

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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 Joint Application of )  
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 NORTHWEST AIRLINES, INC. )  
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 under 49 U.S.C. § § 41308 and 41309 for )  
 approval of, and antitrust immunity for, )  
 alliance agreement )  
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Docket OST-00-6791-1

**JOINT APPLICATION OF MALAYSIA AIRLINES AND  
NORTHWEST AIRLINES, INC.**

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January 13, 2000

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**JOINT APPLICATION OF MALAYSIA AIRLINES AND  
NORTHWEST AIRLINES, INC.**

Malaysia Airlines (“MAS”)<sup>1</sup> and Northwest Airlines, Inc. (“Northwest”) (collectively the “Joint Applicants”), hereby jointly apply under 49 U.S.C. §§ 41308 and 41309 for approval of and antitrust immunity for their Coordination Agreement dated December 22, 1999 (Exhibit JA-1).<sup>2</sup> The Joint Applicants request that antitrust immunity be effective at the earliest possible date and remain in place for a period of at least five years.

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<sup>1</sup> Malaysia Airlines’ formal corporate name is Malaysian Airline System Berhad

<sup>2</sup> For purposes of this application, the “Coordination Agreement” includes any and all agreements between the Joint Applicants that implement any part(s) of the Coordination Agreement or are entered into by the Joint Applicants in connection therewith, including without limitation the Commercial Cooperation Agreement dated September 22, 1999 and the Implementation Agreement dated September 22, 1999, which are attached as Exhibits JA-2A and JA-2B. The request for antitrust immunity encompasses all such agreements.

**I. INTRODUCTION AND SUMMARY OF APPLICATION**

On June 21, 1997, the Governments of the United States and Malaysia signed an open skies agreement that promises substantial benefits to consumers and communities in both countries. The proposed Northwest/MAS alliance is fully consistent with the U.S.-Malaysia agreement and with U.S. international aviation policy, which has encouraged global arrangements between U.S. and foreign carriers in order to benefit consumers and enhance competition.

If this application is granted, the Northwest/MAS alliance will be the first immunized alliance between a U.S. carrier and a carrier in Asia. In other geographic regions of the world, the United States has entered into bilateral open skies agreements and immunized inter-carrier alliances in order to stimulate competition and, by extension, create competitive pressures for liberalization of other bilateral markets. The success of this approach in Europe and Latin America clearly suggests that similar results are achievable in Asia. Immunization of the Northwest/MAS alliance would be an important step toward that end.

The proposed Northwest/MAS alliance consists of three main elements:

1. Coordination of various functions and activities relating to passenger and cargo services that the two carriers operate between the United States and Malaysia and third countries.
2. Reciprocal codesharing. Northwest will place its code on Malaysia-U.S. flights operated by MAS and on flights beyond MAS's gateways in Malaysia, and MAS will place its code on U.S.-Malaysia flights operated by Northwest and on flights beyond Northwest's

gateways in the U.S. The parties may also codeshare on each other's additional services worldwide where permitted by governmental authorities.

3. Reciprocity in the frequent flyer programs of Northwest and Malaysia Airlines.

The carriers' alliance will include cooperation with respect to each airlines' frequent flyer program, for the mutual benefit of both airlines and their passengers and program members.

Notwithstanding the cooperation and joint operations contemplated by the Coordination Agreement, both airlines will retain their separate identities, brands, ownership and control. The alliance does not involve any exchange of equity or other forms of cross-ownership.

The Northwest/MAS alliance will offer consumers a myriad of benefits:

- A broad network of connecting services, making the world more accessible to consumers with new and convenient **routings**, which will compete with the other alliances already immunized by the Department.
- A wide choice of **routings** and schedules.
- Seamless, coordinated connections between alliance flights, including single tickets and through-handling of baggage and cargo.
- Service offered by two airlines known for their commitment to high quality service and innovation.
- Coordination between two excellent frequent flyer programs, offering a wide range of opportunities both for earning mileage credit and for enjoying travel awards.
- More value, made possible through the synergies and efficiencies that the alliance

will create.

The **Northwest/MAS** alliance will greatly improve consumer convenience and choice, produce operating efficiencies that will create greater value for passengers and shippers, increase competition in a number of markets and generate economic benefits for communities across the worldwide networks of both airlines. Improved air services will increase tourism and encourage local economic development, generating growth in employment and tax revenues.

The **Northwest/MAS** alliance will have no adverse competitive effects. Although Northwest and **MAS** are the only U.S. and Malaysia-flag passenger carriers in the U.S.-Malaysia market, Northwest has been serving Malaysia only since February 1999 and has a very small presence in the market. Neither carrier provides nonstop service between Malaysia and the United States, and there is no overlap in the city-pairs served by them on a single-plane or through-number basis. Furthermore, third-country carriers offer a significant amount of on-line Fifth and Sixth Freedom service between Malaysia and the United States, and the U.S.-Malaysia open skies agreement allows unlimited opportunities for new entry by interested U.S. carriers.

In addition, the U.S.-Malaysia air transportation market is still recovering from the general economic decline in Asia. The recession in Asia had a major effect on the Malaysian economy, resulting in a significant drop in traffic in both directions since 1996. As a small player in a weakened market, Northwest believes that it must establish the proposed alliance with **MAS** in order to offer daily service in the U.S.-Malaysia market and to secure its long-term presence (and, thereby, secure U.S. carrier long-term presence) in the market.

Furthermore, the Northwest/MAS alliance should have the effect of stimulating traffic and accelerating the revival of the U.S.-Malaysia market. Among the many significant points contained in the Department's "First Report on International Aviation Developments: Global Deregulation Takes Off," issued in December 1999 ("Report on International Aviation Developments"), were the conclusions that "traffic growth substantially increased after the airlines began fully implementing the alliances after receiving immunity" and, more particularly, that multinational alliances are stimulating traffic and that "newly stimulated traffic accounts for a large proportion of alliance growth." Report on International Aviation Developments at 5-9.

The Department's Report recognized the benefits that can be achieved through antitrust immunity for allied carriers in the international marketplace. The Report stated that

The overwhelming balance of evidence demonstrates that international deregulation resulting from open skies agreements has greatly expanded the well being of consumers. The evidence also shows that broad-based immunized alliances have been an important component of open skies related developments.

Report on International Aviation Developments at 6.

In addition, the Department found in the Report that fares had decreased following the development of the alliances in their respective markets. Report on International Aviation Developments at 13-14. In summary, the 1999 Report on International Aviation Developments provides evidence that, following the implementation of the alliances, the number of passengers served by the alliance as well as the number of passengers served overall in the market expanded, while the cost to passengers decreased. The Department should allow consumers to share the

same benefits in the U.S.-Malaysia market by granting antitrust immunity to the proposed **Northwest/MAS** alliance.

In order to proceed with the alliance, and to make effective use of the open skies agreement between the United States and Malaysia, Northwest and Malaysia Airlines require antitrust immunity. In addition, Northwest and Malaysia Airlines require statements of authorization to implement the codesharing operations contemplated by the Coordination Agreement. That authority is being sought in a separate joint application tiled simultaneously herewith and should be granted no later than approval and immunization of the Coordination Agreement.

The Department has already approved and immunized seven alliances between U.S. carriers and foreign carriers from countries having open skies agreements with the United States: United/Lufthansa&AS, Delta/Swissair/Sabena/Austrian, Northwest/KLM, American/Canadian, United/Air Canada, American Airline&an Chile and Alitalia/Northwest/KLM. The Department should likewise approve and immunize the **Northwest/MAS** alliance in order to provide consumers with important new price, service and quality options in the global marketplace.

## II. **THE NORTHWEST/MAS COORDINATION AGREEMENT**

The Coordination Agreement between Northwest and Malaysia Airlines (Exhibit JA-1) establishes the contractual framework for implementation of comprehensive coordinated activities by the two carriers. If the agreement is approved and antitrust immunity is granted, the applicants will then proceed to conclude specific coordination/integration undertakings with

respect to scheduling, marketing, pricing, planning, joint services, and related matters. The Joint Applicants have not yet made such agreements in the absence of antitrust immunity.

**a. Areas of Coordination.**

The Coordination Agreement contemplates coordination in some or all of the following key areas:

**1. Codesharing.** Each party plans to codeshare on the U.S.-Malaysia services operated by the other party and on agreed connecting services beyond their gateways in the United States and Malaysia. Insofar as permitted by applicable air transport agreements and governmental authorities, each party plans to codeshare on the services of the other party between the United States and Malaysia and points in third countries. For code-sharing services, the marketing carrier will sell seats from the operating carrier's available inventory.

**2. Revenue allocation.** The parties intend to develop a method for allocating revenues derived from the operation of their alliance services, such as revenue sharing or pooling.

**3. Pricing.** The parties intend to cooperate in the establishment of fares and rates and pricing strategies for code-share and other services.

**4. Inventory and yield management.** The parties intend to cooperate regarding inventory control and yield management as those functions relate to services provided under the Coordination Agreement, in particular, the codeshare flights. The two carriers intend to provide each other access to their respective yield management systems and to consult closely in the yield management process.

**5. Schedules.** The parties intend to jointly plan their respective schedules for U.S.-Malaysia service and related connecting services in order to maximize and optimize the service options available to consumers and to minimize connecting times, for the benefit of consumers. The parties also intend to cooperate in the scheduling and utilization of their aircraft on routes in which they operate codeshare services.

**6. Marketing and product.** The parties intend to jointly (as well as individually) market, promote and advertise the services covered by the Coordination Agreement. The parties will also seek to harmonize their respective service standards and jointly develop new products, where appropriate. The parties may seek to use an alliance mark to represent their alliance and frequent flyer program linkage.

**7. Frequent flyer programs.** The parties have already implemented some coordination of their frequent flyer programs and contemplate expanding that cooperation to offer fully reciprocal frequent flyer programs, which will allow members of one party's frequent flyer program to accrue and redeem awards on the services of the other party.

**8. Sales and expenses.** The parties intend to jointly determine the most efficient and commercially sensible way to sell alliance services, coordinate their sales forces, and allocate their sales resources.

**9. Airports.** The parties contemplate sharing facilities at the airports they serve, so far as possible, while maintaining the identity of both brands.

**10. Cargo.** The parties intend to cooperate in the marketing, sale, distribution, handling

and transportation of cargo between the United States and Malaysia and in other markets.

**11. Cost reduction.** The parties will attempt to coordinate their purchases of goods and services from third parties in order to realize cost savings and eliminate redundancies, where possible. The parties also intend to coordinate their travel agency commission structures and other incentive arrangements as they relate to the services offered under the Coordination Agreement, with the objective of reducing costs.

**12. Services and equipment.** The parties intend to cooperate in obtaining and providing support services, handling and maintenance services and aircraft servicing and ground equipment.

**13. Management of the alliance.** In order to coordinate the implementation and management of the alliance, Northwest and Malaysia Airlines will designate representatives who will oversee and manage generally the cooperative activities of the two carriers, in conjunction with various joint committees to be created to implement coordination in specific areas.

**b. The Coordination Agreement Will Provide Substantial Benefits To The Traveling Public.**

The foregoing areas of coordination will allow the carriers to generate significant efficiencies and provide a broad array of enhanced on-line services, including the provision of broader, more efficient, and more competitive services, It is the parties' belief that none of the benefits and efficiencies can be achieved to the same, or any significant degree, absent antitrust

immunity. Such benefits include:

**1. Greater Choice and Ease of Connections.**

By codesharing across each other's networks, Northwest and Malaysia Airlines will offer the traveling public a greater choice of destinations. Passengers and cargo shippers from any of the cities served by Northwest will be able to reach with ease any of the cities served by Malaysia Airlines. Wherever possible and agreed to by the parties, Northwest will place its code on Malaysia Airlines U.S.-Malaysia services and **flights** beyond Malaysia Airlines gateways in Malaysia, and Malaysia Airlines will place its code on Northwest's U.S.-Malaysia services and flights beyond Northwest's U.S. gateways. As a result, the **Northwest/MAS** alliance network will cover a large number of city pairs, making more of the world readily accessible to travelers.

It has been recognized that codesharing agreements for service to beyond and **behind-**gateway points offer "seamless service" and provide greater convenience and other benefits to customers than standard interline agreements. See Order 96-5-12, May 9, 1996 (United/Lufthansa); Order 96-5-26, May 21, 1996 (Delta/Swissair/Sabena/Austrian). For example, customers making a trip involving multiple flights on both Northwest and Malaysia Airlines will have "one stop shopping," using a single ticket, checking through baggage and cargo with ease, and obtaining all required boarding passes at the outset of the journey.

In addition, Northwest and Malaysia Airlines intend to coordinate schedules and, wherever possible, co-locate terminals, to maximize customer convenience and service and improve the connecting process. Similarly, arrival and departure gates will be moved closer

together wherever possible, and operations will be transferred from one terminal to another to minimize walking distances between connecting flights. The broader range of flight times and co-location of facilities is clearly in the consumer's interest, not only because this provides greater choice, but also because this reduces the inconvenience to the customer in the event of delay or other disruption resulting from weather conditions, mechanical problems, or other factors.

The integration and coordination of the networks of the alliance carriers will generate greater levels of traffic support. By inter-connecting the networks of the two carriers, the alliance will potentially link a broad number of cities. Such service enhancements and expanded on-line service options can only be accomplished on an efficient basis through coordination and integration of schedules, combined network planning, and coordinated yield management.

## **2. Reciprocal Frequent Flyer Programs.**

Customers will also benefit from coordination of the two carriers' frequent flyer programs. Fully reciprocal programs allow mileage accrued on one airline to be used not just for awards on the other but also to achieve a higher tier membership. In addition, members of the alliance partners' club programs will have additional airport lounges available to them and will receive priority bookings on flights across both airlines' networks.

## **3. Quality of Service.**

Both Northwest and Malaysia Airlines have long had a commitment to innovative and excellent service. The alliance between the two carriers will facilitate achievement of the highest

common level of customer service.

**4. Availability of Lower Fares.**

Coordination and consultation by Northwest and Malaysia Airlines in the yield management process will also result in tangible consumer benefits, chiefly the availability of lower fare seats. By enhancing their ability to predict customer preferences, the carriers will be able to make available a greater number of lower fare seats. Currently, each carrier offers deep discount on-line fares that are only available for travel on that carrier's system. The common financial objective of the alliance will enable Northwest and Malaysia Airlines to expand the availability of such deep-discount fares to cover their entire combined networks.

**5. Cost Benefits and Efficiencies.**

The parties believe that the proposed alliance will produce a number of cost synergies and efficiencies that will result in more efficient, cost-effective operations, the benefits of which will ultimately reach customers with lower fares and improved services. A 1995 GAO report noted that "in the long run, consumers could pay lower fares...as airlines in alliances integrate further and achieve cost efficiencies that could be passed on to the consumer." See GAO Report to Congressional Requesters, International Aviation, Airline Alliances Produce Benefits, April 1995 ("GAO Report"), at 44-45. Section 3.5 of the DOJ 1992 Merger Guidelines expressly recognizes that cost savings and other efficiencies can increase the competitiveness of firms and "result in lower prices to consumers."

The primary cost benefits achieved by the Northwest/MAS alliance will result from

coordination of sales and airport operations, joint promotions and marketing, and joint purchasing. In addition, the two carriers anticipate significant efficiencies from integration in the areas of yield management and fleet optimization. The alliance will also permit the carriers to optimize utilization of their aircraft. By coordinating their services, the alliance carriers will be able to optimize the use of larger aircraft on routes where demand is higher and utilize smaller aircraft on more thinly traveled routes.

**6. Expanded Access for Northwest and Malaysia Airlines in Behind-Gateway Markets.**

The creation of joint services having a common financial objective is essential to the alliance carriers' ability to expand on-line service, particularly in behind and beyond gateway markets. The establishment of service with a common financial bottom line, involving joint or coordinated marketing, sales, pricing, yield management, and the allocation of revenues and earnings, cannot be accomplished without antitrust immunity. The GAO Report on airline alliances concluded that "with immunity, Northwest and KLM can develop formulas to set fares in all markets and, according to Northwest and KLM representatives, quickly enact fare reductions to attract traffic" GAO Report at 29. Antitrust immunity will permit the alliance carriers to jointly negotiate prorates, divide revenues, and gain access to each other's behind-gateway markets.

In the absence of immunity, the carriers must independently schedule their services to maximize their own individual positions, and the alliance will not proceed. An antitrust-immunized alliance will establish common economic objectives that will allow the Joint

Applicants to combine their resources to a greater degree than they can today to operate additional U.S.-Malaysia services, which would not be feasible in the absence of immunity.

**7. Inventory Control.**

The coordinated alliance can develop uniform and coordinated control of seat inventory to maximize management of capacity, thereby increasing utilization and efficiency, and reducing costs for the benefit of the traveling and shipping public. By having yield management access to a larger part of the overall market, e.g., by yield managing with information from both carriers' systems, Northwest and Malaysia Airlines hope not only to optimize revenues, but to provide greater consumer benefits. As discussed above, the carriers expect to be able to make available a greater number of lower fare or discount seats.

III. THE DEPARTMENT'S INTERNATIONAL AIR TRANSPORTATION POLICY ENCOURAGES GLOBAL ALLIANCES AS BENEFITING CONSUMERS AND ENHANCING COMPETITION

The Northwest/MAS alliance is fully consistent with the Department's policy as set out in the Department's 1995 Statement of International Air Transportation Policy and more recently affirmed in the Department's 1999 Report on International Aviation Developments. The use of an effective alliance is crucial to providing service to the public in a relatively thin market such as U.S.-Malaysia. The Department observed in the Report on International Aviation Developments that:

Multinational alliances have fueled enormous increases in connecting traffic, both in markets that have historically suffered from poor quality interline service and virtually no competitive benefits, but also by providing service alternatives in markets that already have the benefit of

seamless service by other individual airlines. They are just one important way that the airline industry has responded to aviation liberalization and the evolving competitive environment. They are also the only practical way to provide better service to thousands of passengers in long distance, low-density international markets.

Report on International Aviation Developments at 1(emphasis added).

In granting antitrust immunity to the **Delta/Swissair/Sabena/Austrian** alliance, the

Department stated that:

Our proposed action in this order is consistent with our approval and grant of antitrust immunity for the alliance between Northwest Airlines and **KLM**. Northwest and **KLM** have integrated their operations so that they operate very much like a single airline. Our experience with that alliance has demonstrated that such alliances between U.S. and foreign airlines can substantially benefit consumers. The alliance between Northwest and **KLM** has enabled the two airlines to operate more efficiently, and to provide integrated service in many more markets than either partner could serve individually.

Order 96-5-26 at. 2.

Approval of and immunity for the **Northwest/MAS** alliance, similarly, will provide substantial public benefits. The alliance will create network synergies by linking the cities served by the alliance carriers, producing cost efficiencies and savings through integration and coordination which can be passed on to consumers in the form of lower fares and improved service, and increasing competition in the U.S.-Malaysia and beyond markets. As the GAO Report on airline alliances noted,

In the long run, consumers could pay lower fares, according to many U.S. and foreign airline representatives, as (1) airlines in alliances integrate further and achieve cost efficiencies that could be passed on to the consumer and (2) competition increases among alliances and between

alliances and other airlines.

GAO Report at 44-45.

In order to gain these benefits, Northwest and Malaysia Airlines propose to enter into an alliance, as legal and other obstacles preclude the formation of **transnational** integrated route systems *either* individually or through merger. Prohibitions against **cabotage** prevent Malaysia Airlines from operating service between U.S. points, and U.S. laws concerning nationality and ownership effectively preclude mergers of airlines of different nations.

The comprehensive cooperation envisioned by the alliance would expose Northwest and Malaysia Airlines to the risk that their activities could be challenged on antitrust grounds. Although the alliance would clearly be pro-competitive and produce substantial efficiencies, the applicants will not implement the proposed arrangement unless they receive the immunity necessary to shield them from such attacks. The GAO Report noted that, “the key benefit of **immunity...is** the protection from legal challenge by other airlines,” thereby allowing the participants “to more closely integrate their operations and marketing than they otherwise would for fear of legal reprisal.” Id. at 30.

Absent immunity, the applicants would not be able to develop the efficiencies, provide the consumer benefits, and achieve the market expansion benefits that would be available through the proposed alliance. As the GAO Report pointed out, “without immunity, airlines that are significant competitors cannot discuss pricing issues and must develop prorated agreements in ‘arm’s length’ negotiations to divide revenues, a cumbersome process when thousands of city-

pairs are involved.” Id. at 29.

In approving and granting antitrust immunity to the United/Lufthansa alliance, the Department noted that “since the applicants will be ending their competitive service in some markets, they could be exposed to liability under the antitrust laws if we did not grant immunity.” Order 96-5-12 at 26. Similarly, in approving and immunizing the Delta/Swissair/Sabena/Austrian alliance, the Department recognized that “the potential antitrust liability for an agreement of this volume may deter the applicants from integrating their services as intended by the Alliance Agreements unless they have antitrust immunity.” Order 96-5-26 at 28.

The Department stated in the 1999 Report on International Aviation Developments that:

Airline alliances.. .are the only practical way to provide improved, more competitive services to such markets. This explains the growth in **transnational** alliances, as airlines around the world link their networks to capture the enormous efficiencies of larger networks and produce and market improved service to an ever-wider array of city-pair. Alliances with foreign airlines provide a number of other important advantages, such as market presence, experience, and expertise of the partners in their respective homelands.

Report on International Aviation Developments at 5.

Since approving and immunizing the Northwest/KLM alliance in 1993, the Department, seeing the benefits of airline alliances, has approved six immunity applications -- United/Lufthansa/SAS, Delta/Swissair/Sabena/Austrian, American/Canadian, United/Air Canada, American/Lan Chile and Northwest/Alitalia/KLM. Uniform, fair, and consistent application of regulatory policy requires the Department to accord similar antitrust immunity to the Joint Applicants here. In the Delta/Swissair/Sabena/Austrian proceeding, the Department

concluded that:

As enunciated in our April 1995 U.S. International Air Transportation Policy Statement, airlines around the world are forming alliances and linking their systems to become partners in **transnational** networks to capture the operating efficiencies of larger networks, and to permit improved service to a wider array of city-pair markets. We are already seeing the benefits of these international alliances, and we have undertaken to facilitate them and the efficiencies they can generate, and where possible to do so consistently with consumer welfare. We believe that competition between and among these global alliances is likely to play a critically important role in ensuring that consumers in this emerging environment have multiple competing options to travel where they wish as inexpensively and conveniently as possible."

Order 96-5-26 at 27 (emphasis added).

As stated above, the **Northwest/MAS** alliance would be the first immunized alliance between a U.S. and an Asian carrier. The Department is well aware that the competitive and consumer benefits of immunized alliances between U.S. carriers and carriers from open skies countries in a given region can provide a stimulus for the opening of other markets in the same region. The Department recently stated that:

The resulting development of large strategic alliances, together with code sharing and other marketing arrangements, is changing the structure of the airline industry and is generating new pressures to overcome the limitations of restrictive bilateral agreements.

Report on International Aviation Developments at 3 (emphasis added). The Joint Applicants submit that approval of this application can only serve as a pro-competitive stimulus in other U.S.-Asian markets.

In sum, the **Northwest/MAS** alliance is pro-competitive and pro-consumer. Approval of this alliance, and the grant of antitrust immunity, is consistent with existing law, policy, and

precedent, and is necessary in order to effectively take advantage of the existing U.S.-Malaysia open skies agreement

**IV. THE COORDINATION AGREEMENT SHOULD BE APPROVED UNDER 49 U.S.C. § 41309 AND ANTITRUST IMMUNITY SHOULD BE GRANTED UNDER 49 U.S.C. § 41308**

**a. Grant Of The Joint Application Will Provide Important Public Benefits That Will Not Otherwise Be Possible.**

The Northwest/MAS Coordination Agreement will allow the carriers to create a coordinated network of services between the United States and Malaysia and beyond. The Department has noted that there are substantial obstacles to U.S. carriers developing their own global networks of direct service. These obstacles include (1) the lack of “substantial access not only to key hub cities overseas, but also through and beyond them to numerous other cities, mostly in third countries;” (2) the lack of “access to a large number of gates and takeoff/landing slots, frequently at some of the world’s most congested airports;” (3) the lack of “considerable financial resources [necessary] to establish and sustain commercially successful overseas hub systems;” and (4) “the inability to obtain infrastructure and establish market presence in a new region quickly.” DOT Policy Statement, 60 Fed. Reg. 2 1842.

The proposed Northwest/MAS Coordination Agreement is fully consistent with the Department’s policy to encourage the globalization and cross networking of air transportation. As Secretary **Pena** stated when he presented the U.S. International Aviation Policy Statement, “the United States believes that globalization will bring vast benefits for all nations and air carriers that embrace and adapt to it,” and that the new International Policy Statement “places the

power of the United States Government firmly behind the movement to...increased international traffic and the growth of global networks.” Remarks of Secretary Pena, November 1, 1994, at the 50th Anniversary Commemoration of the Chicago Convention, at 3, 6. See also Statement of Secretary Pena before the Senate Commerce Committee on July 11, 1995: “Our policy statement recognizes that the trend towards globalization of air services through efficiency-enhancing networks and alliances is here to stay, and that this development offers great public benefits for all nations.”

The Department observed in its Report on International Aviation Developments that:

Clearly, the development of an efficient global air transportation system has enormous consequences not just for consumers, but for local, national, and world economies as well. The United States’ own domestic deregulation, and the international liberalization experience to date [as illustrated in the report] clearly demonstrate that development of the global aviation market can be either significantly enhanced by removing government imposed restrictions or hindered by the failure to do so.

Report on International Aviation Developments at 3-4

U.S. international aviation policy encourages and supports the alliance proposed by Northwest and Malaysia Airlines. Allowing the Joint Applicants to establish a pro-competitive global alliance linking their respective U.S. and Malaysia and beyond networks is consistent with and will advance the Department’s U.S. international aviation policy.

**b. The Statute and The Department’s Well-Established Precedents Support Approval of the Coordination Agreement**

Approval of this Joint Application will be consistent with established Department precedent, as set forth in the orders approving and granting antitrust immunity between

Northwest/KLM, United/Lufthansa/SAS, Delta/Swissair/Sabena/Austrian, American/ Canadian, United/Air Canada, American Airlines/Lan Chile and Northwest/Alitalia/KLM. The Department concluded in Orders 92-11-27 and 93-1-11 that the Northwest/KLM agreement would be pro-competitive and would produce efficiencies, and that “the grant of immunity should promote competition by furthering our efforts to obtain less restrictive aviation agreements with other...countries.” Order 93-1-11 at 11-12. The same conclusion applies with equal force to the Coordination Agreement here.

In relevant part, the governing statute provides that the Department “shall approve an agreement...when the Secretary finds it is not adverse to the public interest and is not in violation of this part,” 49 U.S.C. § 41309(b). The Department is required to disapprove an agreement that “substantially reduces or eliminates competition,” unless the Department finds that the agreement satisfies a more rigorous public interest standard, *i.e.*, that the agreement is “necessary to meet a serious transportation need or to achieve important public benefits (including international comity and foreign policy considerations),” and “the transportation need cannot be met or those benefits cannot be achieved by reasonably available alternatives that are materially less anti-competitive,” 49 U.S.C. § 41309(b)(1)(A), (B). The Northwest/MAS alliance will substantially enhance competition. Consequently, the alliance presented here fully meets the public interest test in 49 U.S.C. § 41309(b).

**c. The Alliance Will Be Pro-Competitive and Will Not Substantially Reduce or Eliminate Competition in Any Relevant Market**

The proposed Northwest/MAS alliance will not have adverse effects on competition or

consumers in any market. Northwest and Malaysia Airlines are currently the only U.S. and Malaysian flag passenger carriers in the U.S.-Malaysia market. Northwest and Malaysia Airlines, however, do not directly compete against each other. Neither carrier operates nonstop service between Malaysia and the United States, and there is no overlap in their single-plane or single flight number services. Northwest provides no single-plane U.S.-Malaysia service. As shown in Exhibit JA-3, Northwest offers single flight number, change of gauge service three times per week between **Kuala Lumpur** and Detroit, via Osaka. Malaysia Airlines operates single plane service three times per week between **Kuala Lumpur** and New York (Newark), via **Dubai**, three times per week between **Kuala Lumpur** and Los Angeles, via Tokyo, and four times per week between **Kuala Lumpur** and Los Angeles, via Taipei.

Inasmuch as neither carrier provides nonstop service in the market, the significant amount of on-line connecting service offered by third-country carriers will constitute a direct competitive alternative to the proposed **Northwest/MAS** codeshare service. As shown in Exhibits JA-4 and JA-5, no less than 13 third-country carriers operate on-line connecting services between **Kuala Lumpur** and a total of 12 U.S. points. This does not include U.S.-Malaysia services offered on a codeshare basis or the large amount of service between the United States and Singapore and Bangkok, which compete directly with **Kuala Lumpur** as gateways to the region.

Nor will **MAS** and Northwest command a large combined share of the U.S.-Malaysia market. Although the large amount of third-country carrier Fifth and Sixth Freedom traffic makes it difficult to quantify the market and market shares, based on a combination of public and

proprietary data, the Joint Applicants have estimated that their joint share of the market would amount to less than 44 percent. The Department has previously immunized agreements in which the joint applicants commanded large combined market shares and were direct competitors in overlap nonstop markets, a combination of factors not present here. See Order 99-9-9 (Lan Chile-American Airlines); Order 96-6-33 (Delta-Swissair/SABENA/Austrian).

Given the large amount of existing competition, the non-dominant combined Northwest/MAS presence in the market and the absence of any overlap markets, there is virtually no likelihood that MAS and Northwest could raise and maintain fares to supra-competitive levels or engage in other actions injurious to consumers or competition. Furthermore, the unlimited opportunities for new entry by U.S. carriers afforded by the U.S.-Malaysia opens skies agreement will place additional disciplining pressure on the joint activities of Northwest and Malaysia Airlines. As the Department stated in immunizing the Northwest/KLM alliance, “even if a merger creates a firm with a dominant market share, the merger would not substantially reduce competition if other firms have the ability to enter the market within a reasonable time if the merged firms charge supra-competitive prices.” Order 92-11-27 at 15.

There is an additional element in this case, which has not been a factor in other antitrust immunity cases: the weakened condition of the market. Malaysia was severely affected by the broad recession in Asia. For example, as shown in Exhibit JA-7, the real GDP of Malaysia decreased by 7.5 percent in 1998. Of more direct concern, the number of Malaysia resident visitors to the United States decreased by 39 percent from 1996 to 1998 and U.S. resident visitors

to Malaysia decreased by 13 percent. See Exhibit JA-6. The Joint Applicants estimate that the total U.S.-Malaysia market decreased by 25 percent from 1996 to 1998. Exhibit JA-6.

As is discussed in Part I, above, the Department's research and analysis demonstrate that immunized alliances stimulate traffic for the alliance partners and in the market as a whole. The Report on International Aviation Developments concludes that multinational alliances are stimulating traffic and that "newly stimulated traffic accounts for a large proportion of alliance growth." Report on International Aviation Developments at 5, 9. The U.S.-Malaysia market clearly is in need of the pro-competitive traffic stimulation that the Northwest/MAS alliance will generate.

It should be kept in mind that there was no U.S.-flag passenger service to Malaysia for many years, until Northwest entered the market in February 1999. Northwest is, in all fairness, a marginal player in the U.S.-Malaysia market, offering change-of-gauge service three times a week to Detroit via Osaka. The condition of the market effectively prevents Northwest from expanding its service to a point where it can compete effectively with the numerous Fifth and Sixth Freedom carriers in the market. Northwest needs the proposed alliance and codeshare operations with MAS in order to offer daily Northwest service in the U.S.-Malaysia market and in order to secure its long-term presence in the market.

Finally, the Department has acknowledged that, without antitrust immunity, airlines may be prevented from forming alliances which offer significant competitive and efficiency benefits. See Order 96-5-26 at 28; Order 96-5-12 at 26. On a global scale, the Northwest/MAS alliance

will have a pro-competitive impact by adding an important, vigorous competitor to the growing list of worldwide alliances. In large numbers of individual city-pairs served by the alliance, international passengers and cargo shippers will be able to choose between the Northwest/MAS alliance and one or more of the existing global alliances. The impact of this global competition will particularly benefit behind and beyond gateway passengers, who will receive new service, quality, and pricing options driven by competitive forces.

**d. The Joint Applicants Will Not Proceed With the Coordination Agreement in the Absence of Antitrust Immunity**

Under the Department's long-standing precedent, antitrust immunity will not be granted to agreements that would not violate the antitrust laws, unless the parties refuse to implement the agreement without immunity. See Order 92-11-27 at 18 (Northwest/KLM). Northwest and Malaysia Airlines categorically state that they will not and cannot carry out the full collaboration, coordination, and integration contemplated by their Coordination Agreement in the absence of antitrust immunity because of the substantial risk that they could be subject to costly and lengthy antitrust litigation.

The Northwest/MAS alliance will create service enhancements and produce efficiencies. However, without the grant of immunity, there is no assurance that the proposed alliance would not be challenged on antitrust grounds. This very real threat of a challenge makes the alliance impossible without immunity. As the GAO Report noted that DOT and DOJ "officials stated that they believed the key benefit of immunity [in the Northwest/KLM case] is the protection from legal challenge by other airlines, thereby allowing Northwest and KLM to more closely

integrate their operations and marketing than they otherwise would for fear of legal reprisal.”  
GAO Report at 30. See also Order 96-5-27 at 8 (United/Lufthansa); Order 96-5-26 at 28  
(Delta/Swissair/Sabena/Austrian).

In short, the extensive discussions and coordination necessary to meld the Northwest and Malaysia Airlines networks will not occur without antitrust immunity, because the applicants are not willing to incur the risk of an antitrust challenge, and the Coordination Agreement is itself expressly predicated on antitrust immunity.

**V. OTHER APPROVAL ISSUES**

**a. Computer Reservations Systems Issues**

Consistent with the Department’s decisions in other cases, the grant of antitrust immunity here should also cover the coordination of (1) the presentation and sale of the carriers’ airline services in CRSs, and (2) the operations of their respective internal reservations systems. In the Northwest/KLM approval, the Department determined that, while the coordination of CRS activities could arguably reduce competition, the competitive concern was not so significant as to outweigh the justification for grant of antitrust immunity. The same conclusion applies with equal force here. See Order 93-1-1 1 at 15. See also United/Lufthansa, Order 96-5-27 at 22; Delta/Swissair/Sabena/Austrian, Order 96-6-33 at 22.

**b. Duration of Approval**

The Joint Applicants request that the Department grant the requested approval and immunity for at least a five-year term, consistent with the duration of approvals granted by the

Department to Northwest/KLM, Order 93-1-11; United/Lufthansa, Order 96-5-27; Delta/Swissair/Sabena/Austrian, Order 96-6-33; American/Canadian, Order 96-7-21; and United/Lufthansa&AS, Order 96-11-1. As the Department concluded in Northwest/KLM, “a shorter term may not allow the full effect of the implementation of the Agreement to become apparent. Furthermore, Section 414 [now 49 U.S.C. § 41308] does not require us to review the implementation of the Agreement within a shorter period of time.” Order 93-1-11 at 16.

**c. Entry at airports in Malaysia**

The new **Kuala Lumpur** International Airport, which opened in 1998, is one of the largest and most advanced airports in the world. The new facilities are sufficient to accommodate new entry by U.S. carriers.

**d. IATA Tariff Coordination**

In conjunction with the Department’s approval and grant of antitrust immunity to their alliance, the Joint Applicants are prepared to consent to the imposition of the now-standard condition prohibiting participation in certain IATA tariff coordination activities. The Department conditioned its approval and antitrust immunization of the **United/Lufthansa/SAS** and **Delta/Swissair/Sabena/Austrian** alliances on those carriers’ withdrawal from IATA tariff conference activities involving discussion of proposed through fares, rates or charges applicable between the United States and foreign carrier alliance partners’ home countries.’ Northwest has previously agreed voluntarily to limit its IATA participation, and Malaysia Airlines is willing to

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<sup>3</sup> See Order 99-4-17, April 22, 1999, at 22 & n.39 (Docket OST-97-3285).

provide the same commitment.<sup>4</sup>

**e. Use of Common Service Name or Brand**

As a condition of approval and grant of antitrust immunity, the Joint Applicants are prepared to accept a condition similar to that imposed on other immunized alliances, whereby, if they choose to operate under a common name or brand, they will be required to seek separate approval from the Department prior to such operations.

**f. O&D Survey Data Reporting Requirement**

As a condition of approval and grant of antitrust immunity, the Joint Applicants are prepared to accept a condition whereby Malaysia Airlines may be required to report full-itinerary Origin-Destination Survey of Airline Passenger Traffic for all passenger itineraries containing a U.S. point on the understanding that such data will be handled on a confidential basis by the Department. The Joint Applicants will accept such a data reporting condition if it is consistent with the condition imposed by the Department on other immunized alliances.

**g. CRAF**

Granting this application will have no effect on Northwest's Civil Reserve Air Fleet commitments.

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<sup>4</sup> &Letter from Elliott M. Seiden, Vice President, Law and Government Affairs, Northwest Airlines, Inc. to Mark L. Gerchick, Deputy Assistant Secretary for Aviation and International Affairs, U.S. Department of Transportation, May 8, 1996 (Docket OST-96-1116).

**VI. RESPONSE TO ADDITIONAL INFORMATION REQUIREMENTS**

In order to expedite the Department's review of this application, we are submitting the following information:

a. **Existing Codeshare Relationships**

The existing codeshare arrangements of **MAS** are listed in Exhibit **JA-8**. The existing codeshare arrangements of Northwest are well known to the Department. Northwest and **MAS** have no current plans to integrate their proposed codeshare operations with the operations of other carriers.

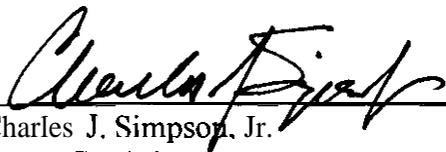
b. **MAS O&D Data**

The Department has in past cases requested the foreign carriers to submit their O&D data for their top 100 city pair markets involving a U.S. point. **MAS** only maintains traffic data on a gateway-to-gateway basis; those data for 1997-1999 will be filed as Exhibit **MAS-1** on a confidential basis under Rule 39.

**VII. CONCLUSION**

For the foregoing reasons, Northwest and Malaysia Airlines urge the Department to approve, on an expedited basis, the Coordination Agreement under 49 U.S.C. § 41309, and to grant antitrust immunity to the Agreement under 49 U.S.C. § 41308.

Respectfully submitted,



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(202) 842-3193

## CERTIFICATE OF SERVICE

I hereby certify that on this 13<sup>th</sup> day of January, 2000, a copy of the foregoing Joint Application of Northwest Airlines and Malaysia Airlines was served by first class mail, postage prepaid, on the following:

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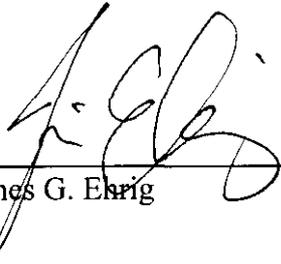
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January 13, 2000

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Chief, Transportation, Energy &  
Agricultural Section  
Antitrust Division  
U.S. Department of Justice  
325 Seventh Street, N.W.  
Suite 500  
Washington, D.C. 20530



James G. Ehrig

## COORDINATION AGREEMENT

This Coordination Agreement dated as of December 22, 1999 (the "Coordination Agreement") is made and entered into by and between:

MALAYSIAN AIRLINE SYSTEM BERHAD, a corporation formed under the laws of Malaysia with its principal place of business at Bangunan MAS, 33<sup>rd</sup> Floor, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia ("MH"); and

NORTHWEST AIRLINES, INC., a corporation formed under the laws of the State of Minnesota with its principal place of business at 5101 Northwest Drive, St. Paul, MN 55111-3034, U.S.A. ("NW").

In this Coordination Agreement, ~~MH~~ and NW may be individually referred to as "a Party" and may be collectively referred to as "the Parties".

### WITNESSETH

**WHEREAS**, MH and NW have entered a Commercial Cooperation Agreement, dated September 22, 1999, to link their route networks and enable them to market globally integrated air transportation services in competition with other carriers and carrier alliances while remaining independent companies (the "MH/NW CCA" or "CCA");

**WHEREAS**, to expand exponentially the benefits available to the traveling and shipping public from the MH/NW CCA and to facilitate further efficiency-enhancing coordination of their services on a global basis, MH and NW now desire to create a system for coordination between them that will enable the Parties to discuss and coordinate between themselves the activities they plan to undertake in establishing and implementing the CCA; and

**WHEREAS**, the Parties intend to seek appropriate antitrust review, including immunity from U.S. antitrust laws pursuant to 49 U.S.C. 41309 without which the Parties will not proceed with the implementation of this Coordination Agreement as contemplated herein;

**NOW, THEREFORE**, in consideration of the promises, mutual covenants and agreements herein contained, the Parties agree to enter into this Coordination Agreement under the terms and conditions set forth herein.

### ARTICLE 1 COORDINATION PRINCIPLES

- 1.1 The Parties shall coordinate, facilitate, and implement their commercial cooperation in such manner as they mutually deem appropriate in accordance with the following key principles:
  - 1.1.1 The Parties shall seek to provide air transport services and related customer service at the highest level of efficiency and service commercially feasible.

- 1.1.2 The Parties shall seek to maximize efficiencies within and between their respective route networks through coordination between themselves.
- 1.1.3 The Parties shall seek to maximize profitability through coordination of routes, schedules and resources to minimize costs such as delays, needless expenses and **inefficient allocation** of resources.
- 1.1.4 The Parties shall seek to capture the efficiencies that stand to be gained through the creation of a single network as if the Parties were to have merged and operate as a single **firm**.
- 1.1.5 The Parties shall abide by the terms of the **CCA** and any modification or amendments of or subsidiary agreement thereto.
- 1.1.6 The Parties shall remain independent **legal** entities.

## **ARTICLE 2 AREAS OF COORDINATION**

- 2.1 The Parties agree that, among others, the following Areas of Coordination are anticipated:
  - 2.1.1 Route and schedule planning and coordination throughout their global route networks;
  - 2.1.2 Establishment and management of marketing, advertising; sales and distribution networks, staffs, programs, and policies and systems.
  - 2.1.3 Branding/co-branding (including the creation of logos and corporate markings), product development (including but not limited to interior design, decoration and cabin layout, in-flight entertainment and services and passenger ground services), and market research;
  - 2.1.4 Code Sharing;
  - 2.1.5 Pricing, inventory and yield management including but not limited to the development, coordination and offering of any and all fare products, group bids, auxiliary service charges and collection policies, revenue management methods and procedures and inventory management;
  - 2.1.6 Sharing revenues received by one or both Parties for air transportation services on certain routes which one or both Parties may select from time to time and the development, implementation and management of joint ventures, if any, the Parties may create;

- 2.1.7 Procurement of goods and services, including station and ground handling services, general goods and services, field and station supplies, catering, crew uniforms, information technology products and services, fuel and maintenance;
  - 2.1.8 Obtaining and providing support services, including passenger and ramp services, training and catering;
  - 2.1.9 Creation, management, operation, marketing and distribution of cargo services, including development of cargo products, coordinated use of cargo facilities and terminals, ground handling, coordination of trucking and **RFS** services and coordination of cargo services in any of the substantive areas specified in this Article 2.1. (e.g. cargo pricing, inventory and yield management);
  - 2.1.10 Integration, design, and development of information systems (including **inventory**, yield management, reservation, ticketing, distribution and other operational systems), information technologies and distribution channels;
  - 2.1.11 Coordination and possible integration of frequent flyer programs;
  - 2.1.12 Harmonization of financial reporting practices, including revenue and cost accounting practices;
  - 2.1.13 Harmonization of service levels and in-flight amenities;
  - 2.1.14 Provision of aircraft and ground equipment and technical and maintenance services between the Parties at appropriate locations;
  - 2.1.15 Sharing of facilities and services at airports served by one or both Parties;
  - 2.1.16 Development and implementation of a model for calculating, monitoring and sharing the incremental benefits from the CCA; and,
  - 2.1.17 Promoting common use of the Parties' subsidiaries and commuter carrier affiliates.
- 2.2 Subject to the key principles set forth in Article I. 1 above, the Parties' obligations under the CCA and their respective commercial goals, the Parties shall be entitled to:
- 2.2.1 Exchange information regarding any action undertaken or to be undertaken by one of the Parties within any Area of Coordination;
  - 2.2.2 Discuss the manner in which any action undertaken or to be undertaken by one of the Parties within any Area of Coordination relates or should relate to actions undertaken or to be undertaken the other Party within that Area of Coordination; and

- 2.2.3 Agree on and coordinate actions within any Area of Coordination; however, this provision shall in no way obligate, bind or require a Party to participate in any such exchange, discussion, agreement or coordination.
- 2.3 Notwithstanding the foregoing, the Parties shall not exchange information, discuss, agree upon or coordinate:
- 2.3.1 the management of their respective interests in the WorldSpan and Abacus CRS systems; or,
- 2.3.2 on any subject or in any manner that would cause any Party to contravene (i) any law, regulation or order of any government authority or court having jurisdiction over such Party; or (ii) the conditions of any grant of authority or immunity by any government authority, including any order that may in the future grant antitrust immunity to the Parties in connection with this Coordination Agreement.

### **ARTICLE 3 ADMINISTRATION**

To fulfill the functions set forth in Article 2 above and to administer coordination of the CCA, the Parties agree as follows.

- 3.1 Each Party shall appoint one or more representatives, who shall meet in person or by telephone from time to time with such frequency as the Parties may agree.
- 3.2 The representatives appointed pursuant to Article 3.1 may designate any working groups and committees as may be necessary to achieve effective coordination in the areas set forth in Article 2.
- 3.3 The Parties may appoint different representatives for coordination of different functions or subject matters,

### **ARTICLE 4 IMPLEMENTATION AND CONDITIONS**

- 4.1 The Parties shall make a common approach to U.S. and other relevant regulatory authorities for the purpose of obtaining all regulatory approvals necessary to this Coordination Agreement.
- 4.2 This Coordination Agreement shall take effect when the Parties agree that they have obtained all requisite clearances, including the approval of the agreement and the immunization of the Parties from liability under the antitrust laws pursuant to 49 U.S.C. 41308 and 41309 for all activities provided for in this Agreement, subject to conditions, if any, that are acceptable to all Parties.

When one Party believes that all requisite clearances have been obtained, that Party shall notify the other Party pursuant to Article 7 and the other Party shall advise under Article 7 within 72 hours whether or not it concurs. If the Parties

concur, the Agreement shall **take** effect upon the receipt of the concurrence of the second Party (the “Effective Date”).

- 4.3 In the event that this Coordination Agreement has not taken effect by October 31, 2000, either Party may declare this Coordination Agreement null and void upon written notice to the other Party.

## **ARTICLE 5 INCLUSION OF OTHER PARTIES AND ALLIANCES**

- 5.1 The Parties may be open to opportunities for inclusion of other carriers or carrier alliances as parties to this Coordination Agreement. Admission of such parties shall take place only by unanimous consent of the Parties and shall not become effective until all necessary regulatory approvals are obtained pursuant to Article 5.2.
- 5.2 If the Parties unanimously elect to include one or more additional carriers or carrier alliances as parties to the Coordination Agreement, the Parties shall amend this Agreement (including, to the extent the Parties deem appropriate, Article 6) pursuant to Article 11 hereof to provide for inclusion of such additional carrier(s) or carrier alliance(s) and the Parties shall together make a common approach to U.S. and other relevant regulatory authorities for the purpose of obtaining all regulatory approvals necessary for such amendment.

## **ARTICLE 6 DURATION AND TERMINATION**

- 6.1 This Coordination Agreement shall remain in effect until terminated in accordance with Article 6.2 hereof.
- 6.2 This Coordination Agreement shall be terminated:
- (i) simultaneously with the termination of the CCA;
  - (ii) in the event that it is mutually agreed by the Parties that they can each fulfill their obligations to the other without benefit of this Agreement; or
  - (iii) in accordance with Article 4.3.

## **ARTICLE 7 NOTICES**

Notices required or permitted under this Coordination Agreement shall be in writing and communicated to the following persons:

For **MH**:

Malaysian Airline System Berhad  
33<sup>rd</sup> Floor, Bangunan MAS

Jalan Sultan Ismail

50250 Kuala Lumpur, Malaysia

Attention: Executive Vice President Airline

Fax: 60-3-2163-1718

With a copy to:  
Group General Counsel  
Fax: 60-3-2161-3631

For NW:

Northwest Airlines, Inc.  
2700 Lone Oak Parkway  
Eagan, MN 55121  
Attention: Senior Vice President, Alliances  
Fax: 612-727-6759

With a copy to:  
Executive Vice President and General Counsel  
Fax 612-726-0921

#### ARTICLE 8 NO CREATION OF FINANCIAL OBLIGATIONS

Except as set forth in Article 9, nothing in this Coordination Agreement shall give rise to any financial obligation by one Party to the other Party, nor interfere or limit the rights or obligations that one Party may have to or be owed by the other Party by virtue of other agreements existing between them.

#### ARTICLE 9 GENERAL INDEMNIFICATION

As between the Parties to this Coordination Agreement, activities falling within the scope of this Coordination Agreement, but not otherwise covered by any other agreement between the Parties, will be deemed to be within the scope of and covered by the indemnification clause(s) of the CCA between the Parties.

#### ARTICLE 10 NO THIRD-PARTY BENEFICIARIES

This Coordination Agreement is for the benefit of the Parties and is not intended to confer any rights or benefits on any third party.

#### ARTICLE 11 AMENDMENTS

This Coordination Agreement may be modified only by a written instrument duly executed by or on behalf of each Party.

#### ARTICLE 12 GOVERNING LAW; DISPUTE RESOLUTION

12.1 This Coordination Agreement shall be governed by the laws of New York, without reference to the choice of law provisions thereof, provided, however that this Article does not modify or affect the governing law provisions in any of the agreements underlying the commercial cooperation between the Parties or any

decision as to what laws should govern those agreements or any disputes that may arise with respect to those agreements,

12.2 All disputes, controversies, or differences between the Parties which may arise out of or in relation to or in connection with this Coordination Agreement, or the breach thereof, shall be resolved through good faith negotiation, if possible. If prompt and reasonable resolution through such negotiation is not possible, in the sole judgment of either party, the dispute(s) shall be finally settled in accordance with the arbitration procedures set forth in Section 14 of the CCA.

### **ARTICLE 13 PRIOR AGREEMENTS**

The Parties agree that as of the Effective Date, this Coordination Agreement supplements and modifies the MH/NW CCA.

### **ARTICLE 14 COUNTERPARTS**

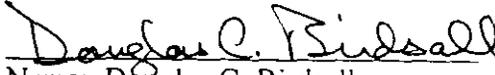
This Coordination Agreement may be executed in one or more counterparts all of which taken together will constitute one and the same instrument.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed in their names and on their behalf by their respective officers duly authorized, on the day and year first written above.

**MALAYSIAN AIRLINE  
SYSTEM BERHAD**

**NORTHWEST AIRLINES, INC.**

x   
\_\_\_\_\_  
Name: Dato' Bashir Ahmad  
Title: Executive Vice President, Airline

  
\_\_\_\_\_  
Name: Douglas C. Birdsall  
Title: Senior Vice President  
Alliances

**COMMERCIAL COOPERATION AGREEMENT**

*Between*

**NORTHWEST AIRLINES, INC.**

*And*

**MALAYSIAN AIRLINE SYSTEM BERHAD**

**September 22, 1999**

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MALAYSIAN AIRLINE SYSTEM **BERHAD** & NORTHWEST AIRLINES, INC.

COMMERCIAL COOPERATION AGREEMENT -

This Commercial Cooperation Agreement ("Agreement") is made as of September 22, 1999 by NORTHWEST AIRLINES, INC., with a principal place of business at 5101 Northwest Drive, St. Paul, MN 55111-3034, USA (hereinafter "Northwest" or "NW"), and MALAYSIAN AIRLINE SYSTEM **BERHAD**, with a principal place of business at Bangunan MAS, 33rd Floor, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia (hereinafter "Malaysia Airlines" or "MH"). The parties collectively shall be referred to as "Carriers."

Section 1. Codeshare Service

- a. Codeshare Service. For purposes of this Agreement, the term "Codeshare Service" will mean either MH or NW coded passenger air transportation on domestic Malaysia, domestic U.S., Malaysia-U.S., Malaysia-Rest of the World or U.S.-Rest of the World routes where air transportation is provided via flights operated by MH which display the NW code and vice versa. The Codeshare Services shall be operated in accordance with all applicable laws, rules and regulations of governmental authorities having jurisdiction over the affected Codeshare Service.

Each Carrier shall have certain defined rights to sell seats on the Codeshare Service flights operated by the other Carrier. Such sales shall generally be made on a 'free sell' basis or as may otherwise be agreed by the parties whereby the operating carrier's inventory is made available on real time basis to the codeshare carrier. In this regard, the Carriers will consult with each other and develop the specific terms, conditions and procedures for selling each other's inventory.

- b. Categories of Codeshare Service. Codeshare Service will initially be implemented in the markets set forth in Exhibit A. The Carriers agree that there are six (6) categories of Codeshare Service, each of which is described below and each of which may be implemented on a schedule to be agreed by the Carriers:

- i. NW on MH's Domestic Malaysia Flights. This category of codesharing is comprised of situations wherein NW places its code in both directions on certain MH domestic Malaysia flights. The resultant NW coded, MH operated domestic Malaysia flights will connect with NW operated Malaysia-US. flights and NW coded MH operated Malaysia-U.S. flights and provide published NW coded connecting service between a point or points in Malaysia and one or more U.S. or Asian points in accord with the Air Transport Agreement between the U.S. and Malaysia ("U.S./Malaysia Aviation Bilateral") and any other aviation bilateral agreements involving intermediate points.

- ii. MH on NW's Domestic U.S. Flights. This category of codesharing is comprised of situations wherein **MH** places its code in both directions on certain NW domestic U.S. flights. The resultant **MH** coded, NW operated domestic U.S. flights will connect with **MH** operated Malaysia-U.S. flights and **MH** coded NW operated Malaysia-U.S. flights and provide published **MH** coded connecting service between a point or points in the U.S. and one or more Malaysian or Asian points in accord with the U.S./Malaysia Aviation Bilateral and any other aviation bilateral agreements involving intermediate points.
- iii. MH on NW's Malaysia-U.S. Flights. This category of codesharing is comprised of situations wherein **MH** places its code in both directions on certain NW operated Malaysia-U.S. flights in accord with the U.S./Malaysia Aviation Bilateral and any other aviation bilateral agreements involving intermediate points. This will allow such Northwest operated flights to be published and sold as **MH** itineraries.
- iv. NW on MH's U.S.-Malaysia Flights. This category of codesharing is comprised of situations wherein NW places its code in both directions on certain **MH** operated Malaysia-U.S. flights in accord with the U.S./Malaysia Aviation Bilateral and any other aviation bilateral agreements involving intermediate points. This will allow such **MH** operated flights to be published and sold as NW itineraries.
- v. MH on NW's U.S.-Rest of the World Flights  
This category of codesharing is comprised of situations wherein **MH** places its code in both directions on certain NW operated U.S.-Rest of the World flights in accord with the U.S./Malaysia Aviation Bilateral and any other aviation bilateral agreements involving intermediate points. This will allow such Northwest operated flights to be published and sold as **MH** itineraries. Implementation of this category of Codeshare Service is subject to mutual agreement of the Carriers.
- vi. NW on MH's Malaysia- Rest of the World Flights.  
This category of codesharing is comprised of situations wherein NW places its code in both directions on certain **MH** operated Malaysia- Rest of the World flights in accord with the U.S./Malaysia Aviation Bilateral and any other aviation bilateral agreements involving intermediate points. This will allow such **MH** operated flights to be published and sold as NW itineraries. Implementation of this category of Codeshare Service is subject to mutual agreement of the Carriers.

Section 2. Implementation of this Agreement

a. Implementation Plans.

The Carriers will consult with each other regarding the operational details for the definition and development of all **NW-MH** codeshare and related cooperative marketing programs. In this regard, the **Carriers** will develop internal and mutually agreeable timetables for the implementation of all individual and cooperative programs.

b. Schedule Coordination.

The Carriers have reviewed and will continue to review their schedules to identify and establish **as** many connection opportunities as possible at common gateways. The Carriers will **adjust** as many flight schedules as possible to maximize connectivity at common connecting points to the extent that the adjustments are economically feasible in the judgment of the operating carrier. The Carriers will establish procedures for exchanging schedules and schedule changes including how daylight time changes should be absorbed within the network and implement appropriate, mutually agreed schedule coordination programs.

c. Internal Reservations and Distribution Systems.

The **Carriers** agree to link their computer systems used in supporting Codeshare Service to facilitate sales systemwide. The Carriers will consult with each other regarding the technical plan and timetable for establishing such linkage. Computer system linkage will be established prior to the implementation of Codeshare Service pursuant to this Agreement.

d. Through Check-In and Seamless Connecting Service.

The Carriers will use their reasonable best efforts to attain through check-in and "seamless" connecting service such that their joint passengers will enjoy the convenience of checking in to any selected **NW** or selected **MH** airport ticket counter and receiving seat assignments, boarding cards, luggage tags to final destinations, documentation checks and frequent flyer credits as appropriate for their connecting flights on the Carriers. The Carriers will consult with each other and develop a mutually agreed technical plan and timetable for implementing through check-in and seamless connecting service.

e. Prorates.

The Carriers have entered into a bilateral special prorate agreement ("Bilateral Prorate Agreement") that provides for the distribution of the interline revenues generated as a

**result** of their commercial **cooperation**. The Bilateral Prorate Agreement is set forth as Exhibit B hereto. Such distribution shall be equitable and proportionate, and each Carrier agrees that it will not grant to third party carriers any prorate concessions relative to domestic Malaysia or domestic US sectors operated in connection with the same Malaysia-U.S. origin-destination markets which are more favorable than the prorates then in effect between the Carriers that are party to this Agreement.

f. **Frequent Flyer Programs.**

The Carriers have separately entered into a reciprocal frequent flyer agreement (“Frequent Flyer Agreement”) that provides for the development of mutually beneficial programs to enhance passenger loyalty on both airlines. Such agreement provides for each Carrier to participate in the other’s frequent flyer program with reciprocal earning and redemption opportunities for at least the duration of **this** Agreement.

g. **Marketing and Sales.**

The Carriers will use reasonable best efforts to take advantage of all available marketing and sales synergies.

h. **Promotion and Advertising.**

The Carriers will explore opportunities to share trade advertising to promote joint service offerings to the travel trade in Malaysia, the United States and other locations as appropriate and will seek the support of their respective national tourism agencies for the promotion of travel products.

i. **Tour Products.**

The Carriers will explore opportunities to collaborate in developing and promoting tour products through their respective tour agencies, subsidiaries or other distribution media or channels.

j. **Product Quality, Consistency and Coordination.**

The Carriers will study their respective airport and **inflight** product standards and their information systems compatibility levels and will establish and implement certain minimum criteria as prerequisites to codesharing.

k. **Cost Sharing**

The Carriers will implement cost sharing programs, as appropriate, in **connection** with the Codeshare Service.

l. Cargo and Mail

The Carriers will develop and implement mutually beneficial commercial cooperation programs with respect to the carriage of cargo and mail. Such programs may include, but are not limited to, a separate prorate agreement for interline cargo shipments and an agreement implementing mail codesharing.

m. Staff Contacts.

The Carriers will provide each other with a list of internal staff contacts whose responsibility it is to develop and implement codesharing between the Carriers and the other commercial cooperation programs of this Agreement.

Section 3. Effective Date and Term, Termination and Survival of Obligations

- a. Effective Date and Term. This Agreement shall become effective on date first appearing above and shall remain in effect continuously thereafter until terminated. After an initial term that shall run for at least three (3) years from the date on which Codeshare Service is implemented, either MH or NW may deliver to the other party advance written notice of termination which notice provides for a termination date for this Agreement at least 365 days subsequent to the delivery of the notice of termination. The Carriers recognize and agree that implementation of this Commercial Cooperation Agreement is subject to the approval of each Carrier's Board of Directors, where necessary. The implementation date of the Codeshare Service is subject to obtaining the necessary regulatory approvals and/or the availability of internal reservations and distribution systems pursuant to Section 2.c. above.
- b. Termination without Default. Notwithstanding Section 3.a. above, a Carrier shall have the option of earlier termination of this Agreement: (i) if the other Carrier ceases airline operations; (ii) on sixty (60) days prior written notice if the other Carrier enters bankruptcy; (iii) on six (6) months prior written notice if the other Carrier merges with another airline and that other party to this Agreement is not the surviving entity in the merger; (iv) if either the US or Malaysian government, or any other government whose approval is necessary to maintain codeshare service, were to withdraw its approval of the codesharing arrangement or impose a material condition or limitation on codesharing operations pursuant to this Agreement which renders implementation or performance of this Agreement impossible or economically infeasible; or (v) if that Carrier's performance is interrupted for an extended period of time (at least three (3) months or more) because the other Carrier's operations are seriously affected by a Force Majeure as defined in Section 19 below.
- c. Termination for Default. Notwithstanding Section 3.a. above, if either party shall materially default in the performance of any of the terms, covenants or conditions of this

Agreement, the other party may give written notice of such default to the party in default. Except as otherwise provided in Section 4.b.i below, in the event such default is not cured within thirty (30) days after the giving of such notice, the party giving notice may terminate the Agreement effective upon such date that party specifies by further notice to the party in default, without prejudice to any other rights which the party giving notice may have. As long as one of the Carriers has commenced dispute resolution proceedings pursuant to Section 14, herein, the Carriers agree to allow the **arbitral** tribunal to determine whether any termination pursuant to this subsection 3.c. was appropriate. The waiver by either party of performance of any term, covenant or condition of this Agreement in a particular instance shall not constitute a waiver of any subsequent breach or preclude such party **from** thereafter demanding performance thereof according to the terms hereof.

In the event of a material default, the Carrier found to be in default shall be liable to the other Carrier for such damages for breach of contract as are available under the laws of New York as determined pursuant to the procedures set forth in Section 14 of this Agreement. Provided, however, that neither Carrier will be liable for any consequential, punitive or exemplary damages arising from any performance or failure to **perform** under this Agreement, even if such Carrier knew or should have known of the existence of such damages, and each Carrier hereby releases and waives any claims against the other Carrier regarding such damages.

- d. Survival of Obligations. The Carriers agree that their covenants and obligations contained herein with respect to payments to the other Carrier, confidentiality and non-disclosure and each Carrier's rights and remedies under this Agreement in relation thereto and rights of indemnity shall survive notwithstanding termination of this Agreement.

#### Section 4. General Terms and Conditions for Codeshare Service

a. Aircraft and Crews

The Carriers will provide the scheduled air service that is part of the Codeshare Service in full compliance with FAA, or the equivalent regulatory authority of Malaysia, regulations applicable to scheduled passenger air service. Flights operated by Malaysia Airlines shall be operated with its aircraft and crews, and flights operated by Northwest shall be operated with its aircraft and crews. Each Carrier's flights will be operated at its own expense and under its normal operating arrangements. --

b. Aviation Safety and Security

- i. Each Carrier shall ensure the safety of its own flights in accordance with all applicable laws and regulations. The Carriers shall exchange information on

aviation safety and security, and the Carriers agree to provide each other with technical and material support with respect to aviation safety and security.

The Carriers are vitally interested in the safety of their respective passengers and crew and this is reflected in the application of stringent safety standards to their respective flight operations, maintenance, and ground operation areas, consistent with or in excess of what is required by the FAA or other regulatory bodies. Each party acknowledges the value to the other Carrier of the safety associated with each Carrier's brand name and agrees that its code share flights will meet all safety standards as defined by the other Carrier. Provided, however, that any safety requirement of the other Carrier that is in addition to what a Carrier applies to its own services will be discussed and agreed upon prior to implementation. The Carriers agree that all such safety standards will be those that they deem necessary to both operate safely and separately to provide assurances to their respective passengers that flights operated with their respective air carrier codes will be safe operations. Either Carrier may terminate the use of its code on the other Carrier's flights upon one (1) day advance written notice to the other Carrier if it determines, in its sole and absolute discretion, that the other Carrier has failed to comply with the terminating Carrier's safety standards in accordance with the above requirements. If such failure to comply with safety standards continues for fourteen (14) days following such code use termination, the Carrier giving notice may immediately terminate this Agreement for such material breach by the other Carrier.

- ii. Each Carrier agrees that prior to the commencement of Codeshare Service, and during the term of this Agreement, it will allow the other Carrier to perform safety due diligence audits. The Carrier that is the subject of an audit (i) shall fully cooperate with the other Carrier in its conduct of the audit and (ii) shall promptly take any necessary corrective actions, based upon the results of the audit, as mutually agreed between the Carriers,

c. Dual Service

Notwithstanding anything to the contrary set forth herein, or any implication to the contrary, Northwest and Malaysia Airlines each reserves and retains the right to enter any market with its own equipment and crews.

d. Irregular Operations

In the event of schedule delay, schedule irregularity, or cancellation on any codeshared flight, the operating Carrier shall provide, at its expense, all ticketed passengers with the same interrupted trip amenities, compensation, or any other service that the operating carrier provides to its passengers. The operating Carrier shall also provide, at its expense.

all ticketed passengers with transportation to the final destination on the next available flight on the operating carrier or with transportation on another carrier. Such service by the operating carrier shall be substantially similar to that described in IATA Resolution 735d. However, in the event the Codeshare Service is conducted on a seat block basis, such interrupted trip amenities, rerouting, compensation or any other related services shall be undertaken by each carrier with respect to its ticketed passengers when the delay of any Codeshare Service flight is made known at more than 24 hours prior to STD.

e. Family Assistance

The Carriers agree that with respect to the Codeshare Service they will coordinate regarding emergency response and family assistance matters including joint activation procedures, and in the event of an aircraft accident each Carrier will use its reasonable best efforts to cooperate with the other Carrier in promptly responding to such accident and providing necessary assistance and services to the family members of passengers. Subject to the execution of a separate written agreement, NW may provide to MH family assistance services for MH's flights operating to/from U.S. points and MH may provide to NW family assistance services for NW's flights operating to/from Malaysian points. The compensation to be paid for such family assistance services shall be included in the separate agreement to be negotiated between the Carriers.

f. Fares

Except as set forth in the last sentence of the second paragraph of this Section 4.f., NW shall establish on its own and publish all local and through fares applicable to its flights that are operated as part of the Codeshare Service. NW shall also establish on its own and publish tariffs and fares for flight itineraries using its designator code (NW\*) which include transportation via flights operated by Malaysia Airlines as part of the Codeshare Service.

Except as set forth in the last sentence of the first paragraph of this Section 4.f., MH shall establish on its own and publish all local and through fares applicable to its flights that are operated as part of the Codeshare Service. MH also shall establish on its own and publish tariffs and fares for flight itineraries using its designator code (MH\*) which include transportation via flights operated by Northwest as part of the Codeshare Service.

If required, each Carrier will independently submit its fares to the respective governments for approval.

Unless specifically modified by the Bilateral Prorate Agreement, all fares filed by MH that include NW operated flight segments shall generally provide that the NW segments be booked in the same booking class as similarly valued (on a net receipts to operating carrier basis) segments booked by NW. Similarly, all fares filed by NW that include MH

operated flight segments shall generally provide that the MH segments be booked in the same booking class as similarly valued segments booked by MH.

g. Carriage and Tariff Rules

NW and MH shall jointly develop those conditions of carriage and tariff rules for the Codeshare Service that need to be as similar as possible in order for the Codeshare Services to be provided in a seamless manner. Such rules governing the air transportation provided as part of the Codeshare Service shall be available for public inspection at NW's and MI-I's corporate offices, at each Carrier's airport ticket offices, and at each Carrier's city ticket office in the manner required by the U.S. DOT and the equivalent Malaysian regulations.

h. CRS Charges

NW shall be responsible for any third party computer reservation system (CRS) segment fee costs for NW\* ticketed passengers on codeshare flight segments operated by MH, including without limit those segment fees assessed by Worldspan:

MH shall be responsible for any third party computer reservation system (CRS) segment fee costs for MH\* ticketed passengers on codeshare flight segments operated by NW including without limit those segment fees assessed by MH's host CRS.

i. Baggage and Cargo Settlement

Baggage and cargo handling, and settlement of baggage and cargo handling claims between the Carriers, shall be in accordance with this Agreement, existing tariffs and the Trade Practices Manual of the Air Transport Association or the IATA Resolutions and Recommended Practices Manual, whichever applies.

j. Revenue Settlement

- i. The operating Carrier will retain all flight coupons and bill the codeshare Carrier for actual coupons uplifted through normal passenger billing at rates defined in the Bilateral Prorate Agreement:
- ii. Revenue derived from charges collected for excess baggage and other related services (pets, stretchers, infants, etc.) shall belong to operating Carrier.
- iii. The Carriers agree to accept each other's tickets without endorsement for transportation covered under this Agreement.

- iv. Settlement under this Agreement shall be through the IATA Clearing House. Should one or both Carriers cease to be a member of IATA Clearing House, settlement shall be determined by the accountants of the Carriers concerned in accordance with an Interline Settlement Agreement to be concluded between the Carriers.
- v. Any disputes that may arise with respect to revenue settlement will be mutually agreed and settled within six months **from** notice of objection. However, if agreement is not reached within such six month period, the Commercial Managers of both Carriers will be notified immediately and will finally resolve the dispute through good faith negotiations, if possible.

k. Schedule Transmission and Publication

**MH** and **NW** shall provide to each other schedule tile information so that each may effectively publish in all distribution media the Codeshare Services contemplated in this Agreement.

l. Taxes

- i. For transportation utilizing **NW** travel documents or **NW** air waybills, **NW** shall be responsible for collecting and paying any taxes, duties, assessments, imposts, tariffs, fees, and any other charges (and any interest and penalties thereon) for which applicable law requires a ticketing carrier to be responsible (“Ticketing Carrier Taxes”). Ticketing Carrier Taxes include, but are not limited to, passenger facility charges, sales and use taxes, stamp taxes, *excise* taxes, **APHIS** user fees, value added taxes (in the nature of a sales or use tax), gross receipts taxes (in the nature of a sales *or* use tax), and U.S. Customs and Immigration user fees. For transportation utilizing **NW** aircraft, **NW** shall be responsible *for* collecting and paying all taxes, fees, and any other charges (and any interest and penalties thereon) imposed as a result of its activities at a particular location, including, but not limited to, landing fees, security charges, and **APHIS** aircraft fees (“Operating Carrier Taxes”). **NW** is solely responsible for any taxes on, based upon, or measured by its gross income, net income, or gross or net receipts (other than such taxes in the nature of a sales or use tax), and any interest and penalties thereon.
- ii. For transportation utilizing **MH** travel documents *or* **MH** air waybills, **MH** shall be responsible for collecting and paying any Ticketing Carrier Taxes. For transportation utilizing **MH** aircraft, **MH** shall be responsible for collecting and paying any Operating Carrier Taxes. **MH** is solely responsible for any taxes on, based upon, or measured by its gross income, net income, or gross or net receipts (other than such taxes in the nature of a sales or use tax), and any interest and penalties thereon.

- iii. Each carrier further agrees to indemnify, defend and hold the other carrier harmless from and against taxes, duties, assessments, imposts, tariffs, fees, and any other charges (as set forth in Sections 4.1.i and 4.1.ii, above.) (“Charges”) levied upon or advanced by the indemnified Carrier that ultimately the indemnifying Carrier would be responsible for paying. If either Carrier receives notice **from** any taxing authority with respect to any assessment, potential assessment or imposition of any Charges that the other Carrier would be responsible for paying, directly or through an indemnified claim pursuant to this Section 4.1.iii, the Carrier so notified shall inform the other Carrier in writing within (10) business days of receipt of such notice. If, under the applicable law of the taxing jurisdiction, the indemnifying Carrier is allowed directly to contest such tax in its own name, then the indemnifying Carrier shall be entitled, at its own expense and in its own name, to contest the assessment, imposition, validity, application, or amount of such tax, and to the extent permitted by law, withhold payment during **pendency** of such contest. If the indemnifying Carrier is not permitted by law to contest such tax in its own name, upon indemnifying Carrier’s request, the other Carrier shall in good faith and at the indemnifying Carrier’s expense, contest the assessment, imposition, validity, applicability, or amount of such **tax**. The other Carrier shall (i) supply the indemnifying Carrier with such information and documents requested by the indemnifying Carrier in a timely manner as is necessary or advisable for the indemnifying Carrier to control or participate in any proceeding to the extent permitted herein, and (ii) make all reasonable efforts to assist the indemnifying Carrier with **evidentiary** and procedural development of such contest or protest. The foregoing indemnity shall survive termination of this Agreement.
- (iv) The Carriers will consult with each other and develop a mutually agreeable plan for implementing this Section 4.1., taking into consideration applicable tax laws and regulations and IATA interline revenue accounting procedures.

m. Government Approvals

The Carriers **shall** each use their reasonable best efforts, in cooperation with the other, to obtain all necessary codesharing approvals from government authorities. In the event that any governmental agency or regulatory body having jurisdiction over the subject matter hereof shall require any material condition or limitation to this Agreement, the Carriers shall negotiate in good faith to make such amendments to this Agreement as shall be necessary to achieve the purposes and objectives of this Agreement.

n. Use of Trademarks and Logos

- i. The Carriers hereby acknowledge and agree that the logos, trademarks, service marks and trade names of NW shall be and remain at all times the exclusive

property of NW, and that the logos, trademarks, service marks and trade names of MH shall be and remain at all times the exclusive property of MH. Neither Carrier shall use the logos, trademarks service marks and trade names of the other Carrier without the other **Carrier's** written consent.

- ii. Each Carrier may provide to the other certain art work, drawings, or technical information and advice for the purpose of assisting such other Carrier in the advertising and promotion of the codeshare flights. All such drawings, technical information and advice will be treated by the receiving Carrier as confidential and proprietary information of the providing Carrier and the receiving Carrier will use it only for those purposes specifically authorized by the providing Carrier in advance and in writing.
- iii. **MH** hereby assumes liability for, and shall indemnify, defend, protect, save and hold harmless NW, its **officers**, agents and employees **from** and against any and all liabilities, claims, judgments, damages, and losses, including all costs, fees, and expenses incidental thereto, of every type and nature whatsoever, arising from or involving copyright, trademark, service mark or tradename infringement, provided that such liabilities, claims, judgments, damages or losses are caused by or arise out of (or are alleged to be caused by or arise out of) any alleged acts of **MH** or its officers, employees, or agents which are in any way related to the services contemplated by this Agreement, NW shall give **MH** prompt notice of any claim made or suit instituted against NW which, if successful, would result in indemnification of NW hereunder, and NW shall have the right to compromise or participate in the defense of same to the extent of its own interest.
- iv. NW hereby assumes liability for, and shall indemnify, defend, protect, save and hold harmless **MH**, its officers, agents and employees from and against any and all liabilities, claims, judgments, damages, and losses, including all costs, fees, and expenses incidental thereto, of every type and nature whatsoever, arising from or involving copyright, trademark, service mark or trade name infringement, provided that such liabilities, claims, judgments, damages or losses are caused by or arise out of (or are alleged to be caused by or arise out of) any alleged acts of NW or its officers, employees, or agents which are in any way related to the services contemplated by this Agreement. **MH** shall give NW prompt notice of any claim made or suit instituted against **MH** which, if successful, would result in indemnification of **MH** hereunder, and **MH** shall have the right to compromise or participate in the defense of same to the extent of its own interest.

**Section 5. Insurance.**

- a. Malaysia **Airlines' Insurance.** To the extent of the liability assumed by **MH** pursuant to this Agreement, **MH** agrees to maintain in full force and effect the following insurance

coverages (on an occurrence basis and not a claims made basis) during the term of this Agreement:

1. All Risk Aircraft Hull insurance including war and allied perils covering **MH's** aircraft. Hull insurance shall include endorsements that:
  - (a) Provide that the insurer shall waive its subrogation rights against **NW**.
  - (b) Provide that, as respects the interest of **NW**, this insurance shall not be invalidated by any breach of warranty.
2. Comprehensive Airline Liability insurance with limits no less than **\$2,000,000** per seat for the largest aircraft operated by **MH** combined single limit per occurrence, including but not limited to **aircraft** liability, passenger legal liability, and premises liability. Such insurance shall include personal injury and contractual liability.
3. The Comprehensive Airline Liability insurance shall provide that:
  - (a) Underwriters agree to accept and insure **MH's** hold harmless and indemnity undertaking in this Agreement in accordance with the policy terms and conditions.
  - (b) **NW** is named as an additional insured on such insurance.
  - (c) Said insurance is primary with respect to the matters within such coverage, irrespective of any insurance carried by **NW**.
  - (d) Provide that, as respects the interests of **NW**, this insurance shall not be invalidated by any breach of warranty by **MH**.
  - (e) Provide a severability of interest/cross liability endorsement.

b. **Northwest Insurance.** To the extent of the liability assumed by **NW** pursuant to this Agreement, **NW** agrees to maintain in full force and effect the following insurance coverages (on an occurrence basis and not a claims made basis) during the term of this Agreement:

1. All Risk Aircraft Hull insurance including war and allied perils covering **NW's aircraft**. Hull insurance shall include endorsements that:
  - (a) Provide that the insurer shall waive its subrogation rights against **MH**.

- (b) Provide that, as respects the interest of **MH**, this insurance shall not be invalidated by any breach of warranty.
- 2. Comprehensive Airline Liability insurance with limits no less than \$2,000,000 per seat for the largest aircraft operated by NW combined single limit per occurrence, including but not limited to aircraft liability, passenger legal liability, and premises liability. Such insurance shall include personal injury and contractual liability.
- 3. The Comprehensive Airline Liability insurance shall provide that:
  - (a) Underwriters agree to accept and insure NW's hold harmless and indemnity undertaking in this Agreement in accordance with the policy terms and conditions.
  - (b) MI-I is named as an additional insured on such insurance
  - (c) Said insurance is primary with respect to the matters within such coverage, irrespective of any insurance carried by **MH**.
  - (d) Provide that, as respects the interest of **MH**, this insurance shall not be invalidated by any breach of warranty by NW.
  - (e) Provide a severability of interest/cross liability endorsement

Prior to the commencement of this Agreement, each carrier shall deliver to the other carrier Certificates of Insurance evidencing compliance with the insurance terms of this Agreement. These Certificates of Insurance shall unconditionally obligate the insurer to notify the other carrier in writing at least thirty (30) days in advance of the effective date in the event of any material change in, or cancellation of such insurance.

**Section 6. Release and Indemnification.**

- a. **Indemnification by Malaysia Airlines.** **MH** agrees to release, indemnify, hold harmless and defend Northwest, its officers, directors, employees, agents, successors and assigns, from and against any and all claims, losses, damages, liabilities, causes of action, suits, judgments and expenses, whether groundless or not, including, but not limited to, reasonable attorneys fees, costs and related expenses, for bodily or personal injury, including death, to any persons, including, but not limited to, employees of **MH**, and for any loss of, damage to, or destruction of any property, including loss of use and consequential damage thereof arising out of or in any manner connected with the carriage of passengers or cargo by **MH**, whether or not occurring or arising out of the negligence whether active, passive, sole, joint, comparative, concurrent or any other type, of NW. its

officers, directors, employees or agents; provided, however, that the foregoing indemnification shall not apply to any such claims or liability (i) for injury or death of NW's employees incurred in the performance of their duty and for which workers' compensation normally is recoverable, (ii) for loss of, or damage to, or destruction of NW's property, or (iii) resulting from the willful misconduct or gross negligence of NW, its officers, directors, employees or agents.

- b. **Indemnification by Northwest.** NW agrees to release, indemnify, hold harmless and defend **MH**, its officers, directors, employees, agents, successors and assigns, from and against any and **all** claims, losses, damages, liabilities, causes of action, suits, judgments and expenses, whether groundless or not, including, but not limited to, reasonable attorneys' fees, costs and related expenses, for bodily or personal injury, including death, to any persons, including, but not limited to, employees of NW, and for any loss of, damage to, or destruction of any property, including loss of use and consequential damage thereof, arising out of or in any manner connected with the **carriage** of passengers or cargo by NW, whether or not occurring or arising out of the negligence whether active, passive, sole, joint, comparative, concurrent or any other type, of **MH**, its **officers**, directors, employees or agents; provided, however, that the foregoing indemnification shall not apply to any such claims or liability (i) for injury or death of **MH's** employees incurred in the performance of their duty and for which workers' compensation normally is recoverable, (ii) for loss of, or damage to, or destruction of **MH's** property, or (iii) resulting from the willful misconduct or gross negligence of **MH**, its officers, directors, employees or agents.

#### **Section 7. Global Alliance Participation**

Each Carrier has separately entered into commercial cooperation agreements with certain other major world airlines that are also partners with the other Carrier. Accordingly, the Carriers agree that it may be in their mutual interest for **MH** to become a **full** participant in the same global alliance as NW. In the event **MH** agrees to be admitted into NW's global alliance within eighteen (**18**) months of its launch date, this Agreement, the Bilateral Prorate Agreement and the Frequent Flyer Agreement may each be amended as necessary to include any available more favorable terms for **MH** that are essentially the **same** as terms made available to other comparable global alliance members.

#### **Section 8. Exclusivity**

- a. During the term of the Agreement, NW shall not enter into any Commercial Cooperation Agreement involving the flights of another Malaysian air carrier licensed to operate by Malaysia that applies to service for a U.S. city-Malaysian city origin-destination route on which **MH** and NW (including its U.S. partners) provide cooperative service via non-stop, direct, or single or double connecting flights. **MH** agrees that where in a particular domestic Malaysia market segment **MH does** not offer competitive services, NW may

request a waiver of this Section 8.a. to the extent necessary to allow NW to cooperate with another Malaysian airline with respect to that market segment.

- b. During the term of the Agreement, **MH** shall not enter into any Commercial Cooperation Agreement involving the flights of another U.S. air carrier licensed to operate by the United States of America that applies to service for a U.S. city-Malaysian city origin-destination route on which **MH** and NW (including its U.S. partners) provide cooperative service via non-stop, direct, or single or double connecting flights. Provided, however, that this Section 8.b. shall not preclude **MH** from entering into and continuing to independently maintain a Commercial Cooperation Agreement with NW's U.S. partners Continental Airlines, Inc., America West Airlines, Inc. **and/or** Alaska Airlines, Inc. with respect to codesharing and frequent flyer program cooperation in connection with the domestic U.S. services operated by those airlines. NW agrees that where in a particular domestic U.S. market segment neither NW nor its U.S. partners offers competitive services, **MH** may request a waiver of this Section 8.b. to the extent necessary to allow **MH** to cooperate with another U.S. airline with respect to that market segment.
- c. For purposes of this Section the term "Commercial Cooperation Agreement" shall include agreements which provide for among other things, (i) codesharing or codeshare flights, and (ii) cooperative frequent flyer programs. The exclusivity set forth in this Section 8 applies only to operations involving passengers and shall not apply to U.S.-Malaysia cargo services.

This Section 8 in no way restricts **MH** or NW from using the services of a third party provider of ground services for flights of either Carrier, nor does it limit either Carrier's right to have standard interline ticketing and baggage or prorate agreements or to coordinate connecting flights or engage in through check-in, down-line seat assignments and boarding passes for connecting passengers with any other airline.

#### **Section 9. Competitive Marketing**

Nothing in this Agreement confers any rights on either party to restrict the other party's ability:

- i. to maintain or change rates, fares, tariffs, markets, schedules, equipment services, distribution and marketing methods, competitive strategies or similar matters; or
- ii. to engage in vigorous and full competition with each other and other entities.

#### **Section 10. Representation and Warranty on Regulatory Compliance**

- a. **By Malaysia Airlines:** **MH** hereby represents and warrants to NW that this Agreement and the operation of the codeshare will not violate or infringe any Malaysian laws and regulations currently in force and will advise NW of any

change of regulatory requirements that may have to be met by **MH** and **NW** in operating the Codeshare Service.

- b. By Northwest: **NW** hereby represents and warrants to **MH** that this Agreement and the operation of the codeshare will not violate or infringe any local laws and regulations currently in force in the United States and will advise **MH** of any change of regulatory requirements that may have to be met by **MH** and **NW** in operating the Codeshare Service.

Section **11.** Assignment.

**This** Agreement shall not be assigned by either party without the prior written consent of the other party.

Section **12.** Notices.

All notices, requests, demands and other communications hereunder shall be in writing, transmitted by facsimile or mail, and shall be deemed to have been duly given when the party receiving the notice acknowledges it by facsimile or mail. Each party shall acknowledge receipt as soon as practicable but in any event within 2 business days of receiving any notice or demand. In the event receipt is not duly acknowledged, a notice sent by mail shall be deemed to have been served within seven (7) business days and notice given by fax shall be deemed to have been served upon receipt by the sender of the fax transmission report confirming that the fax has been successfully transmitted, provided the addressee does not within the following two (2) business days notify the sender that the fax was transmitted illegibly or incorrectly. Notices shall be transmitted:

- (1) if to **MH** to the attention of:  
Malaysian Airline System **Berhad**  
33rd Floor, **Bangunan MAS**  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
**Attn:** Executive Vice President Airline

**Sita:** KULDCMH  
**F a x :** 60-3-263-1718

with a copy to:  
Group General Counsel/Company Secretary  
**Sita:** KULLOMH  
**Fax No.:** 60-3-261-363 I

(2) if to Northwest to the attention of.  
Northwest Airlines, Inc.  
5 10 1 Northwest Drive  
Department A6390  
St. Paul, MN 55111-3034  
**Attn:** Senior Vice President - Alliances

**Sita:** HDQZONW  
**F a x :** 612-727-6759

with a copy to:  
Executive Vice President and General Counsel  
Fax No.: 612-726-0921

If there is any change to or modification of any address of facsimile number set forth above, the party changing such address or number shall use all reasonable efforts to promptly notify the other party of such change.

**Section 13. Governing Law.**

This Agreement shall be interpreted in accordance with, and performance shall be governed by, the laws of New York, regardless of the laws that might be applicable under principles of conflict of law. The English language version of this Agreement shall be the governing document.

**Section 14. Arbitration.**

All disputes, controversies, or differences between the parties which may arise out of or in relation to or in connection with this Agreement, or the breach thereof, shall be resolved through good faith negotiation, if possible. If prompt and reasonable resolution through such negotiation is not possible, in the sole judgment of either party, the dispute(s) shall be finally settled by arbitration which shall be conducted in the English language. Such arbitration shall be conducted in New York City in accordance with the **UNCITRAL** Arbitration Rules as at present in force. The appointing authority shall be the President of the International Court of Arbitration of the International Chamber of Commerce. The award rendered by the arbitrator(s) shall be final and binding upon the parties hereto.

**Section 15. Definition of Terms.**

Except as may be defined herein, the definition of airline industry terms shall be those generally used in the international airline industry and where available should use IATA and/or ICAO definitions.

Section **16.** Entire Agreement; Amendments; Inconsistency

This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof, and merges and supersedes all prior discussions, agreements and understandings concerning the subjects covered by this Agreement. Unless expressly provided herein, this Agreement may not be changed or modified, except by agreement in writing signed by the party to be bound thereby. In the event of any inconsistency between this Agreement and any related implementation agreement or cooperative marketing agreement between the Carriers, the terms, conditions and provisions of this Agreement shall prevail.

Section **17.** Confidentiality.

The parties agree to make public announcements regarding this Commercial Cooperation Agreement, and to state the benefits of it to the public, trade and others who need to know to **carry** out the Agreement and for the parties to avail themselves of its benefits. Other than the foregoing, the detailed terms of this Agreement and all other confidential and proprietary information and data supplied by one Carrier to the other hereunder ("Information") shall be kept strictly confidential by each of NW and **MH**. Without the express written consent of the other party, neither NW nor **MH** may disclose to any other person any of the Information in whole or in part, provided, however, that (i) subject to their agreement to be bound by this confidentiality provision, the attorneys, accountants, consultants and financial advisors of NW and **MH** may be informed of the contents of this Agreement (ii) this Agreement may be disclosed as required in connection with a proceeding to enforce the rights or remedies under this Agreement of a party hereto, and (iii) NW or **MH** may disclose this Agreement to the extent required by applicable law and/or its relevant regulations and governmental instructions.

Section **18.** Directors, Officers, Shareholders, Agents, Employees.

No director, officer, shareholder, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or any supplement, modification or amendment to this Agreement or because of any breach hereof.

Section **19.** Force Majeure, Etc.

Neither party shall be liable to the other for any loss, injury, damage or delay whatsoever resulting, directly or indirectly, from one or more of the following: Act of God; seizure under legal process, governmental sanctions, quarantine restrictions; tire, fog, flood, or other **weather**-related reason; failure or refusal on the part of any government or governmental agency to grant or issue approvals, clearances, exemptions, permits or operating authority, or recession or revocation thereof by any government or governmental agency; damage to or destruction of aircraft or other flight equipment; mechanical difficulties or breakdowns; unavailability of fuel; riots or civil commotion; strikes, lockouts or labor disputes (whether resulting from disputes

between either party and its employees or between other parties); US military or airlift emergency or substantially expanded US. military airlift requirements as determined by the U.S. government; activation of the U.S. Civil Reserve Air Fleet; war or hazards or dangers incident to a state of war; or any other acts, matters or things, whether or not of a similar nature, which are beyond the control of either party and which shall directly or indirectly, prevent, delay, interrupt, or otherwise adversely affect the furnishing, operation or performance of such transportation. In the event of a strike by NW employees, NW will use its reasonable best efforts to provide the services specified in this Agreement to MH. In the event of a strike by MH employees, MH will use its reasonable best efforts to provide the services specified in this Agreement to NW.

NW shall have the right to suspend performance of the terms of this Agreement forthwith in the event of and for the duration of an airlift emergency as determined by the United States Secretary of Defense or his designee or by the Commander of the United States Air Mobility Command, or if the United States Civil Reserve Air Fleet is activated by order of the Secretary of Defense.

MH shall have the right to suspend performance of the terms of this Agreement forthwith in the event and for the duration of an airlift emergency as determined by the Government of Malaysia.

**Section 20. Construction. Severability. No Third Party Beneficiary.**

This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against either party. In the event that any one or more of the provisions of this Agreement shall be determined to be invalid, unenforceable, or illegal, such invalidity, unenforceability or illegality shall not affect any other provision of this Agreement and the Agreement shall be construed as if such invalid, unenforceable or illegal provision had never been contained herein. NO PERSON OR ENTITY, OTHER THAN NORTHWEST OR MALAYSIA AIRLINES, SHALL HAVE ANY RIGHTS, CLAIMS, BENEFITS OR POWERS UNDER THIS AGREEMENT AND THIS AGREEMENT SHALL NOT BE CONSTRUED OR INTERPRETED TO CONFER ANY RIGHTS, CLAIMS, BENEFITS OR POWERS UPON ANY THIRD PARTY. THERE ARE NO THIRD-PARTY BENEFICIARIES OF THIS AGREEMENT.

**Section 21. Relationship Between the Parties**

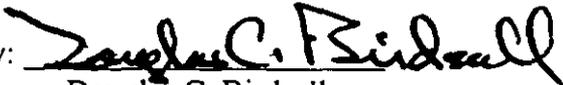
Each Carrier, in its performance under this Agreement, is and shall be engaged and acting as an independent contractor in its own separate business. Each Carrier shall retain complete and exclusive control over its personnel and operations and the conduct of its business. Neither Carrier nor its officers, employees or agents shall in any manner make any representation or take any actions which may give rise to the existence of any employment, agency, partnership or other like relationship between the Carriers hereunder. The employees, agents and independent contractors of each Carrier shall be and remain employees, agents and independent contractors of such Carrier for all purposes, and under no circumstances shall be deemed to be employees, agents or independent contractors of the other Carrier. Neither Carrier shall have supervisory

power or control over any employees, agents or independent contractors employed or engaged by the other Carrier (except that the operating carrier shall have supervisory control over all passengers during any **codeshare** flight, including any employees, agents or contractors of the other Carrier who are on **board** any such flight).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date **first** appearing above.

**NORTHWEST AIRLINES, INC.**

**MALAYSIAN AIRLINE SYSTEM  
BERHAD**

By:   
Douglas C. Birdsall  
Its: Senior Vice President - Alliances

By:   
Dato' Bashir Ahmad  
Its: Executive Vice President, Airline

Exhibit A

Codeshare Markets

I. NW code on MH domestic Malaysia flights:

<u>Cities in Malaysia</u>	<u>Cities in USA</u>	<u>Via</u>
Any <b>MH</b> on-line points, as mutually agreed	All NW on-line points	<b>KUL</b> or other common gateways

2. MH code on NW domestic U.S. flights:

<u>Cities in Malaysia</u>	<del>Cities in USA</del>	<u>Via</u>
All <b>MH</b> on-line points	Any NW on-line points, as mutually agreed	<b>DTW, LAX</b> or other common gateways

3. MH code on NW Malaysia-U.S. flights:

**KUL-DTW** via **KIX**, and others as may be mutually agreed

4. NW code on MH U.S.-Malaysia flights:

**KUL-LAX** via **TPE**, and others as may be mutually agreed

5. MH code on NW U.S.-Rest of the World flights:

Any as may be mutually agreed as authorities and schedules permit

6. NW code on Malaysia- Rest of the World flights:

Any as may be mutually agreed as authorities and schedules permit

Exhibit B

Bilateral Prorate Agreement

## MALAYSIA / NORTHWEST BILATERAL PRORATE AGREEMENT

This **Bilateral Prorate** Agreement (the "Agreement"), dated as of September 22, 1999, is made by and between Malaysian Airline System **Berhad** ("Malaysia" or "MH") and Northwest Airlines, Inc. ("Northwest" or "NW"). Malaysia and Northwest are herein **referred** to collectively as the "**Carriers**" and individually as a "Carrier".

### Section 1. Interline Settlement

The Carriers hereby agree to divide revenues and otherwise prorate fares as set forth in the Appendix and Attachments.

### Section 2. Term

The Carriers agree that this Bilateral Prorate Agreement shall be coterminous with the Codeshare Agreement between Northwest and Malaysia dated September 22, 1999, and shall apply to travel occurring on/after October 1, 1999. This Agreement supersedes all prior prorate agreements between the Carriers.

### Section 3. Notices

All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered personally (including by courier) or mailed by registered mail, return receipt requested, or given by facsimile transmission to the parties at the following addresses (or to such other address as a party may specify by notice given to the others pursuant to this provision), or by SITA message, or by electronic mail (e-mail) and shall be deemed given when so received. Notices shall be transmitted as follows:

- |     |   |     |  |
|-----|---|-----|--|
| (a) | if to Malaysia, to:<br><b>Malaysian Airline System Berhad</b><br>3rd Floor<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur, Malaysia<br>Attn: <b>Dato Rashid Khan</b><br>Vice <b>President,</b><br><b>Passenger Sales</b><br>Telefax No.: 60-3-2616004<br>SITA: <b>KULSXMH</b><br>e-mail: <b>hltang@mas.com.my</b> | (b) | if to Northwest, to:<br><b>Northwest Airlines, Inc.</b><br>Department A2096<br>5101 Northwest Drive<br>St. Paul, MN 55111 USA<br>Attn: <b>G. Robert Flory</b><br><b>Manager - Industry Affairs</b><br>Telefax No.: 612-727-7110<br>SITA: <b>MSPQTNW</b><br>s-mail: <b>robert.flory@nwa.com</b> |
|-----|---|-----|--|

### Section 4.

**REDACTED**

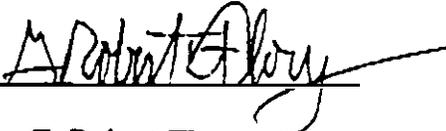
NW/MH BILATERAL PRORATE AGREEMENT  
Page 2

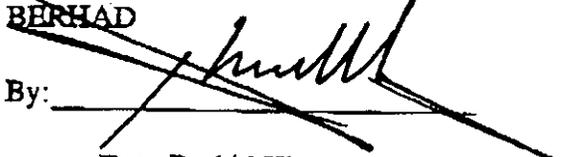
EXHIBIT B

The parties hereto have caused this Agreement to be executed in their names and on their behalf by their respective officials duly authorized, on the day and year first above written.

NORTHWEST AIRLINES, INC.

MALAYSIAN AIRLINE SYSTEM  
BERHAD

By:   
G. Robert Flory

By:   
Dato Rashid Khan

Its: Manager - Industry Affairs

Its: Vice Resident, Passenger Sales

Date: 17 Sep 99

Date: 21 sep 1999.

## MALAYSIA / NORTHWEST BILATERAL PRORATE AGREEMENT

### APPENDIX

#### Interline Settlement **General** Conditions

1.1 The Carriers hereby agree to divide revenues and otherwise prorate fares as set forth in the Appendix and Attachments for travel occurring on/after October 1, 1999.

- (a) Prorates  
 1) For MH sales of NW segments, see Attachment A.  
 2) For NW sales of MH segments, see Attachment B.  
 3) For MH/NW involuntary reroute and flight interruption manifests, see Attachment C.  
 4) For MH/NW Around the World Fares, see Attachment D.
- (b) Applicable Published Fares: For published fare verification purposes, the applicable fare is that filed with ATPCo or shown in Passenger Air Tariff in effect on the date the passenger's ticket is issued. In case of differences, that filed with ATPCo prevails.
- (c) Children's Discount: The children's discount from the adult prorate shall be the same as is applicable to the through international fare, unless otherwise noted on the attachment.
- (d) Interline Service Charge:  
**REDACTED**
- (e) Reservations for Travel: Reservation booking class (RBD) requirement will be as outlined in the Attachments, or if not covered therein will be as filed in ATPCo Tariff IPGT-1 CAB 581 Rule 7.
- (f) Applicable Flights:  
 1) Travel on NW segments may only be via flights operated by NW, Mesaba Airlines (XJ), and Express Airlines I (9E).  
 2) Travel on MH segments may only be via flights operated by MH.
- (g) Rule Waivers: The billing carrier shall recognize rule waivers granted by the other carrier and its agents with respect to my provisions that may apply to any fare covered under this Agreement, except that required booking classes are not subject to waiver.
- (h) Stopovers: Stopovers occurring within the fixed amounts in the Attachments are permitted as per the applicable fare rule at no extra cost to the ticketing carrier and without prejudice to the fixed amount. Proration of any stopover charges assessed will be as per standard provisions outlined in the Prorate Manual - Passenger (PMP).
- (i) Tour Conductors:  
 (j) Minimum Prorate Rule:  
**REDACTED**
- (k) Situations Not Covered: The provisions of the PMP will govern those situations not covered herein.

1.2 Settlement of Accounts: Transportation furnished hereunder shall be included in the monthly settlement of accounts in the same manner as other transportation sales between the parties, which shall be limited to IATA Clearing House Rules.

1.3 Collection of Applicable Fares: Except for the fare reductions specifically noted herein, all other charges with respect to transportation furnished hereunder, including charges for excess baggage, shall be governed by each party's applicable tariffs, rules and regulations.

**NW/MH BILATERAL PRORATE AGREEMENT**

EXHIBIT B

Page 4

1.4 Responsibility for Compliance with Conditions: Each Carrier agrees to see that its agents comply with the terms and conditions of this Agreement. Should the terms and conditions of this Agreement be violated by a Carrier or its agents, the Carrier in violation agrees to reimburse the other Carrier(s) for any and all losses or damages incurred by the other Carrier(s) due to violation of the terms and conditions herein by the Carrier in violation or its agents.

1.5 Review of Transpacific Amounts: For the settlement provisions outlined Attachment A (E)(4) and in Attachment B (E)(3), the Carriers agree to review these terms no later than 12 months (or at an appropriate time mutually agreed by the Carriers) after commencement of codeshare services to ensure they are at levels that can be sold by the marketing carrier at an acceptable level of return to the marketing carrier.

NW/MH BILATERAL PRORATE AGREEMENT

EXHIBIT B

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ATTACHMENT A

MH Sales, NW Segments

- (A) FARE TYPES - All fares between TC1 and TC3 and TC2 via the Pacific, within TC3, and within TC23.
- (B) APPLICABLE TICKET STOCK - MH (including standard industry ticket stock validated MH 232).
- (C) PLACE OF ISSUE - Worldwide, or as indicated in (E)(3)(b) b.
- (D) ROUTING - Passengers must travel via the following options,

REDACTED

(E) PRORATION AND BOOKING CLASSES

- (1) NW TC1 Segments - Published Normal Fares (e.g. F/C/C2/Y)

REDACTED

- (2) NW TC1 Segments - Published Economy Special Fares and All Economy Net Fares

REDACTED

Between LAX and:

<u>Zone</u>	<u>Q</u>	<u>V</u>	<u>K</u>	<u>Zone</u>	<u>Q</u>	<u>V</u>	<u>K</u>
1							
2							
3							
A							

REDACTED

**Zone Definitions:**

- 1 AUS/DFW/HOU/ICT/OKC/SAT
- 2 CID/DSM/FSD/LIT/MKC/MSP/OMA/RAP/STL/SUX/YQR/YXE
- 3 ABR/AEX/ALO/ATW/ATY/BIS/BJ/BRD/BTR/CHI/CMX/CWA/DBQ/  
DLH/EAU/ESC/FAR/FOD/FSM/GFK/GPZ/GRB/HIB/INL/JLN/LFT/  
LNK/LSE/MCW/MEM/MKE/MLU/MOT/MQT/MSN/MSY/PIR/RFD/  
RHL/RST/SGF/SHV/STC/TUL/TVF/XNA/YQT/YWG
- 4 APN/AZO/BEH/BMI/BNA/CAK/CLE/CMH/CMI/ CVG/DAY/DTT/  
EVV/FNT/FWA/GRR/IND/LAF/LAN/LEX/MBS/MKG/MKL/MLI/  
OWB/PAH/PIA/PLN/SBN/SDF/SSM/TOL/TVC/YNG/YXU
- 5 ATL/BHM/BUF/CHA/CRW/ERI/GLH/GTR/HSV/MSL/PIT/ROC/SYR/  
TUP/TYS
- 6 BWI/CLT/CSG/DHN/GPT/GSP/JAN/JAX/MEI/MGM/MOB/PFN/PIB/  
PNS/ROA/VPS/WAS/YTO
- 7 ABE/ALB/BDL/BGM/BOS/ELM/EWR/FLL/FMY/GSO/HAR/HPN/  
MHT/MIA/NYC/ORF/ORL/PBI/PHL/PVD/PWM/RDU/RIC/SCE/  
SRQ/TPA/YMQ/YOW
- 8 MBJ/MEX/SJU

(3) NW TC3 Segments - Special Economy Class Fares only

**REDACTED**

Between NGO and:

MNL a L

**REDACTED**

Between OSA and:

H L  
KHH REDACTED  
MNL

H L  
KUL REDACTED

Between TYO and:

H L  
BJS  
BKK  
GUM  
HKG REDACTED  
MNL

H L  
SEL  
SHA  
SIN  
SPN REDACTED  
TPE

**H Season**

BJS/SHA: 01Apr-14Nov  
MNL: Jun-Aug, 14Nov-31Jan  
Others: Jun-Aug, 14Dec-15Jan

**L Season**

BJS/SHA: 15Nov-31Mar  
MNL: Fe-b-May, 01Sep-13Nov  
Others: 16Jan-31May, 01Sep-13Dec

W

NW/MH BILATERAL PRORATE AGREEMENT

EXHIBIT B

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(4) NW TC31 Services - Via KUL-DTW Flights Only

(a) All First and Business Class Fares

REDACTED

(b) All Economy Class Fares

REDACTED

For Sales Made in Area 1, Between KUL and:

<u>Zone</u> <u>Seas.</u>	<u>Y Class</u>		<u>B Class</u>		<u>M Class</u>		<u>Q Class</u>		<u>V Class</u>	
	<u>H</u>	<u>L</u>								

- 1
- 2
- 3
- 4

REDACTED

Seasons:    H    Jun-Aug, 10-31Dec  
                  L    Jan-May, Sep-9Dec

For Sales Made in Area 3, Between KUL and:

<u>Zone</u> <u>Seas.</u>	<u>Y Class</u>	<u>B Class</u>	<u>M Class</u>	<u>Q Class</u>	<u>V Class</u>
-----------------------------	----------------	----------------	----------------	----------------	----------------

- 1
- 2
- 3
- 4

REDACTED

Zones:

- 1    DTW
- 2    APN/AZO/BEH/BUF/CAK/CHI/CLE/CMH/CMX/  
      CRW/CVG/DAY/ESC/FWA/GRB/GRR/IND/LAF/  
      LAN/MBS/MKE/MKG/MQT/PIT/PLN/ROC/SBN/SCE/  
      SSM/TOL/TVC/YNG/YTO/YXU
- 3    ABE/ALB/ALO/ATL/ATW/AUS/BDL/BGM/BHM/  
      BMI/BNA/BOS/BWI/CHA/CLT/CMH/CSG/CWA/DBQ/  
      DFW/DLH/DSM/EAU/ELM/EVV/FOD/GSO/GSP/HAR/  
      HOU/HPN/ICT/JLN/LEX/LIT/LSE/MCW/MEM/MGM/  
      MHT/MKC/MKL/MLI/MSL/MSN/MSP/NYC/OKC/ORF/

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NW/MH BILATERAL PRORATE AGREEMENT  
Page 8

EXHIBIT B

4 OWB/PAH/PHL/PWM/PVD/RDU/RIC/ROA/RST/ROA/  
 RST/SAT/STC/STL/SYR/TUL/TYS/WAS/YMQ/YOW  
 ABR/AEX/ATY/BIS/BJI/BRD/BTR/CID/DHN/FAR/  
 FLL/FMY/FSD/FSM/FYV/GFK/GLH/GPT/GPZ/  
 GTR/HIB/INL/JAN/JAX/LFT/LNK/MEI/MIA/MLU/  
 MOB/MOT/MSY/OMA/ORL/PBI/PFN/PIB/PIR/PNS/  
 SRQ/SUX/TPA/TUP/VPS

(F) INTERLINE SERVICE CHARGE -

REDACTED



ATTACHMENT B

NW Sales, MH Segments

- (A) FARE TYPES - AU fares between **TC1** and **TC3** via the Pacific, within **TC3**, and within **TC23**.
- (B) APPLICABLE TICKET STOCK - NW (including standard industry ticket stock validated NW 012).
- (C) PLACE OF ISSUE - Worldwide, or as indicated in **(E)(3)(b)** below.
- (D) ROUTING - Passengers must travel via the **following** options.

REDACTED

**(E) PRORATION AND BOOKING CLASSES**

- (1) **MH TC3 and TC23 Segments - Published Normal Fares (e.g. F/J/C/CKUL/Y2)**

REDACTED

- (2) **MH TC3 and TC23 Segments - Published Economy **Special** Fares and All Net Economy Fares**

REDACTED

Between KUL and Points in TC3 Asia:

<u>Class</u>	<u>L</u>	<u>Q</u>	<u>M</u>	<u>Y</u>
BJS				
BKK				
BWN				
CAN				
CEB				
CMB				
CNX				
DAC				
DEL				
DPS				
FUK				
HAN				
HKG				
HKT				
JKT				
KHH				
KHI				
MAA				
MES				
MLE				
MNL				
NGO				
OSA				
PNH				
RGN				
SEL				
SGN				
SHA				
SIN				
SUB				
TPE				
TYO				

REDACTED

Between KUL and Points in Australia/New Zealand:

<u>Class</u>	<u>L</u>	<u>Q</u>	<u>M</u>
ADL			
AKL			

REDACTED

W

NW/MH BILATERAL PRORATE AGREEMENT  
Page 11

EXHIBIT B

BNE  
CNS  
DRW  
MEL                    *REDACTED*  
PER  
SYD

Between KUL and Points in TC2:

Class      4            Q            M  
AMS  
BEY  
CAI  
DXB  
IST                    *REDACTED*  
JED

Between BKI and:

Class      L            Q            M  
HKG  
KHH  
MNL  
SEL  
TPE  
TYO

Between KCH and:

Class      L            Q            M  
HKG  
SIN                    *REDACTED*

Between PEN and:

Class      L            Q            M  
BKK  
HKG  
SIN                    *REDACTED*

W

(3) MH TC31 Services - Via KUL-TPE-LAX Flights Only

(a) All First and Business Class Fares

REDACTED

(b) All Economy Class Fares

REDACTED

For Sales Made in Area 1, Between LAX and:

<u>Zone</u> <u>Seas.</u>	<u>Y Class</u>		<u>H Class</u>		<u>M Class</u>		<u>Q Class</u>		<u>L Class</u>	
	<u>H</u>	<u>L</u>								
1										
2										
3										

REDACTED

Seasons: H Jun-Aug, 10-31Dec  
L Jan-May, Sep-9Dec

For Sales Made in Area 3, Between LAX and:

<u>Zone</u> <u>Seas.</u>	<u>Y Class</u> All Year	<u>H Class</u> All Year	<u>M Class</u> All Year	<u>Q Class</u> All Year	<u>L Class</u> All Year
1					
2					
3					
4					

REDACTED

Zones:

- 1 KUL
- 2 AOR/JHB/IPH/KBR/KUA/LGK/MES/PEN/TGG
- 3 BKI/BTU/KCH/LBU/LDU/SDK/TWU

(F) INTERLINE SERVICE CHARGE -

REDACTED

W

**ATTACHMENT C**

Involuntary Reroute- and Flight Interruption Manifests

- (A) FARE TYPES - All NW and **MH** worldwide fares and mileage redemption tickets
- (B) APPLICABLE TICKET STOCK - NW / **MH** (including standard industry ticket stock validated NW 012 / MH 232).
- (C) PLACE OF ISSUE - Worldwide.
- (D) PRORATION

**REDACTED**

- (1) For **MH** validated tickets indicating "Involuntary Reroute",  
or any other involuntary **reroute** indicator and for **MH** validated  
Flight **Interruption Manifests**:

- (a) Other Than Mileage Redemption Tickets

**REDACTED**

- (b) Mileage Redemption Tickets

**REDACTED**

*W*

(2) For NW validated tickets indicating "Involuntary Reroute",  
or any other **involuntary** reroute indicator and for NW validated  
Flight Interruption Manifests:

(a) Other Than Mileage Redemption Tickets

**REDACTED**

(b) Mileage Redemption Tickets

**REDACTED**

(E) ENDORSEMENTS - An endorsement is not **required** by either carrier **whenever**  
passengers are subject to involuntary **rerouting**.

(F) INTERLINE SERVICE CHARGE -

**REDACTED**

W

ATTACHMENT D

NW I ~~MH~~ Around the World Fares

(A) FARE TYPES - NW / ~~MH~~ Around the World fares as **filed** and published under **CAB 468 / NTA 275** Rule **2300** with the U.S. DOT / Canada **NTA** in effect on the date the passenger's ticket is issued.

(B) APPLICABLE TICKET STOCK - NW / ~~MH~~ (including standard industry ticket stock validated NW **012 I ~~MH~~ 232**).

(C) PLACE OF ISSUE - Worldwide.

(D) ROUTING - **REDACTED**

(E) PRORATION - **REDACTED**

(F) INTERLINE SERVICE CHARGE - **REDACTED**

***IMPLEMENTATION AGREEMENT***

*Between*

***NORTHWESTAIRLINES, INC.***

*And*

***MALAYSIAN AIRLINE SYSTEM BERHAD***

*September 22, 1999*

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**(NOT PART OF THIS AGREEMENT)**

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MALAYSIAN AIRLINE SYSTEM BERHAD & NORTHWEST AIRLINES, INC.

IMPLEMENTATION AGREEMENT

This Implementation Agreement ("Agreement") is made as of September 22, 1999 by **NORTHWEST AIRLINES, INC.**, with a principal place of business at 5101 Northwest Drive, St. Paul, MN 55111-3034, USA (hereinafter "Northwest" or "NW"), and **MALAYSIAN AIRLINE SYSTEM BERHAD**, with a principal place of business at **Bangunan MAS**, 33rd Floor, **Jalan Sultan Ismail, 50250 Kuala Lumpur**, Malaysia (hereinafter "Malaysia Airlines" or "MH"). The parties collectively shall be referred to as "Carriers."

Section 1. Implementation of Codeshare Services

a. In connection with their **Codeshare** Services (as defined in the Commercial Cooperation Agreement between the Carriers dated September 22, 1999, (the "Commercial Cooperation Agreement")), NW and **MH** hereby agree to implement the marketing and operational cooperation programs as set forth in the attached Exhibits. These programs shall include implementation of each of the following:

- |   |           |
|---|-----------|
| 1. Schedule Coordination                            | Exhibit A |
| 2. Internal Reservations and Distribution Systems   | Exhibit B |
| 3. Through Check-in and Seamless Connecting Service | Exhibit C |
| 4. Product Consistency                              | Exhibit D |
| 5. Staff Contacts                                   | Exhibit E |

b. Once both parties have agreed to start codeshare operations, either party will give notice to the other (as attached).

Section 2. Relationship to Commercial Cooperation Agreement

This Agreement is governed in all respects by the Commercial Cooperation Agreement. The terms, conditions and provisions of the Commercial Cooperation Agreement shall apply to this Agreement as if set forth in their entirety herein. In the event of any inconsistency between this Agreement and the Commercial Cooperation Agreement, the terms, conditions and provisions of the Commercial Cooperation Agreement shall prevail.

Section 3. Cooperation Priorities

The Carriers agree that each will use its best reasonable efforts to implement each of the programs contemplated by Section I of this Agreement as soon as possible consistent with each Carrier's own commercial and technical requirements.

With respect to the markets set forth in Exhibit A of the Commercial Cooperation Agreement, NW agrees that it will not implement a Section 1 program of this Agreement with a direct competitor of **MH** (except members of NW's global alliance) unless and until **MH** and NW have implemented that program between themselves. With respect to the markets set forth in Exhibit A of the Commercial Cooperation Agreement, **MH** agrees that it will not implement a Section 1 program of this Agreement with a direct competitor of NW, or of the global alliance to which NW belongs, unless and until **MH** and NW have implemented that program between themselves.

Each Carrier further agrees that in all aspects, it will not extend better terms regarding the operational, economic or marketing attributes of such programs to a directly competitive third party. Provided, however, that the preceding sentence is not applicable to the terms of the commercial cooperation programs between NW and members of NW's global alliance.

#### **Section 4. Claims Management and Settlement Procedures**

- a. Except as **otherwise** provided herein, each Carrier will follow its own policies and procedures to handle and **finalise** passenger service-related claims. The procedures set forth in this paragraph shall apply to all passenger-service related claims, including luggage claims, related to one or more codeshare flights under the Commercial Cooperation Agreement between Carriers (hereinafter "Claims"), other than (i) claims involving litigation or in which litigation is threatened, (ii) discrimination claims and (iii) claims for matters that are insured (hereinafter the "Excluded Claims").
- b. Resolution of "Claims". The Carriers acknowledge and agree that the participating carrier will have no liability, except as may be voluntarily assumed, for "Claims" arising on or as a result of air travel or service on or by the operating carrier. In the event a claim is initially made to or against the participating carrier instead of the operating carrier, the participating carrier will handle the Claim in accordance with its normal claim resolution procedures, and the operating carrier will reimburse the participating carrier for the actual cost of travel credit vouchers, upgrades and/or cash settlement payments which are given to passengers to resolve Claims.
- c. Resolution of "Excluded Claims". The operating carrier shall have full responsibility for all "Excluded Claims" and will indemnify, hold harmless and defend the participating carrier against any such Excluded Claims in accordance with Section 6 of the Commercial Cooperation Agreement. In the event a legal action or arbitration proceeding is initiated against the participating carrier in connection with any Excluded Claim arising from the business operations of the operating carrier, the participating carrier will promptly notify the operating carrier. The participating carrier shall coordinate with the operating carrier concerning the defense of any such proceeding and the appeal of any legal finding.
- d. These procedures are intended to provide an efficient mechanism for the administration of Claims and to facilitate the Claims adjustment process from the passenger's point of view while retaining necessary financial protections for the Carriers.

Section **5.** Termination

This Agreement shall become effective as of the date first appearing above and shall remain in effect continuously thereafter until the Commercial Cooperation Agreement is **terminated**.

IN WITNESS WHEREOF, the Carriers have executed this Agreement as of the date first appearing above.

NORTHWEST AIRLINES, INC.

MALAYSIAN AIRLINE SYSTEM BERHAD

By: *Douglas Birdsall*  
Douglas Birdsall

By: *Bashir*  
Dato' Bashir Ahmad.

Its: Senior Vice President Alliances

Its: Executive Vice President, Airline

MALAYSIA AIRLINES & NORTHWEST AIRLINES

IMPLEMENTATION AGREEMENT

Exhibit A

Codeshare and Schedule Coordination

Initial Markets

The Carriers agree to codeshare on each other's published round trip schedules between Malaysia and the United States from the inception of this Agreement on a year round basis via intermediate point **KIX** and/or others as may be agreed in the case of NW operations and intermediate point **TPE** and/or others as may be agreed in the case of **MH** operations.

Additional Markets

The Carriers further agree to endeavor to connect on a round-trip basis as many-additional MH-NW markets as possible including domestic Malaysia and domestic U.S. service and any other Malaysia-U.S. or Malaysia/U.S.-Rest of the World services as may be agreed.

Schedule Coordination

The Carriers agree to exchange schedule information three months prior to the IATA Summer and Winter Schedule seasons and to adjust flight schedules as possible to maximize connectivity at common connecting points to the extent the adjustments are economically feasible in the judgment of the operating Carrier.

Schedule Transmission and Publication

**MH** and **NW** shall provide to each other schedule file information so that each may effectively publish in all distribution media the codeshare services contemplated in this Agreement. Accordingly, **MH** and **NW** agree to the following:

Format:

- Exchange schedule data in **SSIM** format sent via electronic transmittal.
- Ensure schedule data include the following items in the order noted: flight number, equipment type, cities, departure/arrival times, frequency, and effective/discontinue dates.
- Request **VIEW** access for each other's schedule on **OAGLINKS**.

Transmission:

- File with **OAG** the same flight information with the same load date (Open-for-Sale date) to ensure flight schedules are synchronized.
- Ad hoc changes made by either Carrier must be provided **IO** days prior to load date.

Schedule Changes / New Service:

- New code share flight segments must be advised to at least 10 days prior to load date.
- Changes may not be effective prior to load date.

Codeshare Schedule

Applicable routes and schedules of the codeshare services as covered by the Commercial Cooperation Agreement shall be agreed **between** the Carriers for each **IATA traffic** season.

MALAYSIA AIRLINES & NORTHWEST AIRLINES

IMPLEMENTATION AGREEMENT

Exhibit B

Internal Reservations and Distribution Systems

The Carriers agree that effective **ARS** and **CRS** links are essential to **successfully** market the services to be jointly provided in accord with this Agreement. Therefore the Carriers agree that:

1. The Carriers agree to link their computer systems in supporting codeshare service to facilitate sales systemwide. The Carriers will consult with each other regarding the technical plan prior to the effective date of this Agreement.
2. NW and **MH** will maintain a reciprocal **AVS** (segment availability status) agreement during the term of this Agreement.
3. NW and **MH** will maintain a reciprocal Direct Access **ARS** link during the term of this Agreement.
4. NW and **MH** will maintain an agreement whereby each is a participant in the other's **CRS** at a level that provides services based on **AVS** during the term of this Agreement.
5. **MH** and NW will coordinate their activities such that international schedules and fares involving the **NW/MH** services will be preferentially listed in their respective **ARS**.
6. Applicable Reservations Procedures for the codeshare services shall be agreed between the Carriers.

MALAYSIA AIRLINES & NORTHWEST AIRLINES

IMPLEMENTATION AGREEMENT

Exhibit C

Through Check-In and Seamless Connecting Service

**MH** and **NW** agree to use their best efforts to achieve "Through Check-in and Seamless Connecting Service" capability. If required to accomplish this capability, **MH** and **NW** to agree to link their departure control systems and to coordinate servicing policies and procedures as follows. The implementation in both **MH** and **NW** airports will include:

NW Arrival Connecting to MH Departure

1. Provide all **downline** connecting flight seat assignments and boarding passes for each connecting passenger at point of initial check-in.
2. Perform airline standard document checks for each connecting passenger at point of initial check-in.
3. Bags will be checked through to the passenger's final destination airport.
4. Appropriate frequent flyer credits **will** be automatically processed in each Carrier's **ARS**.
5. **MH** will provide **NW-MH** F and C class passengers access to lounges it may operate.

MH Arrival Connecting to NW Departure

1. Provide all **downline** connecting flight seat assignments and boarding passes for each connecting passenger at point of initial check-in.
2. Perform airline standard document checks for each connecting passenger at point of initial check-in.
3. Bags will be checked through to the passenger's **final** destination airport.
4. Appropriate frequent flyer credits will be automatically processed **in** each Carrier's **ARS**.
5. **NW** will provide **NW-MH** F and C class passengers access to lounges it may operate.
6. **MH** will provide English speaking agents at the origin city airport ticket counter. In-flight announcements will be made in English to describe connection procedures to the **NW** departure flight.

Passenger **Handling** Procedures

Applicable Passenger Handling Procedures for the codeshare services shall be agreed between the Carriers.

Training

The Carriers agree to provide the necessary staff, facility and training materials as well as training sessions for their customer service trainers and/or staff to assure full competency in providing the seamless service functions defined herein.

MALAYSIA AIRLINES & NORTHWEST AIRLINES, INC.

IMPLEMENTATION AGREEMENT

Exhibit D

Product Consistency

NW and **MH** will endeavor and agree to use their best efforts to achieve maximum product consistency to the extent that there are economically and operationally feasible in the judgment of the operating Carrier and consistent with its policy. The requirements to be met shall include the following:

1. Airport Accommodations & Procedures:
  - a. English language **signage** at **MH** airports.
  - b. English language boarding announcements and/or assistance at **MH** airports.
  - c. Access to **MH** lounges for NW F and C Class passengers.
  - d. **Signage** identifying joint **MH/NW** service areas (gates, counters, etc.).
  - e. English language transit instructions in **MH** on-board magazine.
  
2. Systems:
  - a. Exhibit B of this Agreement.
  - b. Ability to accept credit card as form of payment in all codeshare cities.
  - c. Ability to make changes to passenger itinerary in all codeshare cities.
  
3. Inflight Service:
  - a. **MH's** and **NW's** standard **inflight** service procedures will apply.
  - b. Notwithstanding clause **3a** above, the Carriers shall mutually agree as to the basic catering policy for Codeshare Services, including the providing of **HALAL** food.
  - c. Notwithstanding clause **3a.** above, the Carriers shall mutually agree as to the use of menu cards bearing the names of the Carriers to be used on the Codeshare Services.
  - d. Notwithstanding clause **3a.** above, the Carriers shall mutually agree as to the placement of each other's **inflight** magazines **onboard** the aircraft operating the Codeshare Services.
  - e. Notwithstanding clause **3a.** above, all beverages will be provided free of charge to all passengers on the Codeshare Services in accordance with the operating carrier's standards.
  - f. All **inflight** announcements will refer to the Codeshare Services as jointly operated by **MH** and **NW**.
  - g. **MH** and **NW** may seek to **present** its own identity on board the Codeshare Services in a manner to be mutually agreed between the Carriers.

4. Through Check-In and Seamless Service:
  - a. Exhibit C of this Agreement.
  - b. System-wide phone access to English speaking reservations personnel.
  
5. Service Recovery:
  - a. Irregular operations are to be handled in accordance with mutually agreed procedures and all applicable regulatory standards.
  
6. Luggage Claims and Lost Luggage Procedures:
  - a. Luggage claims and procedures are to be handled in accordance with mutually agreed procedures and all applicable regulatory standards.

MALAYSIA AIRLINES & NORTHWEST AIRLINES, INC.

IMPLEMENTATION AGREEMENT

Exhibit E

**Northwest - Malaysian Airline System Berhad**  
**Staff Contacts by Area of Responsibility**

Area of Responsibility	Name & Title	EMAIL ADDRESS	PHONE	FAX	SITE
Generalization	Douglas C. Birdsall Sr. VP Marketing Alliances	<a href="mailto:Doug.birdsall@nwa.com">Doug.birdsall@nwa.com</a>	612-727-6659	612-727-6759	HDQZONW
	David Wookey VP Asia	<a href="mailto:David.wookey@nwa.com">David.wookey@nwa.com</a>	852-2848-1221	852-2234-9143	
Implementation Coordinator	Charlie Pappas Director Marketing Alliances	<a href="mailto:Charlie.pappas@nwa.com">Charlie.pappas@nwa.com</a>	612-726-7887	612-727-7111	HDQZONW
	Michael Chock Manager Marketing Alliances	<a href="mailto:michael.chock@nwa.com">michael.chock@nwa.com</a>	612-726-0020	612-727-7111	HDQZONW
Schedule Coordination	Loren Aandahl Managing Director International Planning	<a href="mailto:Loren.aandahl@nwa.com">Loren.aandahl@nwa.com</a>	612-727-7388	612-726-7947	HDQZONW
	Mark Putaski Manager Pacific Market Planning	<a href="mailto:mark.putaski@nwa.com">mark.putaski@nwa.com</a>	612-726-8447	612-726-7947	
Schedule Distribution	Karyl Cogswell Manager Schedule Distribution	<a href="mailto:Karyl.cogswell@nwa.com">Karyl.cogswell@nwa.com</a>	612-726-7160	612-726-7947	HDQZONW
CRS Res System	Al Lenza VP Distribution Planning	<a href="mailto:Alenza@nwa.com">Alenza@nwa.com</a>	612-726-4284	612-726-3906	HDQSNW
	Beth Nichols Manager Marketing Systems	<a href="mailto:beth.nichols@nwa.com">beth.nichols@nwa.com</a>	612-726-2165	612-726-4572	HDQSWNW
ARS Res System	Mary Byrne Specialist Business Information Service	<a href="mailto:mary_byrne@nwa.com">mary_byrne@nwa.com</a>	612-726-8369	612-726-4572	HDQYBNW
Through Check-In & Seamless Connecting Service	Gilbert Chow Director Customer Service Asia	<a href="mailto:Gilbert.chow@nwa.com">Gilbert.chow@nwa.com</a>	852-2848-1236	852-2234-9143	
	Carole Rogotzke Senior Analyst Business Information	<a href="mailto:carole.rogotzke@nwa.com">carole.rogotzke@nwa.com</a>	612-726-3076	612-726-0988	STPCRNW
Prorates and Seat Purchase	Robert Flory Manager Industry Affairs	<a href="mailto:Robert.flory@nwa.com">Robert.flory@nwa.com</a>	612-726-4410	612-727-7110	MSPQTNW
Frequent Flyer & Passenger Marketing Programs	Rick Dow VP Marketing Programs & Worldwide Advertising	<a href="mailto:Rick.dow@nwa.com">Rick.dow@nwa.com</a>	612-726-3910	612-726-0343	HDQSHNW
	Sue Edberg Managing Director International Advertising & WorldPerks Marketing	<a href="mailto:susan.edberg@nwa.com">susan.edberg@nwa.com</a>	612-726-3905	612-726-7049	HDQSBNW
	Tom Alberts Mgr. WorldPerks Marketing Alliances	<a href="mailto:thomas.alberts@nwa.com">thomas.alberts@nwa.com</a>	612-726-6553	612-726-7049	HDQSBNW
	Ray Nishihara Director Marketing-Asia		852-2848-1211	852-2234-9143	
Advertising U.S.	Rick Dow VP Marketing Programs & Worldwide Advertising	<a href="mailto:Rick.dow@nwa.com">Rick.dow@nwa.com</a>	612-726-3910	612-726-0343	HDQSHNW
	Sue Edberg Managing Director International Advertising & WorldPerks Marketing	<a href="mailto:susan.edberg@nwa.com">susan.edberg@nwa.com</a>	612-726-3905	612-726-7049	HDQSBNW
Advertising-Malaysia & Asia	Ray Nishihara Director Marketing-Asia		852-2848-1221	852-2234-9143	
Tour Products-Worldwide	Ed Neer President & CEO MLT		612-474-2540	612-474-6378	
Cargo Sales & Operations	Jim Friedel VP & General Manager, Cargo	<a href="mailto:jim.friedel@nwa.com">jim.friedel@nwa.com</a>	612-726-4955	612-727-0400	
GSA-US	Charlie Pappas Director Marketing Alliances	<a href="mailto:Charlie.pappas@nwa.com">Charlie.pappas@nwa.com</a>	612-726-7887	612-727-7111	HDQZONW



## MALAYSIA AIRLINES CONTACT LIST

RESPONSIBILITY	NAME & TITLE	E-MAIL ADDRESS	PHONE	FAX	SITA
Generalization	DATO' BASHIR AHMAD EXECUTIVE VICE PRESIDENT, AIRLINE	bashir@mas.po.my	603- 265 5079	603-263 1718	KULDCMH
Implementation Coordination Schedule Coordination	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
Schedule Distribution	MR. LIOW NGIT SING OPERATIONS PLANNING MANAGER	liow@mas.po.my	603-740 2019	603-746 2605	KULSPMH
CRS Res Systems ARS Res Systems	MR. K. PALANIAPPAN RESERVATIONS MANAGER	kpalan@mas.com.my	603-740 2313	603-747 1460	KULRZMH
Through Check-In and Seamless Connecting Services	MR. DARMAN DARWIS CUSTOMER SERVICES MANAGER (LINE STNS & DEV)	darman@mas.po.my	603-740 3362	603-746 4301	KULKUMH
Pro-rates and Seat Purchase	DATO' RASHID KHAN VICE PRESIDENT PASSENGER SALES	abrashid@mas.po.my	603-265 5185	603-261 6004	KULSXMH
Frequent Flyer and Passenger Marketing Programs	MR. CHNG TEIK CHENG MANAGER LOYALTY & FFP	tc@mas.po.my	603-265 5945	603-263 3689	KULSDMH
Advertising	MR. SHAHID ALI ADVERTISING MANAGER	shahid@mas.po.my	603-265 5158	603-261 4793	KULSKMH
Tour Products - Worldwide	MR. MOHD YUZER MOHD YUSOFF PRESIDENT MAS GOLDEN HOLIDAYS SDN BHD	yuzer@mas.po.my	603-265 5124	603-263 5003 603-262 9693	KULSGMH
Cargo Sales & Operations	MR. RALPH MANFRED GOTZ VICE PRESIDENT CARGO	ralph@mas.po.my	603-852 51600	603-852 53070	KULDQMH
GSA - US	MR. ISMAIL HJ. TALIB VICE PRESIDENT/GM AMERICAS	ismail@mas.po.my	310-535-9288	310-535-9185	LAXZQMH
Ground Handling (contracts)	TUAN IBRAHIM ABDULLAH SENIOR VICE PRESIDENT GROUND SERVICES	tuani@mas.po.my	603-740 4290	603-746 4215	KULDGMH
Purchasing	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
Safety Audit	MR. FADZIL ABDULLAH FLIGHT OPERATIONS MANAGER (FLT SFTY & STDS)	fadzil@mas.po.my	603-740 2264	603-746 4900	KULOSMH
Sales - US	MR. ISMAIL HJ. TALIB VICE PRESIDENT/GM AMERICAS	ismail@mas.po.my	310-535-9288	310-535-9185	LAXZQMH
Operational Systems Support	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
Product Consistency and Coordination	MR. AZMIL HISHAM PRODUCT MANAGER	azmil@mas.po.my	603-265 5088	603-266 0667	KULCQMH
Reservations	MR. K. PALANIAPPAN RESERVATIONS MANAGER	kpalan@mas.com.my	603-740 2313	603-747 1460	KULRZMH
Regulatory	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
Airport Operations & Customer Service - US Airport Operations - Asia	MR. DARMAN DARWIS CUSTOMER SERVICES MANAGER (LINE STNS & DEV)	darman@mas.po.my	603-740 3362	603-746 4301	KULKUMH

**MALAYSIA AIRLINES CONTACT LIST**

RESPONSIBILITY	NAME & TITLE	EMAIL ADDRESS	PHONE	FAX	SPED
Public Relations	MR. SHAUQI AHMAD VICE PRESIDENT, GROUP CORPORATE COMMUNICATIONS	shauqi@mas.po.my	603-265 5154	603-266 0573	KULZYMH
	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
Finance	MADAM HENG GEOK CHIN PAX REVENUE ACCOUNTING MANAGER	heng@mas.po.my	603-740 2692	603-746 9293	KULARMH
Legal	MR. VISVA SABARATNAM BUSINESS DEVELOPMENT MANAGER	visva@mas.com.my	603-265 5136	603-263 1655	KULCHMH
	MR. RIZANI HASSAN GENERAL COUNSEL	rizani@mas.po.my	603-265 5008	603-261 3631	KULLOMH
Emergency Response Coordinator	MR. ABDULLAH MUDA HEAD, FLIGHT MANAGEMENT CENTRE	abdmuda@mas.po.my	603-877 55401	603-878 71236/7	KULDMMH
Insurance	MADAM MARNI MOHD NOOR INSURANCE MANAGER	marni@mas.po.my	603-265 5064	603-262 4010	KULLCMH

ATTACHMENT (Example of notice)

**NOTIFICATION OF CODESHARE OPERATIONS  
Phase 1**

To :

1. Route

KUL-LAX vv via TPE operated by MH  
KUL-DTW via KIX operated by NW

2. Frequency and Day(s) of operations

3. Open For Sale

4. Effective Date

NORTHWEST AIRLINES, INC.

MALAYSIAN AIRLINE SYSTEM  
BERHAD

By \_\_\_\_\_  
Charles Pappas  
Director Alliances  
Date: \_\_\_\_\_  
Fax : 612-727 7-111

By \_\_\_\_\_  
Visva Sabaratnam  
Business Development Manager  
Date: \_\_\_\_\_  
Fax: 603-263-1655

EXISTING NORTHWEST AIRLINES AND MALAYSIA AIRLINES  
U. S. - MALAYSIA SERVICE

Northwest Airlines

Route: DTW-KIX-KUL-KIX-DTW (single flight number with change of  
gauge at KIX)

Frequency: 3x

Malaysia Airlines

Route: LAX-TPE-KUL-TPE-LAX

Frequency: 4x

Route: LAX-NRT-KUL-NRT-LAX

Frequency: 3x

Route: EWR-DXB-KUL-DXB-EWR

Frequency: 3x

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<sup>1</sup> Northwest also operates connecting service three times per week between its KUL-KIX flights and its flights between KIX and SEA, HNL, LAX and MSP.

Third-Country Carrier On-Line Scheduled Connecting Possibilities  
from the United States to Malaysia, as of January 2000

Carrier	From US Gateways	Intermediate Connecting Point	Weekly Online Connecting Frequencies to Kuala Lumpur	Weekly Online Connecting Frequencies to Penang	Total Weekly Online Connecting Frequencies from US to Malaysia
<b>Alitalia</b>	JFK	FCO	3		3
	<b>Total</b>		3		3
<b>British Airways</b>	BOS	LHR	3		3
	JFK	LHR	3		3
	<b>Total</b>		6		6
<b>Eva Airways</b>	EWR-SEA	TPE	7	5	12
	LAX	TPE	7	5	12
	SFO	TPE	7	5	12
	<b>Total</b>		21	15	36
<b>China Airlines</b>	JFK-ANC	TPE	5		5
	LAX	TPE	7		7
	SFO	TPE	7		7
	<b>Total</b>		19		19
<b>Cathay Pacific</b>	ANC	HKG	7		7
	JFK	HKG	7		7
	LAX	HKG	7		7
	SFO	HKG	7		7
	<b>Total</b>		28		28
<b>Japan Airlines</b>	HNL	NRT	3		3
	<b>Total</b>		3		3
<b>Pakistan Internatio</b>	JFK	LHE	1		1
	<b>Total</b>		1		1
<b>Singapore Airlines</b>	EWR	SIN	4	4	8
	JFK	SIN	7	4	11
	LAX	SIN	14	7	21
	SFO	SIN	14	7	21
	<b>Total</b>		39	22	61
<b>Turkish Airlines</b>	JFK	IST	2		2
	<b>Total</b>		2		2
<b>All Carriers</b>	<b>Total</b>		122	37	159

Third-Country Carrier On-Line Scheduled Connecting Possibilities  
from the United States to Malaysia, as of January 2000

<b>Carrier</b>	<b>From US Gateways</b>	<b>Intermediate Connecting Point</b>	<b>Weekly Online Connecting Frequencies to Kuala Lumpur</b>	<b>Weekly Online Connecting Frequencies to Penang</b>	<b>Total Weekly Online Connecting Frequencies from US to Malaysia</b>
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## Notes:

- Connections were constructed based on published January 2000 schedules (source: OAG data tapes)

Frequencies shown are only for one direction: U.S. to Malaysia

Analysis assumes only one aircraft change **enroute**, no multiple connections

- Connections are only counted on aircraft operated by the carrier shown; code-share connections with Malaysia Airlines or other carriers are not included

Connections are included only if connecting times are not less than the connecting **airport's** published international-to-international Minimum Connect Times, and do not exceed 5 hours

- Connections are only counted **once** in this analysis. In the event of multiple daily frequencies, only a single connection is permitted from any one flight to any other
- Connections that would involve excess **circuitry** (i.e., U.S. west coast to Malaysia via Europe) are also excluded

Third-Country Carrier On-Line Scheduled Connecting Possibilities  
to the United States from Malaysia, as of January 2000

Carrier	To US Gateways	Intermediate Connecting Point	Weekly Online Connecting Frequencies from K&I	Weekly Online Connecting Frequencies from Lumpur	Weekly Online Connecting Frequencies from Penang	Total Weekly Online Connecting Frequencies to US from Malaysia
Aeroflot	JFK	SVO		2		2
		Total		2		2
Alitalia	MIA	FCO		1		1
		Total		1		1
British Airways	BOS	LHR		4		4
	JFK	LHR		4		4
		Total		6		8
Eva Airways	HNL	TPE		3		3
	LAX	TPE		5	5	10
	SFO	TPE		3		3
		Total		11	5	16
China Airlines	JFK	TPE		5		5
	LAX	TPE		14		14
	SFO	TPE		7		7
	HNL	TPE		3		3
		Total		29		29
Cathay Pacific	LAX	HKG		10		10
	SFO	HKG		7		7
		Total		17		17
Japan Airlines	ORD	KIX		3		3
		Total		3		3
KLM	ATL	AMS		4		4
	IAH	AMS		4		4
		Total		6		6
Korean Airlines	IAD	SEL		1		1
	JFK	SEL		2		2
	LAX	SEL		2		2
		Total		5		5
Lauda Air	MIA	VIE		2		2
		Total		2		2

<b>Pakistan Int'l</b>	<b>JFK</b>	<b>KHI</b>	<b>1</b>		<b>1</b>
	<b>Total</b>		<b>1</b>		<b>1</b>
<b>Singapore Airlines</b>	<b>EWR</b>	<b>SIN</b>	<b>4</b>	<b>4</b>	<b>6</b>
	<b>JFK</b>	<b>SIN</b>	<b>7</b>	<b>7</b>	<b>14</b>
	<b>LAX</b>	<b>SIN</b>	<b>14</b>		<b>14</b>
	<b>SFO</b>	<b>SIN</b>	<b>14</b>		<b>14</b>
	<b>Total</b>		<b>39</b>	<b>11</b>	<b>50</b>
<b>Turkish Airlines</b>	<b>JFK</b>	<b>IST</b>	<b>2</b>		<b>2</b>
	<b>Total</b>		<b>2</b>		<b>2</b>
<b>All Carriers</b>	<b>Total</b>		<b>130</b>	<b>16</b>	<b>146</b>

**Notes:** - Connections were constructed based on published January 2000 schedules (source: OAG data tapes)

**Frequencies** shown are only for one direction: Malaysia to U.S.

Analysis assumes only one aircraft change **enroute**, no multiple connections

- Connections are only counted on aircraft operated by the carrier shown:  
code-share connections with Malaysia Airlines or other carriers are not included

Connections are included only if connecting times are not less than the connecting airport's published international-to-international Minimum Connect Times, and do not exceed 5 hours

- Connections are only counted **once** in this analysis. In the event of multiple daily frequencies, only a single connection is permitted from any one flight to any other

Connections **that** would involve excess **circuitry** (i.e.. U.S. west coast to Malaysia via Europe) are also excluded

## U.S.-Malaysia Market Data

Item		1996	1997	1998
<b>Total Malaysian Resident Visitors to United States</b>	a)	80,066	79,892	48,974
Change				-39%
<b>Total U.S. Resident Visitors to Malaysia</b>	b)	96,272	90,578	83,989
Change				-13%
<b>Estimated Total O&amp;D Passengers (Eastbound + Westbound)</b>	c)	352,676	340,940	265,926
Change				-25%

a) Source: U.S. Dept. of Commerce ITA, Tourism Industries. "Summary of International Travel to the United States"

b) Source: Malaysia Tourist Info Center

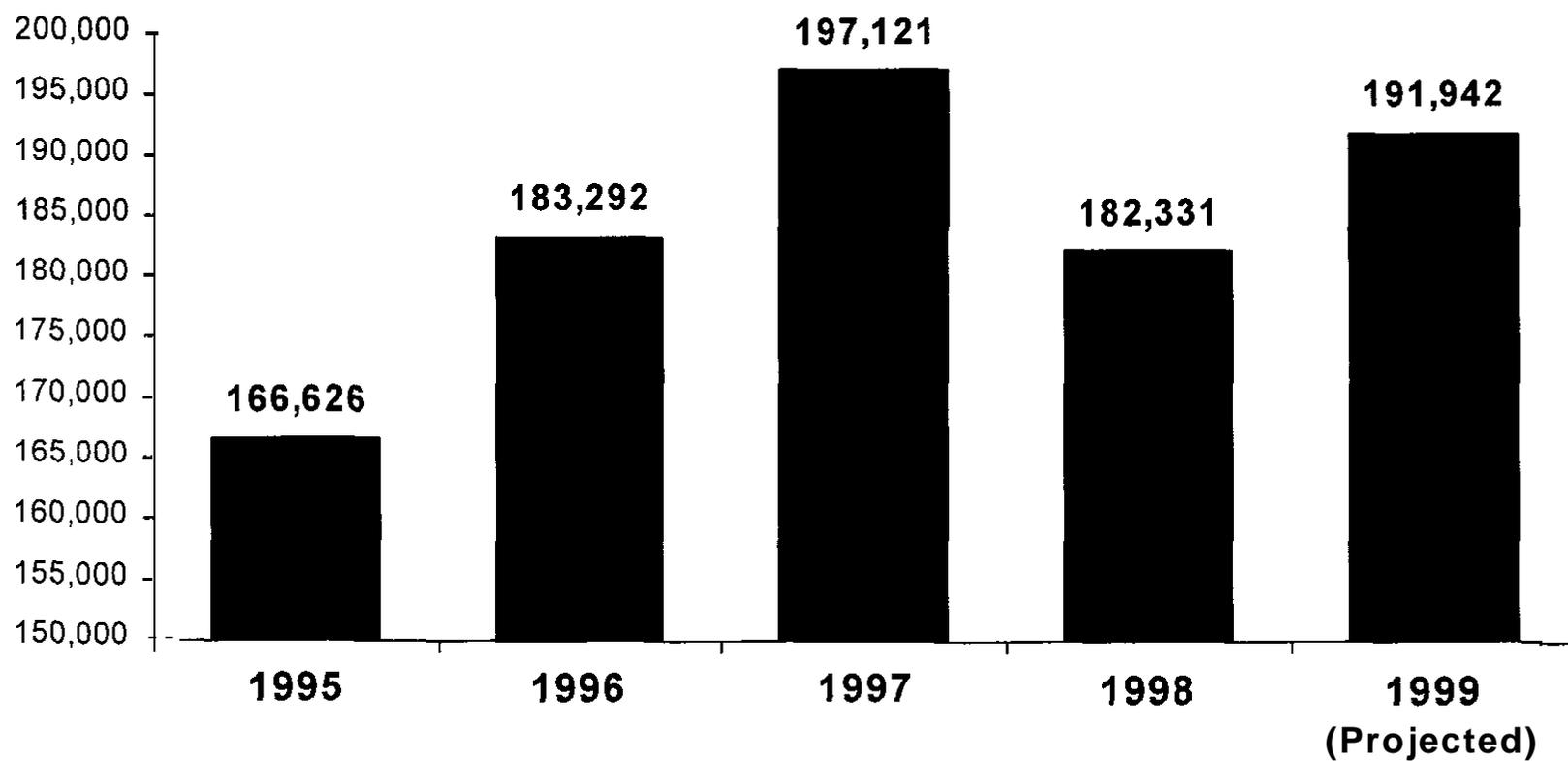
c) Sum of U.S. & Malaysian visitors, doubled to estimate directional O&D traffic

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## The Malaysian Economy Contracted Severely in 1998, and Has Not Yet Recovered to its Pre-Recession Levels

*Real GDP Decreased 7.5% in 1998*

Malaysia Real GDP 1995 - 1999  
(Millions of RM at Constant 1987 Rates)



## MALAYSIA AIRLINES CODE-SHARE ARRANGEMENTS

	Airlines	Code	Start Date	Descriptions	Operator
1	Ansett New Zealand	<b>AN/ZQ</b>	01-Jun-94	AKL-CHC, AKL-WLG, AKL-PMR, AKL-DUD	AN
2	Air Maldives	<b>L6</b>	01-Jun-96	KUL-MLE	MH
3	Alitalia	<b>AZ</b>	31-Oct-99	KUL-ROM	MH
4	Ansett Australia	<b>AN</b>	30-Oct-94	MEL-ADL, MEL-CBR, MEL-HBA, SYD-BNE, SYD-OOL, BNE-CNS	AN
5	British Midland	<b>BD</b>	30-Oct-94	Via LON to BFS, EDI, GLA, LBA, MME ; via LON to DUB; via LON to MAN	BD
6	Croatia Airlines	<b>OU</b>	29-Oct-97	VIE-ZAG	MH
7	Dragon Air	<b>KA</b>	01-Oct-93	Joint ops on BKI-HKG; Codeshare on KCH-HKG	MH
8	Egypt Air	<b>MS</b>	01 -Oct-97	KUL-CAI	MH
9	KLM Royal Dutch Airlin	<b>KL</b>	01-Jul-98	KUL-AMS	MH & KL
10	Korean Airlines	<b>KE</b>	31-Oct-99	KUL-SEL	MH & KE
11	Lauda Air	<b>NG</b>	26-Oct-97	KUL-VIE, VIE-ZAG, KUL-DRW, KUL-CNS	MH & NG
12	Northwest Airlines *	NW			MH & NW
13	Philippines Airlines	<b>PR</b>	01-Feb-99	KUL-MNL, BKI-MNL, KCH-MNL, KUL-CEB, BKI-CEB	MH
14	Royal Air Cambodge	<b>VJ</b>	01-Jul-99	KUL-PNH	MH & VJ
15	Royal Brunei Airlines	<b>BI</b>	01 -Oct-99	KUL-BWN	MH & BI
16	SriLankan	<b>UL</b>	01-Aug-99	KUL-CMB	UL
17	Swissair	<b>SR</b>	01-Nov-97	KUL-ZRH	MH
18	Thai International Airlin	<b>TG</b>	21-Nov-99	KUL-BKK, KUL-HKT, KUL-HDY, PEN-HKT, PEN-BKK	MH & TG
19	Turkish Airlines	<b>TK</b>	17-Sep-99	KUL-IST	MH & TK
20	Uzbekistan Airways	<b>HY</b>	01-Apr-99	KUL-TAS	HY
21	Virgin Atlantic	<b>VS</b>	01-Jun-95	KUL-LON, KUL-SYD, KUL-MEL	MH

\* PENDING GOVERNMENT APPROVAL

DATE: 23 DECEMBER 1999