control of flights, (4) provisions as to crews and their competency, (5) manner of dividing revenues, (6) method of ticketing and billing, (7) provisions for ground service and maintenance, (8) method of computing and assessing charges, (9) numerous provisions concerning insurance, damage and liability for aircraft and (10) many miscellaneous provisions. No standard form or standard set of provisions is required by the Civil Aeronautics Board for these agreements; however, most of the domestic interchange agreements are similar to one another. The exact charges and working details are usually contained in a supplement to the agreement, both documents being filed with the CAB for approval at the same time. Changes in the charges and working details contained in the supplemental agreement are effected through amendments to the supplemental agreement, copies of which are filed with the CAB, and do not necessitate specific formal consideration by the Board insofar as they do not change the substance of the initial interchange agreement which has been approved by the CAB.

An examination, in some detail, of the provisions of one of the

interchange agreements, together with the associated supplemental agreements, will provide a basis for understanding of interchange operations. The interchange agreement entered into between Continental Air Lines and American Airlines dated 23 July 1951 (CAB Docket 1102) has been selected as a representative interchange agreement. The purpose of this agreement was to establish a framework within which one-plane service could be operated and also within which operational details could be determined from time to time. The one-plane service effected by this agreement is shown below.



Provisions of the Continental-American Interchange Agreement and Supplemental Agreement as modified by the 20th Amendment dated 20 November 1956 are detailed below:

1. *Leasing of Aircraft.* Through service is provided in aircraft leased by one party to the other with the lease effective upon delivery of the aircraft to the lessee and upon delivery of a receipt therefore by the lessee to the lessor. The lease terminates upon delivery of the aircraft to the lessor and the delivery of a receipt by the lessor to the lessee. Deliveries are ordinarily made at the through service junction point (El Paso) or under special circumstances at mutually agreeable points. At the through service junction point, aircraft are deemed to be delivered to the lessee or redelivered to the owner at the moment the aircraft is taxied to the ramp of the receiving party and the engines stopped. If the aircraft overflies the through service junction point due to weather or other conditions, the aircraft is deemed to be delivered when the receipt has been delivered and accepted or when the captain of the crew of the receiving party boards the aircraft, whichever occurs first.

2. *Aircraft Rental.* Under the current amendment the lessee pays the owner for aircraft made available by the owner, \$127.61 per hour of flight time for a DC-6 and \$147.94 per hour of flight time for a DC-6B, except when without fault of the lessee, the aircraft cannot lawfully be used in scheduled through service and the owner requires it to be ferried to a through service junction or other point, the lessee is not liable for flight time logged in the ferrying operation. In the event that it is impossible on account of weather or other circumstances beyond the control of the parties to stop at the through service junction point and the plane overflies such scheduled stop to a point beyond the through service junction point in the direction in which the flight is proceeding, the aircraft is deemed to have been delivered and leased to the lessee or redelivered and returned to the owner at the time the aircraft last passes over the through service junction point or the near-

est point thereto. The party over whose route the flight has proceeded beyond a scheduled stop at a through service junction point shall pay to the party whose crew operated the aircraft \$147.74 per hour of flight time for a DC-6 and \$163.54 per hour of flight time for a DC-6B on account of flight crew costs, and insurance and gasoline computed from the time the aircraft passes over the through service junction point until the aircraft is actually transferred to the party over whose route the flight has proceeded.

3. *Charges.* Lessee shall pay rental for use of the other party's aircraft based upon charges for maintenance and depreciation of such aircraft and the use thereof. Rental is computed by use of a fixed rental rate per hour of flight time. The parties establish a rental rate for each type of equipment leased and that rate applies to all aircraft of that type leased by either party. Charges are to be billed monthly not later than 30 days after the end of each month and payment is to be made within 30 days of receipt of the bill. The rental rate is determined in accordance with the following principles:

a. *Maintenance.* Reasonable maintenance charge per hour of flight time which shall include direct and indirect maintenance expenses and overhead which shall approximate the average actual expenses experienced by the parties.

b. *Depreciation.* Charge based upon a fixed valuation per flying unit (including a proportionate part of the spare engines, spare propellers and inventory) expressed in cost per hour of flight time.

c. *Use of Aircraft.* A charge per hour of flight time for use of the aircraft which charge is intended to constitute a return to the lessor upon its investment in such aircraft during the period it is in lessee's possession.

d. *Aircraft Engine Oil.* Parties to fix a reasonable charge per hour of flight time for aircraft engine oil. Charges for oil shall approximate average actual experience.

4. *Maintenance.* Each party is to maintain the aircraft leased by it to the other party. No aircraft is to be tendered for lease unless it is probable that it can be returned to the lessor before the time set for its next periodic inspection unless the efficient utilization and routing of such aircraft makes such tender necessary and desirable. The lessor pays the lessee for emergency repairs or maintenance, not a part of ground service, performed by lessee and such cost is an expense of the lessor in the maintenance of the through aircraft in determining the rental. Charges for emergency repairs and maintenance are currently at the rate of \$3.75 per man-hour of direct labor plus the lessee's actual cost of materials used.

5. *Ground Service.* The lessee of an aircraft performs all ground servicing functions and line inspections at its own expense during the period in which the aircraft is in its possession—excluding cost of maintenance. At all points west of El Paso and for westbound flights landing at El Paso, American performs all normal ground operations services

and such services are performed by Continental at all points east of El Paso and for eastbound flights landing at El Paso.

6. *Gas and Oil.* The receiving party measures the amount of gasoline in the aircraft's tanks after craft is fueled, deducts amount put in per meter reading, the difference being credited to the delivering party. Cost of aircraft engine oil added by the lessee to tanks of a through aircraft are paid for by the lessor. Charges for gasoline are fixed prospectively by the parties in advance of each quarter with the settlement of net balance effected monthly. Gasoline is currently charged at the rate of .205 per gallon. Current charge for engine oil is .48 per gallon.

7. *Use of Through Aircraft.* Aircraft are to be routed in such a manner as to insure earliest return to the lessor. Aircraft furnished by one party may be used by the other party for purposes other than the through one plane service subject to agreement by the parties, provided it does not interfere with operations under the agreement.

8. *Control of Flights.* Flights are under the operational control of the party whose crews are operating the aircraft.

9. *Crews.* Aircraft used in the through plane service are to be flown by the crews of each party over the routes of that party except in special circumstances.

10. *Crew Competency.* Each party, at its own expense, is responsible for qualifying its crew in accord with the requirements of the Civil Air Regulations. Each party shall make available to the other its aircraft and competent instructors. Hourly rate of charge for the use of such aircraft and instructors are the same to each party computed on the basis of cost per hour of flight time to be determined from time to time by the parties. Currently, the lessee pays the owner \$220.24 per hour of flight time for a DC-6 and \$253.62 per hour of flight time for a DC-6B aircraft made available for flight crew training when training is conducted at a base designated by the owner and \$127.61 per hour of flight time for a DC-6 and \$147.94 per hour of flight time for a DC-6B if the training is performed at the lessee's base. If the owner furnishes a flight instructor to the lessee it is at the rate of \$25.15 per hour of flight for a DC-6 and \$34.69 per hour of flight for a DC-6B. If either of the parties determines to conduct its flight crew training at a point other than at a base designated by the owner, the sum of \$262.90 per hour of flight time for a DC-6 and \$299.75 per hour of flight time for a DC-6B in ferrying the aircraft between the owner's base and the lessee's base will be paid by lessee to the owner.

11. *Revenues.* Revenues are divided in the same manner as they would be divided were the service a connecting-plane service operated over the same route in accordance with the Proration Manual of the Air Traffic Conference of America.

12. *Ticketing and Billing.* Ticketing of passengers and billing of

cargo for carriage by through plane is to be in accordance with standard forms and procedures for interline tickets and bills of lading.

13. *Damage to Aircraft.* Parties will fix value of aircraft and associated equipment installed therein. The currently fixed value of the DC-6 and DC-6B aircraft with associated equipment is \$1,100,000. The lessee is liable to the lessor for all damage arising from any cause whatsoever during the term of the lease, ordinary wear and tear excepted, and the cost of repairs or replacement necessitated by such damage is to be borne by the lessee provided the cost of repairs does not exceed the agreed value of the aircraft. If it exceeds the agreed value, the lessee will pay to the lessor the agreed value of the aircraft.

14. *Hull Insurance.* The lessee, unless a self-insurer, shall procure and keep in force policies of insurance which insure both the lessee and the lessor, as their respective interests may be, against any loss or damage for which lessee may be liable.

15. *Liability and Property Damage Insurance.* Each party is to procure and keep in force insurance against liability for loss, injury, damage or claims arising out of the injury or death of any passenger or third party or the damage to property, including cargo but excluding baggage, caused by the operation or possession of the aircraft in the following minimum amounts: Passenger Liability, \$75,000 per person, \$2,000,000 per accident; Public Liability, \$100,000 per person, \$1,000,000 per accident; Property Damage, \$500,000 per accident; and Cargo Liability, \$100,000 per accident.

16. *Passengers Expenses.* If a flight fails to land at the through service junction point for any reason and lands at a point beyond the junction point, the party whose crew is operating the aircraft bears such expenses as may be incurred in the holding or returning of passengers and in transporting baggage, mail and cargo from the point of landing to the through service junction point of all passengers who would have disembarked and of all baggage, mail and cargo which would have been unloaded at the through service junction point whether for the purpose of making connections with other air services or otherwise; and the party which should have received the aircraft at the through service junction point so overflown, shall bear all expenses incident to holding, forwarding or transporting of passengers, baggage, mail and cargo proceeding to points on the through route beyond the through service junction point.

17. *Baggage, Cargo, Express and Mail.* In the event of loss, damage or delay, the party having possession of the aircraft at the time is responsible. In case it is not possible to determine which party had possession of the aircraft at the time, any liability or expense is to be shared on the same basis as they share liability or expense in the case of connecting plane service.

18. *Advertising and Promotion.* Each party undertakes, at its own expense, to advertise the through service in the areas served by it.

Parties are to agree from time to time upon a joint advertising and promotional program. All advertising is to identify the service as a through service operated by Continental and American.

19. *Access to Books and Records.* Each party has the right of access to books and records of the other for the purpose of verifying costs, expenditures and other data pertinent to the agreement.

20. *General Provisions.* (a) The selection of aircraft to be used and crew to be used is made by the owner. (b) Each party determines the stops to be made on its portion of the route (subject to the CAB). (c) In announcing departure or arrival of any through flight, the flight is to be specifically identified as a through flight operated by Continental and American. (d) All aircraft operated in through service will carry a sign indicating the name of the owner of the aircraft and the name of the carrier whose crew is operating the aircraft.

Though the foregoing provisions of the interchange agreement between Continental and American may be considered as representative of the typical interchange agreement, significant variations exist in some agreements which are worthy of note as indicating the variety of methods of interchange operation which have been approved by the CAB. One variation existed under the interchange agreement of October 30, 1952 between Continental Air Lines and United Air Lines to provide through service between Seattle, Washington and Portland, Oregon on one hand and Wichita, Kansas and Tulsa, Oklahoma on the other hand by interchange of equipment at Denver, Colorado. (CAB Docket 5822, decided July 13, 1953.) Under this agreement it was contemplated that United was originally to be the lessor and Continental the lessee with these roles to be exchanged at a subsequent date.

An interchange agreement between Capital Airlines and National Airlines of March 12, 1948 (CAB Docket 3291, decided April 28, 1949) under which the two carriers would operate through flights between cities north and west of Washington, D. C. on Capital routes on one hand and cities south of Washington on a National route on the other hand, with interchange at Washington, provided that the operation would be performed with Capital aircraft and crews between December 15 and May 15 of each year and with National aircraft and crews during the six months following. This agreement also departed from the usual type of interchange contract, which provides a charge for lease of aircraft with each carrier receiving the revenues over its own route and bearing the expenses, through a provision for placing the revenues, including mail revenue, derived from the service, in a separate category with deductions therefrom to be charged against the lessor and lessee. The charges against revenues represent direct flying costs for the lessor and indirect costs for the lessee. Such charges are not actual costs but agreed-upon costs, adjusted every three months on the basis of experience. Provision was made for a primary division of revenues on the basis of the ratio of each carrier's expenses per mile to the total

expenses per mile operated. Any revenue left over was, under this agreement, to be divided 45 percent to the lessor and 55 percent to the lessee.

A final example of a type of interchange arrangement that differs substantially from those discussed above is the agreement between National Airlines, Pan American World Airways and Pan American-Grace Airways (CAB Docket 4882, decided August 10, 1955) providing through service between New York and South American points via Miami and Balboa. Such service over the routes of the three carriers was to be initially provided under the agreement utilizing the aircraft of Panagra. This agreement also differs from the usual agreement in that only one party to the agreement, National, is a self-sufficient carrier while Pan American and Panagra require subsidy.

#### BENEFITS OF INTERCHANGE SERVICE

The most evident benefit to the traveling public of interchange service is the convenience afforded by eliminating the necessity of changing planes which was formerly required when only connecting plane service was available. Likewise, the traveling hazard of missing a connecting plane when a flight is delayed is eliminated by interchange. From the airline point of view, interchange reduces ticketing and baggage and cargo handling costs as well as damage to perishable cargo through excessive handling. The usual reduction in flight time through interchange works both to the benefit of the passengers and to the air carrier through greater seat-mile availability for a given amount of equipment over a period of time. An interchange agreement in effect extends the route of an air carrier without the necessity of establishing maintenance and terminal facilities as would be necessary under a route extension granted by the CAB, providing certain of the benefits of such a route extension without corresponding increases in costs.

A unique economic benefit to the carriers participating in an interchange agreement is presented in the Opinion of the Civil Aeronautics Board in the Capital Airlines, Inc.-National Airlines, Inc., Interchange of Equipment Case (Docket 3291), decided April 28, 1949. As previously mentioned, this agreement provided for interchange between points on Capital's routes north and west of Washington and points on National's route south of Washington. The board stated:

Capital and National stress the value of the proposed interchange as an aid to leveling out the present seasonal nature of the traffic of both carriers. Partly as a result of the seasonality of the passenger traffic carried, uneconomical passenger loads are experienced by both carriers during the seasons when traffic volumes are lowest. During 1947 National experienced its heaviest passenger loads during the month of March, when the load factor was 70 percent, and experienced its lightest loads during July when the passenger load factor was only 43 percent. Inversely, Capital experienced

its heaviest loads in the summer and its lightest loads in January and February.

There is no doubt that the varying seasonal pattern of the two carriers' passenger traffic makes possible considerable integration between the two systems under the interchange. Florida traffic to and from Capital cities, such as Buffalo, Milwaukee, and Pittsburgh, moves predominantly in the winter season; on the other hand, traffic on Capital's routes north of Washington moves in much greater volume in the summer than in the winter season. As the result of providing through-plane service between two areas having a strong community of interest and a seasonally inverse flow of traffic, the interchange operation should provide both carriers with additional business during their respective slack seasons.

A further benefit to be anticipated from the integration of the two systems under the interchange is a better utilization of the personnel and equipment. This will result from the use of Capital aircraft and crews for the operation during the winter months when the volume of its service is at its lowest point and the use of National aircraft and crews during the summer period when the reverse is true.

#### CIVIL AERONAUTICS BOARD CONSIDERATION OF INTERCHANGE AGREEMENTS

Interchange agreements are filed with the Civil Aeronautics Board under a requirement in Section 412 (a) of the Civil Aeronautics Act for the filing of copies of agreements relating to pooling or apportioning of earnings and cooperative working arrangements. Under Section 412 (b) the board must disapprove any agreement which it finds to be adverse to the public interest or in violation of the Act and must approve any that it does not find to be adverse to the public interest. In considering such agreements the Board has in most instances had presented to it in substantial and elaborate detail by the parties to the agreement, one or more of the benefits to be derived from interchange as presented above. In almost every instance objections to the approval of these agreements have been interposed by other air carriers primarily on the grounds that such an agreement will divert a substantial portion of the traffic from the planes of the objecting carriers. Frequently objections on this ground are interposed by carriers who themselves have an interchange agreement which had at an earlier date diverted traffic from the planes of the carriers seeking approval of the interchange agreement to which objection is taken. The Board, in most instances, has given little weight to this argument as representing a substantial or valid showing that the agreement under consideration was adverse to the public interest.

One notable exception to the foregoing is the Board's recent disapproval (Reopened New York-Balboa Through Service Proceeding, Docket 4882 *et al*, decided November 23, 1954) in which the Board disapproved an agreement submitted by Eastern and Pan American on the grounds that such an agreement would be a substantial detriment to National Airlines and would therefore be contrary to the

public interest from the standpoint of sound competitive development of the air transportation system. In a recent opinion (Reopened Southern Service to the West Case, Docket 1102 *et al*, October 14, 1954) the Board stated: "We reaffirm the conclusion that an interchange which enables connecting carriers to provide through service without route extension should be approved unless an affirmative substantial adverse effect upon the public interest is shown." From an affirmative point of view the Board has considered faster schedules, elimination of delays and hazards, availability of the proposed service to a large number of passengers and potential cost reductions to the carriers as evidence that an interchange agreement is in the public interest.

In the consideration of each agreement, considerable emphasis has been placed by the Board on the effect of the agreement upon air safety. Here it has been necessary that the parties to the agreement show that they have an effective program and adequate facilities for training each others' crews on types of aircraft which are to become a part of the interchange service. Frequently the Board has made its approval of the agreement contingent upon one of the parties changing its instruments or instrument panels so as to bring them into conformity with those of the other party to the agreement.

Finally, over the approximate ten year period since World War II during which the Board has considered many interchange agreements, it has developed what has now become a standard set of conditions which have either been placed in each order approving an agreement or have been incorporated therein by reference. The more significant of these conditions are set forth below:

1. The initial interchange schedules and all subsequent changes therein shall be filed fifteen days in advance of the proposed effective dates thereof, and operations shall not be permitted thereunder until after they have been approved by the Board, such approval to be granted with or without hearing, as the Board may determine: *Provided*, That the approval of the Board under this provision shall not be required for revisions which merely change the time of service to a point or points in schedules previously approved by the Board.

2. Fifteen days prior to the date of commencement of operations, the parties shall file with the Board a complete supplementary contract covering any matters left to subsequent agreement under the interchange agreement, including a specific provision with respect to the division of revenues from the interchange service.

3. The parties to the agreement shall comply with the requirements of Section 6 of the Railway Labor Act and existing collective bargaining agreements to resolve any conflict arising out of operation of the agreements.

4. No operations under the agreements shall be discontinued without prior application to the Board and decision thereon, with or without hearing at the Board's discretion.

5. The approval of the agreements granted herein shall terminate if at any time the Board finds that the continued operation of the parties under said agreements or under any of their provisions would be adverse to the public interest, or in violation of the Civil Aeronautics Act of 1938, as amended, or of any rule, regulation, or order of the Board, now or hereafter in effect.

6. No through-plane operations other than those approved by the Board shall be conducted under the agreements, and for this purpose a flight with the same plane between any two points shall be deemed to be a through-plane operation between any two points unless there is a layover at any intermediate point between said two points, such layover to be one and one-half hours after scheduled arrival time or one hour after such actual arrival time, whichever is later.

7. The approval granted herein shall not be deemed a determination for rate-making purposes of the reasonableness of any of the costs or charges claimed by any carrier under the terms of the interchange agreements.

8. The Board retains jurisdiction of this proceeding for the purpose of imposing from time to time such further terms and conditions as it may find to be just and reasonable and for the further purpose of requiring the submission of such special reports on the financial and operating aspects of the operations as the Board may from time to time order.

9. The parties to the agreement shall render adequate through service to each city to which service is rendered pursuant thereto.