

authorities up to such time as they are re-exported or otherwise disposed of in accordance with Customs regulations.

4. Baggage and cargo in direct transit shall be exempt from customs duties and other taxes.

5. The exemptions provided for by this Article shall also be available where the designated airline of one Party has contracted with another airline, which similarly enjoys such exemptions from the other Contracting Party, for the loan or transfer in the territory of the other Contracting Party of the items specified in paragraph 1 of this Article.

ARTICLE 11

Capacity

1. There shall be fair and equal opportunity for the designated airline of each Contracting Party to operate the agreed services between and beyond their respective territories on the routes specified in the Annex to this Agreement.

2. In operating the agreed services, the designated airline of each Contracting Party shall take into account the interest 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 route.

3. The agreed services provided by the designated airlines of the Contracting Parties shall bear reasonable relationship to the requirements of the public for transportation on the specified routes and shall have as their 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, cargo and mail between the territory of the Contracting Party which has designated the airline and the countries of ultimate destination of the traffic.

4. Provision for the carriage of passengers, cargo and mail both taken up and discharged at points on the specified routes in the territories of States other than that designating the airline shall be made in accordance with the general principle that capacity shall be related to:

- (a) traffic requirements to and from the territory of the Contracting Party which has designated the airline;
- (b) 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 requirements of through airline operation.