

accordance with the general principles of orderly development to which both contracting parties subscribe and shall be subject to the general principle that capacity should be related:

- (a) to traffic requirements between the country of origin and the countries of destination;
- (b) to the requirements of through airline operation; and
- (c) to the traffic requirements of the area through which the airline passes after taking account of local and regional services.

SECTION VIII

It is the intention of both contracting parties that there should be regular and frequent consultation between their respective aeronautical authorities (as defined in the Agreement) and that there should thereby be close collaboration in the observance of the principles and the implementation of the provisions outlined in the present Agreement and Annex.

SECTION IX

(A) The determination of rates in accordance with the following paragraphs shall be made at reasonable levels, due regard being paid to all relevant factors, such as cost of operation, reasonable profit, and the rates charged by any other airlines, as well as the characteristics of each service.

(B) The rates to be charged by the airlines of either contracting party between points in the territory of the United States and points in Canadian territory referred to in the attached Schedules shall, consistent with the provisions of the present Agreement and its Annex, be subject to the approval of the aeronautical authorities of the contracting parties, who shall act in accordance with their obligations under the present Annex, within the limits of their legal powers.

(C) Any rate proposed by the airline or airlines of either contracting party shall be filed with the aeronautical authorities of both contracting parties at least thirty (30) days before the proposed date of introduction; provided that this period of thirty (30) days may be reduced in particular cases if so agreed by the aeronautical authorities of both contracting parties.

(D) The Civil Aeronautics Board of the United States having approved the traffic conference machinery of the International Air Transport Association (hereinafter called IATA), for a period ending in February 1950, any rate agreements concluded through this machinery during this period and involving United States airlines will be subject to approval of the Board. Rate agreements concluded through this machinery may also be required to be subject to the approval of the aeronautical authorities of Canada pursuant to the principles enunciated in paragraph (B) above.

(E) The contracting parties agree that the procedure described in paragraphs (F), (G) and (H) of this Section shall apply:

1. If, during the period of the Civil Aeronautics Board's approval of the IATA traffic conference machinery, either any specific rate agreement is not approved within a reasonable time by either contracting party, or a conference of IATA is unable to agree on a rate, or

2. At any time no IATA machinery, is applicable, or

3. If either contracting party at any time withdraws or fails to renew its approval of that part of the IATA traffic conference machinery relevant to this Section.