

(2) Additional capacity may be provided by the designated airline of each party on the agreed services for the carriage of traffic between intermediate points and between such points and the terminal point in the territory of each contracting party. Capacity provided by either of the designated airlines for this purpose shall be maintained in close relationship to the traffic offering.

(3) The total capacity to be provided by the designated airline of each contracting party for the traffic referred to in paragraphs (1) and (2) of this Section shall be agreed from time to time between the aeronautical authorities of the contracting parties. If and so long as the designated airline of one contracting party may not wish to operate in full or in part its share of the agreed total capacity, the designated airline of the other contracting party shall be entitled to provide additional capacity equal to the difference between the capacity actually provided and the agreed total capacity.

SECTION 5

The frequencies of the services to be operated by the designated airlines of the contracting parties and the load factor to be adopted for determining the frequencies shall from time to time be agreed between the airlines of the contracting parties subject to the approval of the aeronautical authorities of the contracting parties.

SECTION 6

In order to meet seasonal fluctuations or unexpected demands of a temporary character the designated airlines may, notwithstanding the provisions of Section 4 of this Annex agree between them to such temporary increases of capacity for either airline or both airlines as are necessary to meet the traffic demand. Any such increase shall be reported forthwith to the aeronautical authorities who may confirm or modify them.

SECTION 7

(1) The fares and rates to be charged by the designated airlines shall be fixed at reasonable levels, due regard being paid to all relevant factors including cost of operation, reasonable profit, differences of characteristics of service (including standards of speed and accommodation) and the fares and rates charged by any other airlines on the route. These fares and rates shall be determined in accordance with the following provisions of this Section.

(2) Fares and rates to be charged by the designated airlines while operating the agreed services for the carriage of passengers and cargo over each route described in Sections 1 and 2 of this Annex, and each section thereof shall be agreed in the first instance between them. This agreement shall, where possible, be reached through the traffic conference machinery of the International Air Transport Association. Any tariff of fares and rates so agreed shall be subject to the approval of the aeronautical authority of each contracting party.