

MEMORANDUM OF UNDERSTANDING
ON AIR SERVICES
BETWEEN
THE GOVERNMENT OF ICELAND
AND THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS

Delegations representing the Government of the Commonwealth of The Bahamas and the Government of Iceland (hereinafter referred to "The Bahamas" and "Iceland" respectively or "Contracting Party" and collectively as the "Delegations" or "Contracting Parties") met in Antalya, Turkey, on the 21 of October 2015 for consultations with a view to negotiating an air service agreement and related arrangements which would be applicable in respect of the operations of air transportation between and beyond their respective countries. A list of members of the two Delegations is attached as "Attachment A" and "Attachment B" respectively.

The discussions were conducted in a friendly and cordial atmosphere. As a result of these discussions, the Delegations have reached the following agreements and conclusions:

1. TEXT OF THE AIR SERVICES AGREEMENT (ASA)

The Icelandic delegation delivered a draft ASA to the Bahamian delegation for internal consultation and approval.

The Delegations discussed extensively the substance of a draft agreement and largely agreed on the text of an Air Services Agreement, except Article 12, between their respective Governments. The text is attached as "Attachment C".

Both Delegations undertook to take such steps as will lead to an early signature, and completion of their respective constitutional requirements for the entry into force of the ASA and its Annexes as soon as possible.

2. EEA /EU DESIGNATION

The Icelandic delegation explained that, as a member of the European Economic Area (EEA), it is obliged to include certain standard provisions, in particular on designation and revocation of EEA airlines and the establishment of prices, in all its bilateral arrangements. The Icelandic Delegation will provide the Delegation of The Bahamas with more detailed information on the rights and obligations of



Iceland as a member of the EEA. The Delegation of The Bahamas agreed to include the provisions required by the EEA in the ASA.

3. **EXERCISE OF FIFTH AND SEVENTH FREEDOM TRAFFIC RIGHTS**

An addition to full unrestricted third, fourth and fifth freedom traffic rights, the Designated airlines of both Parties shall be entitled to exercise seventh freedom traffic rights in all-cargo services only.

4. **CHARTER OPERATION**

Both Delegations confirmed their willingness to positively consider the requests from airline(s) of both Parties for non scheduled services, in accordance with the national laws and regulations in force in each Party.

The Delegations agreed that charter operations should not result in any unfair competitive practices and should be operated in accordance with the national legislation of the state of origin.

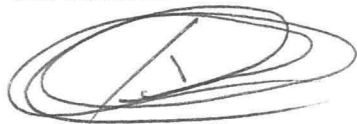
5. **AVOIDANCE OF DOUBLE TAXATION**

The Bahamian Delegation explained that income tax is not levied in The Bahamas and the Government does not conclude any bilateral agreements for the avoidance of double taxation. The Delegation of Iceland proposed to insert an article in square brackets concerning the avoidance of double taxation as Article 12. Both Delegations agreed to consult with their relevant authorities.

This Memorandum of Understanding shall come into effect on the date of its signature.

Signed in Antalya, Turkey on 21 October 2015

For the delegation of the
Government of the Commonwealth of
The Bahamas



Dr. Calsey Johnson



For the delegation of the
Government of Iceland



Unnur Orradóttir Ramette

AIR SERVICES AGREEMENT

BETWEEN

THE GOVERNMENT OF ICELAND

AND

THE GOVERNMENT OF THE COMMONWEALTH OF
THE BAHAMAS

Model text 2015



The Government of Iceland and the Government of the Commonwealth of The Bahamas(hereinafter referred to as the "Parties");

Being Parties to the Convention on International Civil Aviation opened for signature at Chicago on 7 December 1944;

Desiring to promote their mutual relations in the field of civil aviation and to conclude an Agreement for the purpose of establishing international air services between and beyond their respective territories;

Desiring to facilitate the expansion of international air service opportunities;

Desiring to ensure the highest degree of safety and security in international air services and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air services and undermine public confidence in the safety of civil aviation;

Have agreed as follows:

Article 1 *Definitions*

For the purposes of this Agreement, unless otherwise stated, the term:

1. "Aeronautical authorities" means, in the case of Iceland, the Ministry of the Interior, and in the case of The Bahamas, the Bahamas Civil Aviation Authority or in both cases any person or authority empowered to perform the functions now exercised by the said authority.
2. "Agreed services" means scheduled international air services on the routes specified in the Annex to this Agreement for the transportation of passengers, baggage, cargo and mail, separately or in combination.
3. "Agreement" means this Agreement, its Annexes, and any amendments thereto;
4. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, and includes: any amendment that has entered into force under Article 94(a) of the Convention and has been ratified by both Parties, and any Annex or any amendment thereto adopted under Articles 90 and 94 of the Convention, insofar as such Annexes or amendments are at any given time effective for both Parties;
5. "Designated airline" means an airline designated and authorized in accordance with Article 3 (Designation and Authorization) of this Agreement;
6. "European Economic Area" (EEA) means the enhanced free trade area established by the Agreement on the European Economic Area, done at Oporto on 2 May 1992, between the European Community and its Member States on the one hand and the




European Free Trade Association States (EFTA) with the exclusion of Switzerland on the other hand, of which Iceland is a Member State;

7. "Full cost" means the cost of providing service plus a charge for administrative overhead;

8. "International air service" means an air service that passes through the airspace over the territory of more than one State;

9. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air service charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;

10. "Stop for non-traffic purposes", "airline", "air service" and "territory" have the meaning specified in Articles 2 and 96 of the Convention; and

11. "User charges" means a charge / charges imposed on airlines for the provision of airport, air navigation or aviation security facilities or services including related services and facilities.

Article 2

Grant of Rights

1. Each Party grants the other Party's designated airlines the following rights for the conduct of international air services:

2. a) the right to fly across its territory without landing;
- b) the right to make stops in its territory for non-traffic purposes; and
- c) the right to make stops at the points specified for that route in Annex I to this Agreement for the purpose of embarking and disembarking international traffic in combination or separately.

2. Nothing in this Article shall be deemed to confer to the designated airline or airlines of one Party the right to take on board, in the territory of the other Party, passengers, their baggage, cargo, or mail carried for remuneration and destined for another point in the territory of that other Party.

Article 3

Designation and Authorization

1. Each Party shall have the right to designate an airline or airlines for the purpose of operating the agreed services on each of the routes specified in the Annexes and to withdraw or alter such designations. Such designations shall be made in writing by the Aeronautical Authority of the Party having designated the airline to the Aeronautical Authority of the other Party.

2. Upon receipt of such a designation and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical



permissions, the other Party shall grant the appropriate authorizations and permissions with minimum procedural delay, provided:

a) in the case of an airline designated by Iceland:

- (i) it is established in the territory of Iceland in accordance with the Agreement on the European Economic Area, and has a valid Operating Licence in accordance with national law adopted in accordance with the Agreement on the European Economic Area; and
- (ii) effective regulatory control of the airline is exercised and maintained by Member State of the European Economic Area responsible for issuing its Air Operator's Certificate, and the relevant aeronautical authority is clearly identified in the designation; and
- (iii) it is owned and shall continue to be owned directly or through majority ownership by Member States of the European Economic Area and/or nationals of Member States of the European Economic Area and shall at all times be effectively controlled by such states and/or nationals.

b) in the case of an airline designated by The Bahamas:

- (i) it has its principal place of business and permanent residence in the territory of The Bahamas and is licensed in accordance with the applicable laws of The Bahamas; and
- (ii) The Bahamas has and maintains effective regulatory control of the airline and the aeronautical authority is clearly identified in the designation; and
- (iii) it is owned and shall continue to be owned directly or through majority ownership by the Government of The Bahamas, or any subsidiary thereof, and / or nationals of The Bahamas and shall at all times be effectively controlled by the Government of the Bahamas and/or its nationals.

c) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the Party considering the application or applications; and

d) the provisions set forth in Article 7 (Safety) and Article 8 (Aviation Security) are being maintained and administered by a Member State of the European Economic Area or by the Commonwealth of The Bahamas.

3. When an airline has been so designated and authorized, it may begin to operate air services on the specified routes provided that the airline complies with all applicable provisions of this Agreement.

Article 4

Revocation of Authorization

1. Either Party may revoke, suspend or limit the operating authorization or technical permission of an airline designated by the Aeronautical Authorities of the other Party where:

a) in the case of an airline designated by Iceland:




- (i) it is not established in the territory of Iceland under the Treaty on the functioning of the European Union or under the Agreement on the European Economic Area, or does not have a valid Operating Licence in accordance with European Union law or in accordance with national law adopted in accordance with the Agreement on the European Economic Area; or
 - (ii) effective regulatory control of the airline is not exercised or not maintained by the Member State of the European Economic Area responsible for issuing its Air Operator's Certificate, or the relevant aeronautical authority is not clearly identified in the designation; or
 - (iii) it is not owned, directly or through majority ownership by, or it is not at all times effectively controlled by a Member State of the European Economic Area and/or nationals of Member States of the European Economic Area; or
 - (iv) the airline has failed to comply with the laws and regulations of The Bahamas.
- b) in the case of an airline designated by The Bahamas :
- (i) it does not have its principle place of business and permanent residence in the territory of The Bahamas ; or is not licensed in accordance with the applicable laws of The Bahamas; or
 - (ii) The Bahamas is not maintaining effective regulatory control of the airline; or
 - (iii) it is not owned, directly or through majority ownership, or it is not at all times effectively controlled by the Government of The Bahamas or a subsidiary thereof and / or its nationals; or
 - (iv) the airline has failed to comply with the laws and regulations of Iceland.

2. This Article does not limit the rights of either Party to withhold, revoke, limit or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party in accordance with the provisions of Article 7 (Safety) and Article 8 (Security).

Article 5

Application of Laws

1. The laws and regulations of one Party governing entry into and departure from its territory of aircraft engaged in international air services, or the operation and navigation of such aircraft while within its territory, shall be applied to aircraft of the designated airline of the other Party.

2. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the admission to or departure from its territory of passengers, crew or cargo on aircraft (including regulations relating to entry, clearance, aviation security, immigration, passports, customs and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of, such passengers, crew or cargo of the other Party's airlines.



3. Neither Party shall give preference to its own or any other airline over a designated airline of the other Party engaged in similar international air services in the application of its immigration, customs, quarantine and similar regulations.

Article 6

Recognition of Certificates

1. Each Party shall recognize as valid, for the purpose of operating the air services provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the State responsible for the regulatory control of a designated airline and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards that may be established pursuant to the Convention.

2. Each Party reserves the right, however, to refuse to recognize as valid, for the purpose of flight above or landing within its own territory, certificates of competency and licenses granted to or validated for its own nationals by the other Party.

3. If the privileges or conditions of the licenses or certificates referred to in paragraph 1 above, issued by one Party to any person or designated airline or in respect of an aircraft used in the operation of the agreed services should permit a difference from the minimum standards established under the Convention, the other Party may request consultations pursuant to Article 19 (Consultations and Settlement of Disputes) between the respective Aeronautical Authorities with a view to clarifying the practice in question. Failure to reach satisfactory agreement shall constitute grounds for the application of Article 4 (Revocation of Authorization) of this Agreement.

Article 7

Safety

1. Either Party may request consultations concerning the safety standards maintained in respect of an airline designated by the other Party relating to aeronautical facilities and services, aircrews, aircraft and their operation, and operation of the designated airlines.

2. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1 of this Article that meet the standards established at that time pursuant to the Convention, the other Party shall be informed of such findings and of the steps considered necessary to conform with the said standards. The other Party shall then take appropriate corrective action within an agreed time period. Failure to take appropriate corrective action within the agreed period shall be grounds for the application of Article 4 (Revocation of Authorization) of this Agreement.

3. Pursuant to Article 16 of the Convention, it is further agreed that any aircraft operated by, or on behalf of, a designated airline of one Party, on service to or from the territory of the other Party, may, while within the territory of the other Party, be the subject of an inspection (in this Article called "ramp inspection") by the

authorized representatives of the other Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Convention, the purpose of this ramp inspection is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the standards established at that time pursuant to the Convention.

4. If any such ramp inspection or a series of ramp inspections gives rise to serious concerns that:

- (a) an aircraft or the operation of an aircraft does not comply with the minimum standards established at that time pursuant to the Convention; or
- (b) there is a lack of effective maintenance and administration of safety standards established at that time pursuant to the Convention,

the Party carrying out the ramp inspection shall, for the purposes of Article 33 of the Convention, be free to conclude that the requirements under which the certificate or licences in respect of that aircraft or in respect of the flight crew of that aircraft have been issued or rendered valid, or that the requirements under which that aircraft is operated, are not equal to or above the minimum standards established pursuant to the Convention.

5. In the event that access for the purpose of undertaking a ramp inspection of an aircraft operated by or on behalf of the airline or airlines of one Party in accordance with paragraph (3) of this Article is denied by the representative of that airline or airlines, the other Party shall be free to infer that serious concerns of the type referred to in paragraph (4) of this Article arise and draw the conclusions referred in that paragraph.

6. Each Party reserves the right to suspend or vary the operating authorisation of a designated airline or airlines of the other Party immediately in the event the first Party concludes, whether as a result of a ramp inspection, a series of ramp inspections, a denial of access for ramp inspection, consultations or otherwise, that immediate action is essential to the safety of an airline operation.

7. When urgent action is essential to ensure the safety of an airline operation, each Party reserves the right to immediately withhold, revoke or limit the operating authorization or technical permission of an airline or airlines of the other Party.

8. Any action by one Party in accordance with paragraph 7 of this Article shall be discontinued once the basis of the taking of that action ceases to exist.

9. With reference to paragraph 2 of this Article, if it is determined that one Party remains in non-compliance with the said standards when the agreed time period has lapsed, the Secretary-General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.



10. Where one Party has designated an airline whose regulatory control is exercised and maintained by a third State, the rights of the other Party under this Article shall apply equally in respect of the adoption, exercise or maintenance of safety standards by that third State and in respect of the operating authorization of that airline.

Article 8 *Aviation Security*

1. In accordance with their rights and obligations under international law, the Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Parties shall in particular act in conformity with the provisions of the *Convention on Offences and Certain Other Acts Committed on Board Aircraft*, done at Tokyo on 14 September 1963, the *Convention for the Suppression of Unlawful Seizure of Aircraft*, done at The Hague on 16 December 1970, the *Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation*, done at Montreal on 23 September 1971, the *Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation*, signed at Montreal on 24 February 1988, and the *Convention on the Marking of Plastic Explosives for the Purpose of Detection*, done at Montreal on 1 March 1991, and any other convention on civil aviation security to which both Parties become members.

2. Upon request the Parties shall provide each other with all necessary assistance to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, of their passengers and crew, and of airports and air navigation facilities, and address any other threat to the security of civil air navigation.

3. The Parties shall, in their mutual relations, act in conformity with all aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their registry, operators of aircraft who have their principal place of business or permanent residence in their territory and operators of airports in their territory act in conformity with such aviation security provisions. Each Party shall advise the other Party of any difference between its national regulations and practices and the aviation security provisions of the Annexes to the Convention. Either Party may request immediate consultations with the other Party at any time to discuss any such differences. Such consultations shall occur within fifteen (15) days of that request.

4. Each Party agrees to observe the aviation security provisions required by the other Party for entry into, departure from, or while within, the territory of that other Party and to take adequate measures to protect aircraft and to inspect passengers, crew, and their baggage and carry-on items, as well as cargo and aircraft stores, prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for reasonable special security measures to meet a particular threat.

5. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports or air navigation

facilities occurs, the Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat.

6. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with the aeronautical authorities of the other Party. Failure to reach a satisfactory agreement within fifteen (15) days from the date of such request shall constitute grounds to withhold, revoke, limit, or impose conditions on the operating authorization and technical permissions of a designated airline or airlines of that other Party. When justified by an emergency or to prevent further non-compliance with the provisions of this Article, a Party may take interim action at any time.

Article 9

Commercial Opportunities

1. The designated airlines of each Party shall have the right to establish offices in the territory of the other Party for the promotion and sale of air services.

2. The designated airlines of each Party shall be entitled, in accordance with the laws and regulations of the other Party relating to entry, residence and employment, to bring in and maintain in the territory of the other Party for not more than five (5) years, such senior management staff required for the provision of air services.

3. The designated airlines of each Contracting Party shall be permitted to have ground handling services in the other Contracting Party's territory provided in whole or in part by the agent authorized by the competent authorities of the other Contracting Party to provide such services or, at its option, it may provide its own ground handling services by engaging or giving positive consideration to engaging personnel employed by the agent authorized to perform such ground handling services.

4. Any designated airline of either Party may engage in the sale of air services in the territory of the other Party directly and, at the airline's discretion, through its agents, except as may be specifically provided by the charter regulations of the country in which the charter originates that relate to the protection of passenger funds, passenger cancellation and refund rights. Each airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely convertible currencies.

5. Each designated airline shall have the right to convert and remit to its country, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly at the rate of exchange applicable to current transactions and remittance on the date the carrier makes the initial application for remittance.

6. The designated airlines of each Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their discretion, the designated airlines of each Party may pay for such expenses in the



territory of the other Party in freely convertible currencies according to local currency regulation.

7. In operating or holding out the authorized services on the agreed routes, any designated airline of one Party may enter into co-operative marketing arrangements such as blocked-space, code-sharing or leasing arrangements, with

a) an airline or airlines of either Party; and

b) an airline or airlines of a third country,

provided that such a third country authorizes or allows comparable arrangements between the airlines of the other Party and other airlines on services to, from and via such a third country; provided that all airlines in such arrangements 1) hold the appropriate authority, 2) meet the requirements normally applied to such arrangements, and 3) the airline makes it clear to the purchaser, at the point of sale, which airline will actually operate each sector and with which airline or airlines the purchaser is entering into a contractual relationship.

Article 10

Customs Duties and Charges

1. Each Party shall on the basis of reciprocity exempt a designated airline of the other Party to the fullest extent possible under its national law from customs duties, excise taxes, inspection fees and other national duties and charges on aircraft, fuel, lubricating oils, consumable technical supplies, spare parts including engines, regular aircraft equipment, aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale or to be used solely in connection with the operation or servicing of aircraft) and other items, such as printed ticket stock, airway bills, any printed material which bears the insignia of the company printed thereon and usual publicity material distributed free of charge by that designated airline intended for use or used solely in connection with the operation or servicing of aircraft of the designated airline of such other Party operating the agreed services.

2. The exemptions granted by this Article shall apply to the items referred to in paragraph 1:

a) introduced into the territory of a Party by or on behalf of the designated airline of the other Party;

b) retained on board aircraft of the designated airline of one Party upon arrival in or leaving the territory of the other Party; or

c) taken on board aircraft of the designated airline of one Party in the territory of the other Party and intended for use in operating the agreed services;

whether or not such items are used or consumed wholly within the territory of the Party granting the exemption, provided the ownership of such items is not transferred in the territory of the said Party.

3. The regular airborne equipment, as well as the materials and supplies normally retained on board the aircraft of the designated airline of either Party, may be unloaded in the territory of the other Party only with the approval of the customs authorities of that territory. In such case, they may be placed under supervision of the

said authorities up to such time as they are re-exported or otherwise disposed of in accordance with customs regulations.

4. The exemptions provided for by this Article shall also apply in situations where a designated airline of one Party has entered into arrangements with other airlines for the loan or transfer in the territory of the other Party of the items specified in paragraphs 1 and 2 of this Article, provided such other airlines similarly enjoy such exemptions from the other Party.

5. Nothing in this Agreement shall prevent either Party from imposing, on a non-discriminatory basis, taxes, levies, duties, fees or charges on fuel supplied in its territory for use in an aircraft of a designated airline of the other Party that operates between a point or points in the territory of the first Party and another point in the territory of that Party or a point in the territory of another European Union Member State or EEA EFTA State.

Article 11 *User Charges*

1. User charges that may be imposed by the competent charging authorities or bodies of each Party on the designated airlines of the other Party shall be just, reasonable, not unjustly discriminatory. Neither Party shall impose or permit to be imposed on the designated airlines of the other Party user charges higher than those imposed on its own airlines operating similar international air services.

2.. Each Party shall encourage consultations on user charges between the competent charging authorities or bodies in its territory and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs 1 and 2 of this Article. Each Party shall encourage the competent charging authorities to provide users with reasonable notice of any proposal for changes in user charges to enable users to express their views before changes are made.

[Article 12] *Avoidance of Double Taxation*

1. Profits from the operation of the aircraft of a designated airline in international traffic shall be taxable only in the territory of the Party in which the place of effective management of that airline is situated.

2. Capital represented by aircraft operated in international traffic by a designated airline and by movable property pertaining to the operation of such aircraft shall be



taxable only in the territory of the Party in which the place of effective management of the airline is situated.

3. When a special agreement for the avoidance of double taxation with respect to taxes on income and on capital exists between any two of the Parties, the provisions of the latter shall prevail.]

Article 13 *Fair Competition*

1. Each Party shall afford the designated airlines of the other Party a fair and equal opportunity, in accordance with its competitive laws, to operate the agreed services.

2. Each Party shall allow each designated airline to determine the frequency and capacity of the international air services it offers based upon commercial considerations in the marketplace. Consistent with this right, neither Party shall unilaterally limit the volume of traffic, frequency or regularity of service, or the aircraft type or types operated by the designated airlines of the other Party, except as may be required for customs, technical, operational, or environmental reasons under uniform conditions consistent with Article 15 of the Convention.

3. Neither Party shall impose on the other Party's designated airlines a first-refusal requirement, uplift ratio, no-objection fee, or any other requirement with respect to capacity, frequency or traffic that would be inconsistent with the purposes of this Agreement.

4. A designated airline of a Party shall submit to the aeronautical authorities of the other Party, not later than forty five (45) days prior to the date of operation of any agreed service, the timetable of its intended services, specifying the frequency, type of aircraft, configuration and number of seats to be made available to the public. The same procedure shall apply to any subsequent changes to the approved timetables of the designated airline.



5. If a designated airline wishes to operate ad-hoc flights supplementary to those covered in the approved timetable, it shall, at least five (5) working days prior to the proposed ad-hoc flight, submit for approval a timetable of intended services to the aeronautical authority of the other Party, who shall forthwith, give positive and favourable consideration to such request.

6. The aeronautical authorities of both Contracting Parties shall provide each other, on request, with periodic statistics or other similar information on the agreed services as may be reasonably required.

Article 14

Pricing

1. Each Party shall allow prices for air services to be decided by each designated airline based on commercial considerations in the marketplace. Intervention by the Parties shall be limited to:

- a) prevention of unreasonably discriminatory prices or practices;
- b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
- c) protection of airlines from prices that are artificially low.

2. Each Party may require notification or filing with its aeronautical authorities of prices to be charged to or from its territory by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than sixty (60) days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Neither Party shall require the notification or filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a non-discriminatory basis for information purposes.

3. Notwithstanding paragraphs 1 and 2 of this Article, the prices to be charged by the designated airline of The Bahamas for carriage wholly within the European Economic Area shall be subject to the Agreement on the European Economic Area. However, each designated airline has the right to match any price offered in the marketplace.

4. Neither Party shall take unilateral action to prevent the coming into effect or continuation of a tariff charged or proposed to be charged by the designated airline of the other Party. If one Party believes that any such tariff is inconsistent with the considerations set out in paragraph (1) of this Article, it may request consultations and notify the other Party of the reasons for its dissatisfaction. These consultations shall be held not later than (15) fifteen days after receipt of the request. Without a mutual agreement the tariff shall take effect or continue in effect.

Article 15

Intermodal Services

Notwithstanding any other provision of this Agreement, the designated airlines of either Party may use intermodal transportation within the territory of the relevant Party if approved by the Aeronautical Authorities of that Party.



Article 16*Consultations and Settlement of Disputes*

1., either Party may, at any time, request consultations relating to this Agreement, its implementation and satisfactory compliance with the provisions of this Agreement. If any dispute arises between the Parties relating to the interpretation or application of this Agreement, the Parties shall in the first place endeavour to settle it by consultation. Except as provided in Article 4 (Revocation of Authorization), Article 7 (Safety) and Article 8 (Aviation Security) of this Agreement such consultations shall begin, unless otherwise agreed, within sixty (60) days of the date the other Party receives a written request for consultations.

2. If the Parties fail to reach a settlement by negotiation, the dispute shall be settled through diplomatic channels.

Article 17*Amendments*

1. If either Party considers it desirable to amend any provision of this Agreement, including the Annexes thereto, it may request consultations between the aeronautical authorities of both Parties in relation to the proposed amendment. Such consultations shall commence within a period of sixty days (60) from the date of receipt of the request. Any amendments so agreed shall enter into force when they have been confirmed by an exchange of diplomatic notes by both Parties.

2. An amendment to the Annexes may be made by direct agreement between the aeronautical authorities of both Parties and shall enter into force on the date agreed by the Aeronautical Authorities.

3. If any international convention or multilateral agreement concerning air transport comes into force and becomes binding on both Parties, this Agreement shall be deemed to have been amended so as to conform with the provisions of that international convention or multilateral agreement.

Article 18*Termination*

Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight at the place of receipt of the notice immediately before the first anniversary of the date of receipt of the notice by the other Party, unless the notice is withdrawn before



then by agreement of the Parties before the end of this period. In the absence of acknowledgement of receipt by the other Party, the notice shall be deemed to have been received fourteen (14) days after the date it was received by the International Civil Aviation Organization.

Article 19

Registration with ICAO

This Agreement and all amendments thereto shall, upon signature, be submitted to the International Civil Aviation Organization for registration..

Article 20

Entry into force

This Agreement and its Annex shall enter into force on the date of the later note in an exchange of diplomatic notes between the Parties confirming that each Party has completed the necessary internal procedures for entry into force of this Agreement and its Annex.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at this day of , 20-- in duplicate, in the English language.

For the Government of Iceland

For the Government of the
Commonwealth of The Bahamas



ANNEX I International Air Services

Section 1 Routes

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, be entitled to perform international air services between points on the following routes:

- A. The Designated Airline or Airlines of The Bahamas shall be entitled to operate scheduled international air services in both directions on the routes specified hereafter:

Points in The Bahamas	Intermediate points	Points in Iceland	Points beyond
any point	any point	any point	any point

For all-cargo service or services, between The Bahamas and any point or points.

- B. The Designated Airline or Airlines of Iceland shall be entitled to operate scheduled international air services in both directions on the routes specified hereafter:

Points in Iceland	Intermediate points	Points in The Bahamas	Points beyond
any point	any point	Any 3 points	any point

For all-cargo service or services, between Iceland and any point or points.

Section 2 Operational Flexibility

Each designated airline may on any or all flights and at its option:

1. Operate flights in either or both directions;
2. combine different flight numbers within one aircraft operation;
3. serve behind, intermediate, and beyond points and points in the territories of the Parties on the routes in any combination and in any order;
4. omit stops at any point or points;
5. transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes;




6. serve points behind any point in its territory with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services;
7. make stopovers at any points whether within or outside the territory of either Party;
8. carry transit traffic through the other Party's territory; and/or
9. combine traffic on the same aircraft regardless of where such traffic originates; without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement, provided that, with the exception of all-cargo services, the service serves a point in the territory of the Party designating the airline.

Section 3 **Change of Gauge**

On any segment or segments of the aforementioned routes, any designated airline may perform international air services without any limitation as to change, at any point on the route, in type or number of aircraft operated, provided that, with the exception of all-cargo services, in the outbound direction, the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation from beyond such point.



ANNEX II Charter Operations

Section 1

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, have the right to carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split, and combination (passenger/cargo) charters):

Between any point or points in the territory of the Party that has designated the airline and any point or points in the territory of the other Party; and

Between any point or points in the territory of the other Party and any point or points in a third country or countries, provided that, except with respect to cargo charters, such service constitutes part of a continuous operation, with or without a change of aircraft, that includes service to the homeland for the purpose of carrying local traffic between the homeland and the territory of the other Party.

In the performance of services covered by this Annex, airlines of each Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Party; (2) to carry transit traffic through the other Party's territory; and (3) to combine on the same aircraft traffic originating in one Party's territory, originating in the other Party's territory, and traffic originating in third countries.

Each Party shall extend favourable consideration to applications by airlines of the other Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

Any airline designated by either Party performing international charter operations originating in the territory of either Party, whether on a one-way or round-trip basis, shall have the option of complying with the charter laws, regulations, and rules either of its homeland or of the other Party. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria.

However, nothing contained in the preceding paragraph shall limit the rights of either Party to require airlines designated under this Annex by either Party to adhere to requirements relating to the protection of passenger funds and passenger cancellation and refund rights.

Section 3

Except with respect to the consumer protection rules referred to in the preceding paragraph, neither Party shall require an airline designated under this Annex by the other Party, in respect of the carriage of traffic from the territory of that other Party or of a third country on a one-way or round-trip basis, to submit more than a declaration of conformity with the applicable laws, regulations and rules referred to under section



2 of this Annex or of a waiver of these laws, regulations, or rules granted by the applicable aeronautical authorities.

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