MEMORANDUM OF UNDERSTANDING

Delegations representing the aeronautical authorities of the Republic of Iceland and Australia met on 21 October 2011 at Mumbai during ICAN 2011, in order to establish air services arrangements between Iceland and Australia (the Countries).

Discussions were friendly and cordial and the following understandings were reached:

APPLICATION

1. This Memorandum of Understanding (MOU) will govern the provision of air services between the territories of the Countries by means of code share or other cooperative arrangements.

DEFINITIONS

2. For the purposes of this MOU, unless otherwise stated:

(a) "aeronautical authorities" means in the case of Australia, the Department of Infrastructure and Transport, and in the case of Iceland, the Civil Aviation Administration, or in both cases any person or other authority or authorities authorised to perform the functions exercised by the Director General of Civil Aviation or similar functions;

(b) "air transportation" means the public carriage by aircraft of passengers, baggage, cargo, and mail, separately or in combination, for remuneration or hire;

(c) "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, and includes any Annex or any amendment adopted under Article 90 of the Convention, and any amendment which has entered into force under Articles 90 and 94 of the Convention and has been ratified by both countries being Parties to the Convention;

(d) "intermodal air transportation" means the public carriage by aircraft and by one or more surface modes of transport of passengers, baggage, cargo and mail, separately or in combination, for remuneration or hire;

(e) "stop for non-traffic purposes" has the meaning assigned to it in Article 96 of the Convention;

(f) "tariff" means any price, fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation, including transportation on an intra- or interline basis, charged by airlines, including their agents, and the conditions governing the availability of such price, fare, rate or charge;

(g) "marketing airline" means an airline that offers air transportation on an aircraft operated by another airline, through code-sharing;

(h) "operating airline" means an airline that operates an aircraft in order to provide air transportation – it may own or lease the aircraft;

(i) "territory" has the meaning assigned to it in Article 2 of the Convention.

AUTHORISATION

3. The aeronautical authorities of each Country may nominate as many airlines as they wish to provide services under this MOU. Such nominations will be transmitted to the aeronautical authorities of the other Country through diplomatic channels.

4. On receipt of such a nomination, and of the necessary applications from a nominated airline, in the form and manner prescribed, the aeronautical authority will grant the appropriate authorisations without undue delay, provided that:

(a) the airline is incorporated and has its principal place of business in the territory of the Country whose aeronautical authorities are nominating the airline;

(b) the airline is qualified to meet the conditions prescribed under the laws, regulations and rules normally and reasonably applied to the operation of international air transportation by the aeronautical authorities considering the application or applications, in conformity with the provisions of the Convention.

(c) the airline holds the necessary operating permits; and

(d) the aeronautical authorities nominating the airline, are maintaining and administering the aviation safety and aviation security standards.

5. When an airline has been so nominated and authorised, it may commence international air transportation as a marketing airline, provided that the airline complies with the applicable provisions of this MOU.

6. The aeronautical authorities confirm their shared commitment to ensure the highest degree of safety and security in international air transport, in accordance with the frameworks of the International Civil Aviation Organization.

7. The aeronautical authorities will ensure that the operating airlines hold all necessary safety and security approvals in conformity with the standards at least equal to the aviation safety and security standards established by the Convention and the Annexes to the Convention. Without limiting the foregoing, the aeronautical authorities recognise that, in code share arrangements where a nominated airline of one Country provides services as the marketing airline into the territory of the other Country but does not operate its own aircraft into the territory of the other Country, such an airline need not hold the same safety and security approvals normally required by the other Country for an operating airline flying its own aircraft into the other Country's territory in its own right.

8. The aeronautical authority of either Country may withhold, revoke, suspend or limit their authorisations of an airline nominated by the other aeronautical authority, at any time, if the conditions specified in paragraph 4 of this MOU are not met, or if the airline otherwise fails to operate in accordance with the conditions specified in this MOU.

9. Unless immediate action is essential to prevent further non-compliance with subparagraphs 4 (b) to 4 (d), the actions under paragraph 8 of this MOU will be taken only after consultation with the other aeronautical authority.

10. The aeronautical authority of each country will allow code share services to fly across the territory of its country without landing, and to make stops in the territory of its country for non-traffic purposes.

COOPERATIVE MARKETING ARANGEMENTS

11. In operating or holding out international air transportation in accordance with this MOU, the nominated airlines of each Country will be able to, over all or any part of the Code Share Routes in paragraphs 21 and 22 below, enter into code share, blocked space or other cooperative marketing arrangements, as the marketing airline, with any other airline or airlines, including airlines of the same Country and third parties. The airlines participating in such arrangements must hold the appropriate authority or authorities to conduct international air transportation on the routes or segments concerned, and meet the requirements contained in Paragraph 7 of this MOU.

12. The volume of capacity or service frequencies which may be held out and sold by the nominated airlines of each Country, when code sharing as the marketing airline, will not be subject to limitations under this MOU.

13. The nominated airlines of each Country, when code sharing as the marketing airline, can exercise fifth freedom traffic rights at all points on the Code Share Routes in paragraphs 21 and 22 below.

14. Between points in the territory of the other Country, the nominated airlines of each Country may only exercise own stopover rights.

15. Neither aeronautical authority will withhold code sharing permission for a nominated airline of the other Country to market code share services on flights operated by airlines of third parties on the basis that the third party airlines concerned do not have an arrangement with the first Country to carry traffic under the code of the marketing airline.

16. The nominated airlines of each Country may market code share services on domestic flights operated within the territory of the other Country provided that such services form part of a through international journey.

17. The nominated airlines of each Country will, when holding out international air transportation for sale, make it clear to the purchaser at the point of sale which airline will be the operating airline on each sector of the journey and with which airline or airlines the purchaser is entering into a contractual relationship.

18. The schedules of the code sharing services will be notified to the aeronautical authorities of both countries before the proposed date of their introduction in accordance with the domestic regulations of each Country.

19. Each aeronautical authority will allow each nominated airline to determine its own tariffs for the transportation of air traffic.

20. The nominated airlines of each Country will be permitted to employ, in connection with international air traffic, any surface transport to or from any points in the territories of the countries and third countries through arrangements, including code share, with surface carriers.

21. When providing code share services as a marketing airline, the nominated airlines of Iceland may serve the following Code Share Route:

Points in Iceland	Intermediate Points	Points in Australia	Beyond Points
Any	Any	Any	Any

22. When providing code shared services as a marketing airline, the nominated airlines of Australia may serve the following Code Share Route:

Points in Australia	Intermediate Points	Points in Iceland	Beyond Points
Any	Any	Any	Any

23. The nominated airlines of each Country may, on any or all services and at the option of each nominated airline:

(a) perform services in either or both directions;
(b) combine different flight numbers within one aircraft operation;
(c) transfer traffic from any aircraft to any other aircraft at any point on the route,

without directional or geographic limitation and without loss of any ability to carry traffic otherwise permissible under this MOU.

24. Services will commence or terminate in the territory in which the nominated airline has its principal place of business but may comprise several connecting services in accordance with paragraph 23 above.

25. On any sector or sectors of the Code Share Routes in paragraph 21 and 22 above, any nominated airline will be entitled to perform international air transportation, as the marketing carrier, under code sharing arrangements with other airlines, without any limitation as to change at any point or points on the route, in the type, size or number of aircraft operated.

COMMERCIAL OPPORTUNITIES

26. The nominated airlines of each Country can undertake the following activities in the territory of the other Country:

(a) establish offices, including offline offices, for the promotion, sale and management of air transportation;

(b) engage in the sale and marketing of air transportation to any person directly and, at its discretion, through its agents or intermediaries, using its own transportation documents; and

(c) use the services and personnel of any organisation, company or airline operating in the territory of the other Country.

27. In accordance with the laws and regulations relating to entry, residence and employment of the other Country, the nominated airlines of each Country will be entitled to bring in and maintain in the territory of the other Country their own managerial, sales, technical, operational and other specialist staff which the nominated airline reasonably considers necessary for the provision of air transportation.

28. The nominated airlines of each Country can sell air transportation, and any person will be free to purchase such transportation, in local or freely convertible currencies. Each nominated airline can convert their funds into any freely convertible currency and transfer them from the territory of the other Country at will. Subject to the national laws and regulations and policy of the other Country, conversion and transfer of funds obtained in the ordinary course of their operations will be permitted at the foreign exchange market rates for payments prevailing at the time of submission of the requests for conversion or transfer and will not be subject to any charges except normal service charges levied for such transactions.

29. The nominated airlines of each Country can, at their discretion, pay for local expenses in the territory of the other Country in local currency or, provided this accords with local currency regulations, in freely convertible currencies.

APPLICATION OF LAWS

30. The laws and regulations of one Country will apply to the activities of the nominated airlines of the other Country within the territory of the first mentioned Country.

31. The competition laws of each Country, as amended from time to time, will apply to the activities of the nominated airlines, including the marketing of code shared services, within the jurisdiction of the respective Country.

CHARTER SERVICES

32. The aeronautical authorities of each Country will favourably consider applications from airlines of each Country to operate charter (non-scheduled) services, subject to their domestic laws and regulations.

DISPUTE RESOLUTION

33. If any dispute arises between the aeronautical authorities relating to the interpretation or application of this MOU, the aeronautical authorities will endeavour to settle it by consultations and negotiation.

AMENDMENT

34. This MOU may be amended or revised by consensus in writing between the aeronautical authorities.

TERMINATION

35. Either aeronautical authority may at any time give notice in writing to the other aeronautical authority of its decision to terminate this MOU. The MOU will terminate on the day following the last day of the current International Air Transport Association (IATA) scheduling period after receipt of notice by the other aeronautical authority.

ENTRY INTO EFFECT

36. The above understandings will come into effect from the date of signature of this MOU.

FUTURE DEVELOPMENTS

37. Following the meeting, the delegations undertook to pursue by correspondence the establishment of arrangements to permit the operation of scheduled cargo services.

38. The delegation of Iceland outlined Iceland's status in relation to the European Union, and noted its interest in becoming a party to any future Comprehensive Air Transport Agreement between Australia and the European Union. The Australian delegation welcomed this proposal.

Signed at Mumbai on 21 October 2011.

For the Delegation of Iceland:	For the Delegation of Australia:
Kristján Andri Stefánsson	Stephen Borthwick

Attachment A

Delegation of the Republic of Iceland

Kristján Andri Stefánsson
Ambassador
Chief Air Negotiator
Ministry for Foreign Affairs

Karl Alvarsson
Senior Legal Adviser
Icelandic Civil Aviation Administration

Delegation of Australia

Stephen Borthwick
General Manager Aviation Industry Policy
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Samuel Lucas
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Department of Infrastructure and Transport

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