

designating the airline shall be made in accordance with the general principle that capacity shall be related to:

- a) priority traffic requirements to and from the territory of the Contracting Party which has designated the airline;
- b) subsidiary traffic requirements of the area through which the airline passes after taking account of other transport services established by airlines of the States comprising the area; and
- c) the complementary requirements of through airline operation.

5. The capacity to be provided on the specified routes, i.e. frequency, aircraft type, configuration, and scheduling of services, shall be agreed between the designated airlines in accordance with the principles laid down in this Section and subject to the approval of the aeronautical authorities of the Contracting Parties. In the absence of an agreement between the designated airlines, the matter shall be referred to the aeronautical authorities of the Contracting Parties which will endeavour to resolve the problem pursuant to Article XIV of this Agreement. In the absence of an agreement on capacity between the aeronautical authorities, the capacity shall be maintained at, or reduced to, the level of capacity agreed to at the time of signature of the Commercial Air Transport Agreement.

SECTION IV

1. The tariffs on any agreed service shall be established at reasonable levels, due regard being paid to all relevant factors including cost of operation, reasonable profit, currency exchange differentials, characteristics of service (such as standards of speed and accommodation) and, where it is deemed suitable, the tariffs of other airlines for any part of the specified route.

2. The tariffs referred to in paragraph 1 of this Article shall be agreed upon between the designated airlines of the Contracting Parties; such agreement shall be reached, whenever possible, through the rate-setting procedures of the International Air Transport Association. Each designated airline shall be responsible only to its own aeronautical authorities for the justification and reasonableness of the tariffs so agreed.

3. The tariffs so agreed shall be submitted to the aeronautical authorities of the Contracting Parties at least forty-five (45) days before the proposed date of their introduction; in special cases, a shorter period may be accepted by the aeronautical authorities. Approval or disapproval of these tariffs shall occur according to the relevant procedures of the aeronautical authorities of the country concerned. The period of time for such action shall be thirty (30) days from the day of submission of the tariffs to the aeronautical authorities. In the event that a shorter period for the submission of a tariff is accepted by the aeronautical authorities, they may also agree that the period for giving notice be less than thirty (30) days.

4. If a tariff cannot be established in accordance with the provisions of paragraph 2 of this Section, or, if during the period applicable in accordance with paragraph 3 of this Section, one of the Contracting Parties has not approved or a