

**MEMORANDUM OF UNDERSTANDING BETWEEN THE AERONAUTICAL
AUTHORITIES OF THE GOVERNMENTS OF THE REPUBLIC OF SOUTH AFRICA
AND REPUBLIC OF ICELAND**

1. Delegations representing the Government of the Republic of South Africa and the Government of Republic of Iceland met in Mumbai on 19 October 2011, with a view to conclude a Bilateral Air Services Agreement between the respective countries.
2. The discussions were held in frank and cordial manner. The list of the names of both delegations is appended hereto as **Annex A**.
3. The delegations agreed on the following:

3.1 DRAFT BILATERAL AIR SERVICES AGREEMENT (BASA)

The Parties adopted and initialed the draft Bilateral Air Services Agreement (BASA) appended hereto as **Annex B**. The two Parties further agreed that the necessary constitutional formalities must be concluded as soon as possible to enable the agreement to be signed.

3.2 DESIGNATION

The Parties agreed that there will be no limitation on the number of airlines designated by each country.

3.3 CAPACITY AND FREQUENCIES

The Parties agreed that designated airlines will be permitted to operate seven (7) frequencies for passenger and seven (7) all-cargo air services linking any city pair combination between the Contracting Parties. Designated airlines shall be allowed to operate the capacity and frequency as deemed appropriate with any type of aircraft.

3.4 TARIFF REGIME

The Parties agreed that tariffs to be charged by designated airlines shall be set according to market forces. Both Parties undertook to advise each other should tariffs filed by the other country's airlines be deemed to be anti-competitive.

3.5 AIRLINE CO-OPERATION

The Parties agreed to a code-share framework attached as **Annex C**.



3.6 ROUTE SCHEDULE

The Parties agreed to a route schedule attached as **Annex D**.

3.7 FIFTH FREEDOM:

The designated airline(s) of each Contracting Party are allowed to exercise fifth freedom traffic rights on both passenger and all-cargo services, on intermediate and points beyond , where 3rd and 4th freedom traffic rights are not in operation.

This Memorandum of Understanding will come into force immediately, whilst the provisions of the initialed Bilateral Air Services Agreement will be applied administratively, pending signature and notification by each Party of the fulfillment of their constitutional formalities with regard to the conclusion and entry into force of the Bilateral Air Services Agreement.

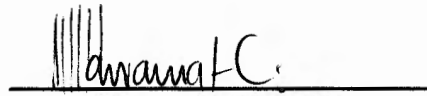
Done at Mumbai on 19 October 2011.

**For the Aeronautical Authorities of the
Republic of
The Republic of Iceland**



KRISTJAN ANDRI STEFANSSON
Ambassador
Chief Air Negotiator

**For the Aeronautical Authorities of
the Republic of South Africa**



VUWANI NDWAMATO
Director
Air Transport

List of delegations

Republic of Iceland:

1. Mr Kristján Andri Stefánsson
Ambassador, Chief Air Negotiator
Ministry of Foreign Affairs
(Head of delegation)
2. Mr. Karl Alvarsson
Senior legal Advisor,
Icelandic Civil Aviation Administration



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Republic of South Africa:

1. Mr. Vuwani E. Ndwamato
Director: Air Transport
Department of Transport (DOT)
(Head of Delegation)
2. Ms Thandi Maswanganye
Deputy Director
Bilateral Affairs
DOT
3. Ms. Bella Sithole
Assistant Director
Bilateral Affairs
DOT
4. Mr. Darren Hay
Manager, Aero-Political
South African Airways
5. Mr. Sam Ndlovu
Manager: Network Planning And Aero-Political
South African Airways (All-Cargo)
6. Mr. Ahmed Bassa
Dube Trade Port



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CODE-SHARE FRAMEWORK

In operating or holding out the authorised services on the agreed routes, any designated airline of one Contracting Party may, subject to the applicable laws and regulations governing competition, enter into cooperative marketing arrangements like code-sharing, with-

- (a) an airline or airlines of the other Contracting Party;
- (b) an airline or airlines of a third country, provided that such third country authorises or allows comparable arrangements between the airlines of the other Party and other airlines on services to, from and via such third country;

provided that all airlines in such arrangements -

- (i) hold the appropriate traffic rights;
- (ii) meet the requirements normally applied to such arrangements; and
- (iii) must, in respect of any ticket sold by it, make it clear to the purchaser at the point of sale which airline will actually operate each sector of the service and with which airline or airlines the purchaser is entering into a contractual relationship.

Counting of Code-Shared Services

Each code-sharing service operated by the designated airlines of either Contracting Party will count as one (1) frequency, whereas the code-sharing services of the marketing carrier will not be counted as a frequency.

Commercial agreements

All code-share arrangements may be required to have the prior approval of the appropriate Aeronautical Authorities before implementation. Signed commercial agreements in this regard shall be filed with both Aeronautical Authorities prior to the introduction of any code-share services and shall be subject to review.



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**BILATERAL AIR SERVICES
AGREEMENT**

BETWEEN

THE GOVERNMENT OF

THE REPUBLIC OF SOUTH AFRICA

AND

**THE GOVERNMENT OF THE
REPUBLIC OF
ICELAND**

**AGREEMENT BETWEEN THE GOVERNMENTS OF THE REPUBLIC OF SOUTH AFRICA
AND THE REPUBLIC OF ICELAND FOR BILATERAL AIR SERVICES BETWEEN AND
BEYOND THEIR RESPECTIVE TERRITORIES**

The Governments of the Republic of South Africa and the Republic of Iceland, (hereinafter referred to as the "Contracting Parties");

Being parties to the Convention on International Civil Aviation opened for signature at Chicago on the seventh day of December, 1944;

Acknowledging the importance of air transport as a means of creating and preserving friendship, understanding and co-operation between peoples of the two countries;

Desiring to contribute to the progress of international civil aviation; and

Desiring further to conclude an Agreement for the purpose of establishing air services between and beyond their respective territories;

Have agreed as follows -

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ARTICLE 1
DEFINITIONS

For the purpose of this Agreement, unless the context otherwise requires -

- (a) the term "aeronautical authorities" means, in the case of the Republic of South Africa, the Minister responsible for Civil Aviation, and in the case of Iceland, the Ministry of Interior, or in both cases, any person or body authorised to perform any functions being the responsibility of the said authorities;
- (b) the term "agreed service" means scheduled air services on the routes specified in the Annex to this Agreement for the transport of passengers and cargo in accordance with agreed capacity entitlements and "specified route" means a route specified in the Annex to this Agreement;
- (c) the term "Agreement" means this Agreement, its Annex drawn up in application thereof, and any amendments to the Agreement or to the Annex;
- (d) the terms "air service", "international air service", "airline" and "stop for non-traffic purposes" have the meaning respectively assigned to them in Article 96 of the Convention;
- (e) the term "airborne equipment" means articles, other than stores and spare parts of a removable nature, for use on board an aircraft during flight, including first aid and survival equipment;
- (f) the term "aircraft stores" includes food, alcoholic and non-alcoholic drinks and tobacco;
- (g) the term "cargo" includes mail;
- (h) the term "change of aircraft" means the operation of one of the agreed services by a designated airline in such a way that one or more sectors on the route are flown by aircraft different in capacity from those used on another sector;
- (i) the term "Convention" means the Convention on International Civil Aviation, opened for

signature at Chicago on the seventh day of December 1944, and includes -

- (i) any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annex or amendment is at any given time in force for both Contracting Parties; and
- (ii) any amendment which has entered into force under Article 94(a) of the Convention and has been ratified by both Contracting Parties;
- (j) the term "designated airline" means an airline or airlines designated and authorised in accordance with Article 3 (Designation and Authorisation) of this Agreement;
- (k) the term "ground handling" includes but is not limited to passenger, cargo and baggage handling, and the provision of catering facilities;
- (l) the term "spare parts" means articles of a repair or replacement nature for incorporation in an aircraft, including engines;
- (m) the term "tariffs" means the prices to be paid for the carriage of passengers, baggage and cargo and the conditions under which those prices apply, including prices and conditions for agency and other auxiliary services but excluding remuneration or conditions for the carriage of mail; and
- (n) the term "territory" in relation to a State has the meaning assigned to it in Article 2 of the Convention.

ARTICLE 2

GRANT OF TRAFFIC RIGHTS

1. Each Contracting Party grants to the other Contracting Party the rights specified in this Agreement to enable its designated airline to establish and operate international air services on the routes specified in the Annex.
2. Subject to the provisions of this Agreement, the designated airline of each Contracting Party shall enjoy the following rights -



- (a) to fly without landing across the territory of the other Contracting Party;
 - (b) to make stops in that territory for non-traffic purposes; and
 - (c) to land in the territory of the other Contracting Party for the purpose of taking on board and discharging international traffic in passengers and cargo while operating an agreed service.
3. The airlines of each Contracting Party, other than those designated under Article 3 (Designation and Authorisation) of this Agreement, shall also enjoy the rights specified in sub-article (2)(a) and (b).
4. Nothing in sub-article (2) shall be deemed to confer on the designated airlines of one Contracting Party the right of uplifting in the territory of the other Contracting Party, passengers and cargo, carried for remuneration or hire and for discharge at another point in the territory of that other Contracting Party.
5. If because of armed conflict, political disturbances or developments, or special and unusual circumstances, the designated airline of one Contracting Party is unable to operate a service on its normal routes, the other Contracting Party shall use its best efforts to facilitate the continued operation of such service through appropriate

temporary re-arrangements of such routes as are mutually decided by the Contracting Parties.

ARTICLE 3

DESIGNATION AND AUTHORISATION

1. Each Contracting Party shall have the right to designate in writing to the other Contracting Party an airline or airlines to operate the agreed services on the specified routes and to withdraw, in writing, any designation of an airline or airlines (hereinafter referred to as airline) and to substitute another airline for an airline previously designated.

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2. The agreed services may begin at any time, in whole or in part, but not before -
 - (a) the Contracting Party to whom the rights have been granted shall have designated pursuant to sub-article (1) an airline for the specified route;
 - (b) the Contracting Party granting the rights shall have given, with the least possible delay, the appropriate operating permission to the airline concerned, subject to the provisions of Article 4 (Revocation and Limitation of Authorisation); and
 - (c) provided that the designated airline complies with the applicable provisions of this Agreement and that tariffs, established in accordance with the provisions of Article 10 (Tariffs) of this Agreement, are in force in respect of such services and also that the timetable of its intended services have been approved in accordance with Article 12 (Timetable) of this Agreement.
3. For the purpose of granting the appropriate operating authorisation under sub-article (2), the aeronautical authorities of one Contracting Party may require an airline designated by the other Contracting Party to satisfy it that it is qualified to fulfil the conditions prescribed under the laws and the regulations normally applied to the operation of international air services by such authorities in conformity with the provisions of the Convention.

ARTICLE 4

REVOCATION AND LIMITATION OF AUTHORISATION

1. The aeronautical authorities of each Contracting Party shall, with respect to a designated airline of the other Contracting Party, have the right to withhold the authorisation referred to in Article 3 (Designation and Authorisation) of this Agreement, to revoke or suspend such authorisation or impose conditions, temporarily or permanently at any time during the exercise of the rights by the designated airline concerned -
 - (a) in the event of failure by the airline to qualify under or to comply with the laws and regulations normally applied by the aeronautical authorities of that Contracting Party in conformity with the Convention;



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- (b) in the event that the aeronautical authorities of that Contracting Party are not satisfied that the airline in question has its central administration and principal place of business in the territory of the other Contracting Party and that substantial ownership and effective control of the airline are vested in the Contracting Party designating the airline or in its nationals; or
 - (c) in the event the airline fails to operate in accordance with the conditions prescribed under this Agreement.
2. Unless immediate action is essential to prevent further infringement of the laws and regulations referred to above, the rights enumerated in sub-article (1) shall be

exercised only after consultations with the aeronautical authorities of the other Contracting Party, in accordance with Article 18 (Consultations).

ARTICLE 5

APPLICATION OF LAWS, REGULATIONS AND PROCEDURES

1. The laws, regulations and procedures of either Contracting Party relating to the admission to or departure from its territory of aircraft engaged in international air services, or to the operation and navigation of such aircraft, shall be complied with by the designated airline of the other Contracting Party upon its entrance into, and until and including its departure from, the said territory.
2. The laws, regulations and procedures of one Contracting Party relating to the entry into, sojourn in and departure from its territory of passengers, crew, cargo and aircraft (including laws and regulations relating to entry, clearance, aviation security, immigration, passports, customs, quarantine, or in the case of mail, postal laws and regulations) shall be applicable to the passengers, crew, cargo and the aircraft of the designated airline of the other Contracting Party while it is in the territory of the first Contracting Party. Such laws and regulations shall be applied equally by each Contracting Party to the passengers, crew, cargo and aircraft of all countries without distinction as to nationality of airline.



ARTICLE 6
RECOGNITION OF CERTIFICATES AND LICENCES

1. Certificates of airworthiness, certificates of competency and licences issued, or rendered valid by one Contracting Party and still in force, shall be recognised as valid by the other Contracting Party for the purpose of operating the agreed services provided that such certificates or licences were issued or rendered valid pursuant to, and in conformity with, the standards established under the Convention. Each Contracting Party reserves the right, however, to refuse to recognise, for the purpose of flights undertaken pursuant to rights granted under sub-article (2) of Article 2 (Grant of Traffic Rights), certificates of competency and licences granted to its own nationals by the other Contracting Party.
2. If the privileges or conditions of the licences or certificates issued or rendered valid by one Contracting Party permit a difference from the standards established under the Convention, and that difference has been filed with the International Civil Aviation Organisation, the aeronautical authorities of the other Contracting Party may, without prejudice to the rights of the first Contracting Party under sub-article (2) of Article 16 (Safety), request consultations in accordance with Article 18 (Consultations) of this Agreement with the aeronautical authorities of the first Contracting Party with a view to satisfying themselves that the practice in question is acceptable to them. Failure to reach a satisfactory agreement shall constitute grounds for the application of Article 4 (Revocation and Limitation of Authorisation) of this Agreement.

ARTICLE 7
CUSTOMS DUTIES AND OTHER CHARGES

1. Aircraft operated on agreed services by the designated airline of one Contracting Party, as well as their normal equipment, supplies of fuel, lubricating oils (including hydraulic fluids) and lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including food, beverages, liquor, tobacco and other products for sale to or use by passengers, in limited quantities, during the flight) and other items intended for or used solely in connection with the aviation operation or servicing, which are on board such aircraft, shall, on entering into the territory of the other Contracting Party, be exempt from customs duties/inspection fees, excise duties and charges: Provided such equipment, supplies and stores remain on board the aircraft until they are re-exported,



or consumed during flight over that territory on

the agreed service.

2. The following shall be exempt from customs duties, excise duties, inspection fees and other national duties and charges -
 - (a) aircraft stores taken on board in the territory of one Contracting Party, and intended for use on board the aircraft operated on an international service by the designated airline of the other Contracting Party;
 - (b) spare parts (including engines) and normal airborne equipment imported into the territory of one Contracting Party for the maintenance or repair of aircraft operating agreed services; and
 - (c) fuels, lubricating oils (including hydraulic fluids) and lubricants destined for the designated airline of one Contracting Party to supply aircraft operating agreed services, even when these supplies are to be used on any part of a journey performed over the territory of the other Contracting Party in which they have been taken on board.
3. The normal airborne equipment, as well as spare parts (including engines), aircraft stores, supplies of fuel, lubricating oils (including hydraulic fluids) and lubricants and other items mentioned in sub-article (1) retained on board the aircraft operated by the designated airline of one Contracting Party may be unloaded in the territory of the other Contracting Party only with the approval of the customs authorities of that territory. In such case, they may be placed under the supervision of those customs authorities until they are re-exported or otherwise disposed of in accordance with the customs laws and procedures of that Contracting Party.
4. Passengers, baggage and cargo in direct transit across the territory of either Contracting Party and not leaving the area of the airport reserved for such purpose shall, except in respect of security measures against violence, air piracy and smuggling of controlled drugs, be subject to no more than a simplified control. Baggage and cargo in direct transit shall be exempt from customs duties and other similar taxes.



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5. The exemptions provided for by this Article shall be available in situations where the designated airline of either Contracting Party has entered into arrangements with another airline or airlines for the loan or transfer in the territory of the other Contracting Party of the items specified in sub-articles (1) and (2): Provided such other airline or airlines similarly enjoy such exemptions from the other Contracting Party.

ARTICLE 8

PRINCIPLES GOVERNING THE OPERATION OF AGREED SERVICES

1. Each Contracting Party shall take all appropriate action within its jurisdiction to eliminate all forms of discrimination or unfair competitive practices adversely affecting the competitive position of the designated airline of the other Contracting Party in the exercise of its rights and entitlements set out in this Agreement, including, but not limited to, restrictions upon the sale of air transportation, the payment for goods, services or transactions, or the repatriation of excess currencies by airlines, and the import, installation and use of computer equipment.
2. To the extent that the aeronautical authorities of either Contracting Party believe that their designated airline is being subjected to discrimination or unfair practices, they shall give notice to this effect to the aeronautical authorities of the other Contracting Party. Consultations, which may be through the diplomatic channel, shall be entered into as soon as possible after notice is given unless the first Contracting Party is satisfied that the matter has been resolved in the meantime.
3. In operating the agreed services the designated airline of each Contracting Party shall take into consideration the interests of the designated airline of the other Contracting Party so as not to affect unduly the services which the latter provides on the whole or part of the same routes.
4. The capacity to be provided by the designated airline of each Contracting Party will bear a close relationship to the requirements of the public for transportation on the agreed routes and will have as its primary objective the provision, at a reasonable load factor, of capacity adequate to meet the current and reasonably anticipated requirements for the carriage of passengers and cargo between South Africa and Iceland.



5. Provision by a designated airline for the carriage of traffic originating in or destined for points on its specified routes in the territories of third countries shall be made in accordance with the general principles that capacity shall be related to -
 - (a) the requirements of traffic originating in or destined for the territory of the Contracting Party which has designated the airline;
 - (b) the traffic requirements of the area through which the airline passes, after taking account of local and regional services; and
 - (c) the requirements of through airline operations.
6. The capacity which may be provided in accordance with this Article by the designated airline of each Contracting Party on the agreed services shall be such as is decided between the aeronautical authorities of the Contracting Parties before the commencement by the designated airline concerned of the agreed services and from time to time thereafter.

ARTICLE 9

COMMERCIAL ACTIVITIES

1. A designated airline of one Contracting Party shall be allowed to establish in the territory of the other Contracting Party offices for the promotion of air transportation and sale of air tickets as well as other facilities required for the provision of air transportation.
2. A designated airline of one Contracting Party shall be allowed to bring in and maintain in the territory of the other Contracting Party its managerial, commercial, operational and technical staff as it may require in connection with the provision of air transportation.
3. These staff requirements may, at the option of a designated airline, be satisfied by its own personnel or by using the services of any other organisation, company or airline operating in the territory of the other Contracting Party, and authorised to perform such services in the territory of that Contracting Party.
4. Each Contracting Party grants to a designated airline of the other Contracting Party the right to engage in the sale of air transportation in its territory directly and, at the airline's



discretion, through its agents. Each designated airline shall have the right to sell such transportation and any person shall be free to purchase such transportation in any currency.

5. The designated airline of one Contracting Party shall have the right at its discretion to pay for local expenses in the territory of the other Contracting Party in local currency, or provided this accords with local currency regulations, in freely convertible currencies.
6. At its option, each designated airline shall, in the territory of the other Contracting Party, have the right to perform its own ground-handling or, where there is more than one provider, contract with an agent of its choice, including any other airlines which perform ground-handling. Where a designated airline is precluded from performing its own ground-handling or contracting with an agent of its choice for ground-handling services, these services shall be made available to that designated airline on a basis of equality with all other airlines.
7. The above activities shall be carried out in accordance with the laws and regulations of the other Contracting Party.

ARTICLE 10

TARIFFS

1. The tariffs to be charged by a designated airline of either Contracting Party on the agreed services shall be reasonably related to the long term fully allocated costs of the applicant air carrier, while taking into account other relevant factors, including the needs of consumers, the need for a satisfactory return on capital and for an adequate cost margin to ensure a satisfactory safety standard, the competitive market situation, including the tariffs of other air carriers operating on the specified route and the need to prevent dumping. The fact that a proposed air fare is lower than that offered by another air carrier operating on the route shall not be sufficient reason for withholding approval.
2. The tariffs referred to in sub-article (1), shall, wherever possible, be agreed by the designated airlines of both Contracting Parties after consultation with the other airlines operating over the whole or part of the route, and such agreement shall, wherever possible, be reached by following the procedures of the International Air Transport Association for the calculation of tariffs.



3. The aeronautical authorities of both countries will, with a view to preserving and enhancing competition, apply the following provisions for the approval of a tariff to be charged by the designated airline of either country for carriage between a point in one country and a point in the other country -

- (a) any proposed tariff to be charged for carriage between the territories of the Contracting Parties shall be filed by or on behalf of the designated airline concerned with both aeronautical authorities at least forty-five (45) days (or such shorter period as both aeronautical authorities may mutually decide) before it is proposed that the tariff will take effect;
- (b) subject to sub-articles (3)(c) and (d), any tariff so filed will be treated as having been approved unless within thirty (30) days of the tariff being filed (or such shorter period as the aeronautical authorities of both Contracting Parties may mutually decide), the authorities of both Contracting Parties have informed each other in writing that they do not approve the proposed tariff or consultations have been requested pursuant to sub-article (3)(c) below;
- (c) if the aeronautical authorities of either Contracting Party consider that a proposed tariff filed with them by a designated airline of the other Contracting Party is or may be excessive; or charging of the proposed tariff might be anti-competitive and cause substantial damage to another airline; they may, within fifteen (15) days of the proposed tariff being filed, request consultations with the aeronautical authorities of the other Contracting Party. The consultations, which may be through correspondence, will be completed within fifteen (15) days of being requested and the tariff will take effect at the end of that period unless the aeronautical authorities of both Contracting Parties decide otherwise;
- (d) a tariff established in accordance with the provisions of this Article shall remain in force until a new tariff has been established. A tariff shall not be prolonged by virtue of this paragraph for more than twelve (12) months after the date on which it would otherwise have expired; and
- (e) the designated airlines of both Contracting Parties may not offer tariffs different

from those which have been established in conformity with the provisions of this Article.

4. Any designated airline of either Contracting Party, operating a direct or indirect air service under these arrangements, on giving due notice, will be permitted by the aeronautical authorities of the other Contracting Party to match any tariff already approved between the same city pairs. This provision will not apply to indirect services which exceed the length of the shortest direct services by more than 20%.

ARTICLE 11 **CHANGE OF AIRCRAFT**

1. Each designated airline may on any or all flights on the agreed services and at its option, change aircraft in the territory of the other Contracting Party or at any point along the specified routes, provided that -
 - (a) aircraft used beyond the point of change of aircraft shall be scheduled in coincidence with the inbound or outbound aircraft, as the case may be; and
 - (b) in the case of change of aircraft in the territory of the other Contracting Party and when more than one aircraft is operated beyond the point of change, not more than one such aircraft may be of equal size and none may be larger than the aircraft used on the third and fourth freedom sector.
2. For the purpose of change of aircraft operations, a designated airline may use its own equipment and, subject to national regulations, leased equipment, and may operate under commercial arrangements with another airline.
3. A designated airline may use different or identical flight numbers for the sectors of its change of aircraft operations.

ARTICLE 12 **TIMETABLE**

1. The designated airline of each Contracting Party shall submit to the aeronautical authorities of the other Contracting Party for approval, thirty (30) days in advance, the timetable of its intended services, specifying the frequency, type of aircraft, configuration

and number of seats to be made available to the public.

2. Any subsequent changes to the approved timetables of a designated airline shall be submitted for approval to the aeronautical authorities of the other Contracting Party.

ARTICLE 13

PROVISION OF INFORMATION

The aeronautical authorities of each Contracting Party shall provide or shall cause its designated airline to provide the aeronautical authorities of the other Contracting Party, upon request, periodic or other statements of statistics as may be reasonably required for the purpose of reviewing the operation of the agreed services, including, but not limited to, statements of statistics related to the traffic carried by its designated airline between points in the territory of the other Contracting Party and other points on the specified routes showing the initial origins and final destinations of the traffic.

ARTICLE 14

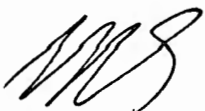
TRANSFER OF FUNDS

1. The designated airline of each Contracting Party shall have the right to sell air transportation in local or freely convertible currencies, and to convert its funds into any freely convertible currency and to transmit them from the territory of the other Contracting Party at will. Subject to the national laws, regulations and policy of the other Contracting Party, conversion and transfer of funds obtained in the ordinary course of its operations shall be effected at the rate of exchange in accordance with the respective applicable national laws and regulations governing current payments, and shall not be subject to any charges except service charges levied for such transactions.
2. Nothing in this Agreement shall affect the rights of either Contracting Party to impose taxes on income or capital gains in accordance with its taxation legislation.

ARTICLE 15

AIRPORT, SERVICES AND FACILITY CHARGES

1. The charges imposed on a designated airline of one Contracting Party by the



responsible charging bodies of the other Contracting Party for the use by that designated airline of airport, airways and other civil aviation facilities and services shall not be higher than those imposed by such Contracting Party on its own designated airline engaged in similar international operations using similar aircraft and associated facilities and services.

2. Each Contracting Party shall encourage consultations between its responsible charging bodies and the designated airline using the facilities and services. Where practicable, such consultations should be through the appropriate representative airline organisation. Reasonable advance notice shall, whenever possible, be given to the designated airline of any proposals for changes to charges referred to in this Article, together with relevant supporting information and data, to enable it to express and have its views taken into account before any changes are made.
3. Neither of the Contracting Parties shall give preference to, or permit responsible bodies to give preference to, its own or any other airline over a designated airline of the other Contracting Party engaged in similar international operations in the application of its customs, immigration, quarantine and similar regulations or in the use of airports, airways, air traffic services and other associated facilities under its control.

ARTICLE 16

SAFETY

1. Each Contracting Party may request consultations concerning the safety standards maintained by the other Contracting Party relating to aeronautical facilities, aircrew, aircraft, and operation of the designated airline. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards and requirements in these areas that are at least equal to the minimum standards which may be established pursuant to the Convention, the other Contracting Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards. The other Contracting Party shall take appropriate corrective action. Failure by the other Contracting Party to take appropriate action within a reasonable time, and in any case within fifteen (15) days, shall be grounds for the application of sub-article (1) of Article 4 (Revocation and Limitation of Authorisation) of this Agreement.



2. When immediate action is essential to the safety of airline operations, a Contracting Party may take action under sub-article (1) of Article 4 (Revocation and Limitation of Authorisation) prior to consultations.
3. Any action taken by one Contracting Party in accordance with sub-articles (1) and (2) shall be discontinued upon compliance by the other Contracting Party with the safety provisions of this Article.

ARTICLE 17
AVIATION SECURITY

1. Consistent with their rights and obligations under international law, the Contracting Parties affirm that their obligation to protect, in their mutual relationship, the security of civil aviation against acts of unlawful interference, forms an integral part of this Agreement.
2. Without limiting the generality of their rights and obligations under international law, the Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offences and Certain Other Acts Committed on Board Aircraft, opened for signature at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, opened for signature at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, opened for signature at Montreal on 23 September 1971 and any other multilateral agreement governing civil aviation security binding upon both Contracting Parties.
3. The Contracting Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.
4. The Contracting Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organisation and designated as Annexes to the Convention on International Civil Aviation to the extent that such security provisions are applicable to the Contracting Parties.
5. In addition, the Contracting Parties shall require that operators of aircraft of their



registry, or operators of aircraft who have their principal place of business or permanent residence in their territory, and the operators of airports in their territory, act in conformity with such aviation security provisions as are applicable to the Contracting Parties. Accordingly each Contracting Party shall advise the other Contracting Party of any difference between its national regulations and practices and the aviation security standards of the Annexes referred to in sub-article (4) above. Either Contracting Party may request immediate consultations with the other Contracting Party at any time to discuss any such differences.

6. Each Contracting Party agrees that its operators of aircraft shall be required to observe the aviation security provisions referred to in sub-article (4) above applied by the other Contracting Party to entry into, departure from, or sojourn in, the territory of that other Contracting Party. Each Contracting Party shall ensure that adequate measures are effectively applied within its territory to protect the aircraft and to apply security controls to passengers, crew, carry-on items, baggage, cargo and aircraft stores prior to and during boarding or loading. Each Contracting Party shall give positive consideration to any request from the other Contracting Party for reasonable special security measures in its territory to meet a particular threat to civil aviation.
7. When an incident or threat of an incident of unlawful seizure of civil aircraft or other unlawful act against the safety of such aircraft, their passengers and crew, airports and air navigation facilities occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures, as may be agreed, intended to terminate such incident or threat as rapidly as possible commensurate with minimum risk to life.
8. When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the provisions of this Article, the aeronautical authorities of the first Contracting Party may request immediate consultations with the aeronautical authorities of the other Contracting Party. Failure to reach a satisfactory agreement within fifteen (15) days from the date of such request shall constitute grounds for the application of sub-article (1) of Article 4 (Revocation and Limitation of Authorisation) of this Agreement. When required by an emergency, a Contracting Party may take action under sub-article (1) of Article 4 (Revocation and Limitation of Authorisation) prior to the expiry of fifteen (15) days. Any action taken in accordance with this sub-article shall be discontinued upon compliance by the other Contracting Party with the security provisions of this Article.

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ARTICLE 18
CONSULTATIONS

1. In a spirit of close co-operation, the aeronautical authorities of both Contracting Parties shall consult with each other from time to time with a view to ensuring the implementation of, and satisfactory compliance with, the provisions of this Agreement.
2. The aeronautical authorities of either Contracting Party may request consultations, through discussions or correspondence, which shall commence within a period of sixty (60) days, with exception to the periods specified in Article 16 (Safety) and Article 17 (Aviation Security), from the date of receipt of the request, unless both aeronautical authorities agree to an extension of this period.

ARTICLE 19
AMENDMENT OF AGREEMENT

1. The Agreement may be amended with the consent in writing of both Contracting Parties. An amendment shall enter into force upon the Contracting Parties notifying each other, through the diplomatic channel, that any necessary constitutional or legal procedures have been complied with.
2. The Annex to this Agreement may be amended in writing between the aeronautical authorities and such amendment shall take effect on a date to be determined by them.
3. If the provisions of a multilateral agreement or convention concerning air transport come into force in respect of both Contracting Parties, this Agreement shall be deemed to be amended so far as is necessary to conform with those provisions of that agreement or convention.
4. If any provision of the Agreement conflicts with an obligation which either Contracting Party may have towards a third Party, both Contracting Parties shall enter into consultations, in accordance with Article 18 (Consultations), to amend the Agreement in order to resolve any such conflict as soon as possible.



ARTICLE 20
SETTLEMENT OF DISPUTES

1. Any disputes, except those which may arise with respect to specific tariff filings, relating to the interpretation or application of this Agreement which cannot be settled by negotiations between the Contracting Parties, either through discussion, correspondence or the use of the diplomatic channel, may be referred to some other person or body for settlement.
2. If the Contracting Parties fail to reach a settlement by negotiation or by other means, they may refer the dispute for decision to an arbitral tribunal. Within a period of sixty (60) days from the date of receipt by either Contracting Party from the other Contracting Party of a note through the diplomatic channel requesting arbitration of the dispute by a tribunal, each Contracting Party shall nominate an arbitrator. Within a period of sixty (60) days from the appointment of the arbitrator last appointed, the two arbitrators shall appoint a president who shall be a national of a third State. If within sixty (60) days after one of the Contracting Parties has nominated its arbitrator, the other Contracting Party has not nominated its own or, if within sixty (60) days following the nomination of the second arbitrator, both arbitrators have not agreed on the appointment of the president, either Contracting Party may request the President of the Council of the International Civil Aviation Organisation to appoint an arbitrator or arbitrators as the case requires. In such case, the third arbitrator shall be a national of a third State and shall act as Chairperson.
3. The Tribunal shall determine its own procedure.
4. Subject to the final decision of the Tribunal, the Contracting Parties shall bear in equal proportion the interim costs of arbitration.
5. The Contracting Parties shall undertake to comply with any provisional ruling and the final decision of the Tribunal.

ARTICLE 21
TERMINATION OF AGREEMENT



1. Either Contracting Party may at any time from the entry into force of this Agreement give notice in writing through the diplomatic channel to the other Contracting Party of its decision to terminate this Agreement. Such notice shall be communicated simultaneously to the International Civil Aviation Organisation (ICAO). The Agreement shall terminate one (1) year after the date of receipt of the notice by the other Contracting Party, unless the notice to terminate is withdrawn by agreement before the expiry of this period.
2. In default of acknowledgement of receipt of a notice of termination by the other Contracting Party, the notice shall be deemed to have been received fourteen (14) days after the date on which ICAO acknowledged receipt thereof.

ARTICLE 22
REGISTRATION OF AGREEMENT AND AMENDMENTS

This Agreement and any subsequent amendments thereto shall be submitted by the Contracting Parties to the International Civil Aviation Organisation for registration.

ARTICLE 23
ENTRY INTO FORCE

This Agreement shall enter into force on the date of its signature.

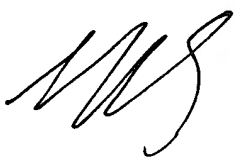
DONE at on this day of

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



**FOR THE GOVERNMENT OF
THE REPUBLIC OF SOUTH AFRICA**

**FOR THE GOVERNMENT OF
THE REPUBLIC OF ICELAND**

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ANNEX

SECTION 1

ROUTES TO BE OPERATED BY THE DESIGNATED AIRLINE OF THE REPUBLIC OF SOUTH AFRICA

POINTS OF ORIGIN	INTERMEDIATE POINTS	POINTS OF DESTINATION	POINTS BEYOND
Points in the Republic of South Africa	To be specified at a later date	Points in Iceland	To be specified at a later date

SECTION 2

ROUTES TO BE OPERATED BY THE DESIGNATED AIRLINE OF THE REPUBLIC OF ICELAND

POINTS OF ORIGIN	INTERMEDIATE POINTS	POINTS OF DESTINATION	POINTS BEYOND
Points in the Republic of Iceland	To be specified at a later date	Points in the Republic of South Africa	To be specified at a later date

NOTES

1. The routes may be operated in either direction.
2. The designated airlines of both Contracting Parties may on any or all flights omit calling at any of the intermediate points provided that the agreed services on these routes begin at a point in the territory of the Contracting Parties.
3. Traffic rights at the intermediate and beyond points to be agreed upon by the



Contracting Parties.

4. The designated airline of either Contracting Party may serve the points in the territory of the other Contracting Party individually or in combination on the same flight.

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