



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
On the Twenty-Second day of October, 2013

Carlson Wagonlit Travel, Inc.

**Violations of 49 U.S.C. § 41712(a) and
14 CFR Part 257**

Docket OST 2013-0004

Served: October 22, 2013

CONSENT ORDER

This consent order concerns violations by Carlson Wagonlit Travel, Inc., (Carlson) when it failed to disclose code-share arrangements as required by 49 U.S.C. § 41712(c) and 14 CFR Part 257 during telephone airline reservation calls. These failures also constitute separate and distinct violations of 49 U.S.C. § 41712(a), the statutory prohibition against unfair and deceptive practices. The order directs Carlson to cease and desist from future violations of Part 257 and section 41712, and assesses \$125,000 in civil penalties.

Applicable Law

Carlson is a ticket agent¹ and is therefore subject to the detailed code-share disclosure requirements found in 49 U.S.C. § 41712(c) and 14 CFR 257.5(b). Under section 41712(c), any “ticket agent, air carrier, foreign air carrier, or other person offering to sell tickets for air transportation on a flight of an air carrier” is required to disclose “whether verbally in oral communication or in writing in written or electronic communication, prior to the purchase of a ticket[,] the name of the air carrier providing the air transportation; and if the flight has more than one segment, the name of each air carrier providing the air transportation for each such flight segment.” Failure to disclose the required information is an unfair or deceptive practice in violation of section 41712. Section 257.4 of the code-share disclosure rule states that the holding out or sale of scheduled passenger air transportation involving a code-sharing arrangement is an unfair and deceptive trade practice in violation of section 41712, unless, in conjunction with that

¹ A “ticket agent” is “a person (except an air carrier, a foreign air carrier, or an employee of an air carrier or foreign air carrier) that as a principal or agent sells, offers for sale, negotiates for, or holds itself out as selling, providing, or arranging for air transportation.” 49 U.S.C. § 40102(a)(45).

holding out or sale, carriers and agents follow certain requirements, including those of section 257.5(b). With regard to oral communications concerning a flight that is part of a code-sharing arrangement, section 257.5(b) states that a ticket agent or carrier must disclose to prospective consumers before they book the flight the existence of the code-share arrangement, the corporate name of the transporting carrier, and any other name under which the flight is held out to the public. Violations of section 257.5(b) constitute unfair and deceptive trade practices and unfair methods of competition in violation of section 41712.

Facts and Conclusion

An investigation by the Office of Aviation Enforcement and Proceedings (Enforcement Office) revealed a lack of compliance by Carlson with section 257.5(b) of the Department's code-share rule and section 41712(c). For a period of time during January and February of 2013, Enforcement Office staff made a number of telephone calls to Carlson as potential purchasers and inquired about booking a flight. During these calls, the Carlson reservations agents answering the calls failed to make the required disclosure regarding code-share arrangements for the flights in question. Specifically, when discussing flights marketed by one carrier but operated by another with the callers, Carlson's reservation agents only identified the marketing carrier and did not identify the corporate name of the carrier operating the flight or any other name under which the flight is operated.

Mitigation

In mitigation, Carlson states that it takes seriously its obligation to comply with the Department's consumer protection rules and 49 U.S.C. § 41712. Carlson states that it believed all of its agents in the United States were aware of the requirements in section 41712(c) and 14 CFR 257.5(b) to disclose the name of the operating carrier and any trade name by which the operating carrier provides transportation. Carlson states that it has no record of any customer complaint that a Carlson ticket agent failed to disclose the operating carrier. Carlson states that although the Department's investigation likely involved only a few Carlson ticket agents, after being notified of the Department's investigation, Carlson issued a memorandum to all agents in the United States reiterating the code-share disclosure requirements and providing practical guidance to ensure compliance prospectively. Carlson states that its supervisor agents will personally address these requirements with each agent. Carlson states that it has required all agents to retake code-share training and has updated its employee policies to require agents to take code-share refresher training on an annual basis. Carlson states that it has provided all agents with an updated script with model code-share disclosure language to use when communicating with consumers over the telephone. Finally, Carlson states that it has incorporated code-share disclosure compliance into call monitoring evaluation and performance analysis and advised employees that failure to comply with the code-share disclosure policies may result in potential disciplinary action.

Accordingly, Carlson states that it can assure the Department that it has engaged in substantial mitigation and is now in full compliance with these requirements and will faithfully observe them in the future.

Decision

We view seriously the failure of Carlson to disclose code-sharing arrangements as required by 49 U.S.C. § 41712(c) and 14 CFR 257.5(b). Accordingly, after carefully considering all of the facts in this case, including those set forth above, the Enforcement Office believes that enforcement action is warranted. In order to avoid litigation, Carlson agrees to the issuance of this order, to cease and desist from future similar violations of 49 U.S.C. § 41712 and 14 CFR 257.5(b), and to the assessment of \$125,000 in compromise of potential civil penalties that might otherwise be due and payable. We believe that this compromise assessment is appropriate in view of the nature and extent of the violations in question and Carlson's mitigation efforts. This compromise assessment serves the public interest, and provides a strong deterrent to non-compliance with the statute and the Department's code-share disclosure rule.

This order is issued under the authority contained in 49 CFR Part 1.

ACCORDINGLY,

1. Based on the above discussion, we approve this settlement and the provisions of this order as being in the public interest;
2. We find that by failing to disclose code-sharing arrangements, as prescribed in 49 U.S.C. § 41712(c) and 14 CFR 257.5(b), Carlson Wagonlit Travel, Inc., violated 14 CFR 257.5(b) and engaged in an unfair and deceptive trade practice in violation of 49 U.S.C. § 41712;
3. We order Carlson Wagonlit Travel, Inc., and all other entities owned or controlled by or under common ownership with Carlson Wagonlit Travel, Inc., its successors and assignees, to cease and desist from further violations of 49 U.S.C. § 41712 and 14 CFR 257.5(b);
4. We assess Carlson Wagonlit Travel, Inc., \$125,000 in compromise of civil penalties that might otherwise be assessed for the violations found in ordering paragraph 2 above. Of this total penalty amount, \$20,834 shall be due and payable within thirty days of the date of the issuance of this order; \$20,833 shall be due and payable within sixty (60) days of the date of the issuance of this order; and \$20,833 shall be due and payable within ninety (90) days of the date of issuance of this order. The remaining portion of the civil penalty amount, \$62,500, shall become due and payable immediately if, within one year of the date of issuance of this order, Carlson Wagonlit Travel, Inc., violates this order's cease and desist provisions or fails to comply with the order's payment provisions, in

which case Carlson Wagonlit Travel, Inc., may be subject to additional enforcement action for violation of this order; and

5. Payment shall be made through Pay.gov to the account of the U.S. Treasury in accordance with the instructions contained in the Attachment to this order. Failure to pay any portion of the penalty as ordered shall subject Carlson Wagonlit Travel, Inc., to the assessment of interest, penalty, and collection charges under the Debt Collection Act.

This order will become a final order of the Department 10 days after its service date unless a timely petition for review is filed or the Department takes review on its own motion.

BY:

SAMUEL PODBERESKY
Assistant General Counsel for
Aviation Enforcement and Proceedings

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