

June 18, 1998

**AIR TRANSPORT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE FRENCH REPUBLIC**

The Government of the United States of America and the Government of the French Republic (hereinafter, "the Parties");

Desiring to promote an international aviation system based on competition among airlines in the marketplace with appropriate government regulation and offering the airlines of both Parties fair and equal opportunities to compete;

Desiring to facilitate the expansion of international air transport opportunities;

Desiring to make it possible for airlines to offer the traveling and shipping public a variety of service options and wishing to encourage individual airlines to develop and implement innovative and competitive services and prices;

Desiring to ensure the highest degree of safety and security in international air transport and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air transportation, and undermine public confidence in the safety of civil aviation; and

Being Parties to the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944;

Have agreed as follows:

Article 1
Definitions

For the purposes of this Agreement, unless otherwise stated, the term:

1. "Aeronautical authorities" means, in the case of the United States, the Department of Transportation, or its successor, and in the case of France, the General Directorate for Civil Aviation and any person or agency authorized to perform the functions exercised by the said appropriate official or officials;
2. "Agreement" means this Agreement, its Annexes, and any amendments thereto;
3. "Air transportation" means the public carriage by aircraft of passengers, baggage, cargo, and mail, separately or in combination, for remuneration or hire;

4. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, and includes:
 - (1) any amendment that has entered into force under Article 94(a) of the Convention and has been ratified by both Parties, and
 - (2) any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annex or amendment is at any given time effective for both Parties;
5. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;
6. "Full cost" means the cost of providing service, plus a reasonable charge for administrative overhead;
7. "International air transportation" means air transportation that passes through the airspace over the territory of more than one State;
8. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation charged by airlines, including their agents, and the conditions governing the availability of such fare, rate, or charge;
9. "Stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, baggage, cargo and/or mail in air transportation;
10. "Territory" means the land areas under the sovereignty, jurisdiction, protection, or trusteeship of a Party, and the territorial waters adjacent thereto; and
11. "User charge" means a charge imposed on airlines for the provision of airport, air navigation, or aviation security facilities or services, including related services and facilities.

Article 2

Grant of Rights

1. Each Party grants to the other Party the following rights for the conduct of international air transportation by the airlines of the other Party:
 - (a) the right to fly across its territory without landing;
 - (b) the right to make stops in its territory for non-traffic purposes; and (c)the rights otherwise specified in this Agreement.
2. Nothing in this Article shall be deemed to confer on the airline or airlines of one Party the rights to take on board, in the territory of the other Party, passengers, their baggage, cargo, or mail carried for compensation and destined for another point in the territory of that other Party.

Article 3
Designation and Authorization

1. Each Party shall have the right to designate as many airlines as it wishes to conduct international air transportation in accordance with this Agreement and to withdraw or alter such designations. Such designations shall be transmitted to the other Party in writing through diplomatic channels, and shall identify whether the airline is authorized to conduct the type of air transportation specified in Annex I or in Annex III, or both.
2. On receipt of such a designation, and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical permissions, the other Party shall grant appropriate authorizations and permissions with minimum delay, provided:
 - (a) substantial ownership and effective control of that airline are vested in the Party designating the airline, nationals of that Party, or both;
 - (b) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air transportation by the Party considering the application or applications; and
 - (c) the Party designating the airline is maintaining and administering the standards set forth in Article 6 (Safety) and Article 7 (Aviation Security).
3. When an airline has been so designated and authorized, it may begin operation at any time, consistent with the provisions of this Agreement.

Article 4
Revocation of Authorization

1. Either Party may revoke, suspend or limit the operating authorizations or technical permissions of an airline designated by the other Party where:
 - (a) substantial ownership and effective control of that airline are not vested in the Party designating the airline, nationals of that Party, or both;
 - (b) that airline has failed to comply with the laws and regulations referred to in Article 5 (Application of Laws) of this Agreement; or
 - (c) the other Party is not maintaining and administering the standards as set forth in Article 6 (Safety).
2. Unless immediate action is essential to prevent further noncompliance with subparagraphs 1(b) or 1(c) of this Article, the rights established by this Article shall be exercised only after consultation with the other Party. Such consultations shall take place within thirty (30) days from the date of a request by one Party, unless both Parties otherwise agree.
3. This Article does not limit the rights of either Party to revoke, limit or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party in

accordance with the provisions of Article 7 (Aviation Security).

Article 5
Application of Laws

1. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the airlines of the other Party.
2. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the admission to or departure from its territory of passengers, crew or cargo on aircraft (including regulations relating to entry, clearance, aviation security, immigration, passports, customs and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of, such passengers, crew or cargo of the airlines of the other Party.

Article 6
Safety

1. Each Party shall recognize as valid, for the purpose of operating the air transportation provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the other Party and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards that may be established pursuant to the Convention. Each Party may, however, refuse to recognize as valid for the purpose of flight above its own territory, certificates of competency and licenses granted to or validated for its own nationals by the other Party.
2. Either Party may request consultations concerning the safety standards maintained by the other Party relating to aeronautical facilities, air crews, aircraft, and operation of the designated airlines. Such consultations shall take place within thirty (30) days from the date of a request by one Party, unless both Parties otherwise agree. If, following such consultations, one Party finds that the other Party does not effectively maintain or administer safety standards and requirements, in these areas that at least equal the minimum standards that may be established pursuant to the Convention, the other Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards, and the other Party shall take appropriate corrective action. Each Party reserves the right to withhold, revoke, or limit the operating authorization or technical permission of an airline or airlines designated by the other Party in the event the other Party does not take such appropriate corrective action within a reasonable time.

Article 7
Aviation Security

1. In accordance with their rights and obligations under international law, the Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Parties shall in particular act in conformity with the provisions of the Convention on Offenses and Certain Other Acts Committed on Board Aircraft,

signed at Tokyo on September 14, 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on December 16, 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on September 23, 1971, and the Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, signed at Montreal on February 24, 1988.

2. The Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, of their passengers and crew, and of airports and air navigation facilities, and to address any other threat to the security of civil air navigation.

3. The Parties shall, in their mutual relations, act in conformity with the aviation security standards and, so far as they are applied by them, the recommended practices established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their registry, operators of aircraft who have their principal place of business or permanent residence in their territory, and the operators of airports in their territory, act in conformity with such aviation security provisions. In this Article, the reference to the aviation security standards includes any difference notified to the International Civil Aviation Organization by the concerned Party.

4. With full regard and mutual respect for each others' sovereignty, each Party agrees that its operators of aircraft may be required to observe the security provisions required by the other Party for entry into, departure from, and while within the territory of that other Party and to take adequate measures to protect aircraft and to inspect passengers, crew, and their baggage and carry-on items, as well as cargo and aircraft stores, prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for special security measures to meet a particular threat.

5. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports or air navigation facilities occurs, the Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat.

6. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with the aeronautical authorities of the other Party. Failure to reach a satisfactory agreement within fifteen (15) days from the date of such request shall constitute grounds to take appropriate action to protect the security of civil aviation. Such action may include withholding, revoking, limiting, or imposing conditions on the operating authorization and technical permissions of an airline or airlines of the Party that has departed from the aviation security provisions of this Article. When required by an emergency presenting an exceptional threat to the security of passengers, crew or aircraft, a Party may take interim appropriate action to meet the threat where that Party has reasonable grounds to believe that the other Party has not adequately fulfilled all of its obligations under this Article. Any action taken in accordance with the present paragraph shall be discontinued upon compliance by the other Party with the security provisions of this Article.

Article 8
Commercial Opportunities

1. The airlines of each Party shall have the right to establish offices in the territory of the other Party for the promotion and sale of air transportation.
2. The designated airlines of each Party shall be entitled, in accordance with the laws and regulations of the other Party relating to entry, residence, and employment, to bring in and maintain in the territory of the other Party managerial, sales, technical, operational, and other specialist staff required for the provision of air transportation.
3. Each designated airline shall have the right to perform its own ground-handling in the territory of the other Party ("self-handling") or, at its option, select among competing agents for such services in whole or in part. These rights shall be subject only to physical constraints resulting from considerations of available space or capacity, or airport safety, consistent with the laws and regulations of the Parties in effect on the date this Agreement is signed. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services as if self-handling were possible.
4. Any airline of each Party may engage in the sale of air transportation in the territory of the other Party directly and, at the discretion of the airline, through its agents, except as may be specifically provided by the charter regulations of the country in which the charter originates that relate to the protection of passenger funds, and passenger cancellation and refund rights. Each airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely convertible currencies.
5. Each airline shall have the right to convert and remit to its country, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof at the rate of exchange applicable to current transactions and remittance on the date the airline makes the initial application for remittance.
6. The airlines of each Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their discretion, the airlines of each Party may pay for such expenses in the territory of the other Party in freely convertible currencies, according to local currency regulation.
7. In operating or holding out the authorized services on the agreed routes, provided that all airlines in such arrangements (a) hold the appropriate authority and (b) meet the requirements normally applied to such arrangements, any designated airline of one Party may enter into cooperative marketing arrangements such as blocked-space, code-sharing or leasing arrangements, with:
 - i) an airline or airlines of either Party; and
 - ii) an airline or airlines of a third country, provided that such third country authorizes or allows comparable arrangements between the airlines of the other Party and other airlines on services to, from and via such third country.

Article 9
Customs Duties and Charges

1. On arriving in the territory of one Party, aircraft operated in international air transportation by the designated airlines of the other Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale to or use by passengers in limited quantities during flight), and other items intended for or used solely in connection with the operation or servicing, maintenance or repair of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes and capital levies, customs duties, excise taxes, and similar fees and charges that are (a) imposed by the national authorities, and (b) not based on the cost of services provided, provided that such equipment and supplies remain on board the aircraft.

2. There shall also be exempt, on the basis of reciprocity, from the taxes, levies, duties, fees and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided:
 - (a) aircraft stores introduced into or supplied in the territory of a Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the territory of the Party in which they are taken on board;
 - (b) regular equipment, ground equipment and spare parts (including engines) introduced into the territory of a Party for the servicing, maintenance, or repair of aircraft of an airline of the other Party used in international air transportation;
 - (c) fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Party for use in an aircraft of an airline of the other Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the territory of the Party in which they are taken on board; and
 - (d) promotional and advertising materials introduced into or supplied in the territory of one Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation, even when these materials are to be used on a part of the journey performed over the territory of the Party in which they are taken on board.

3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.

4. The exemptions provided by this Article shall also be available where the designated airlines of one Party have contracted with another airline, which similarly enjoys such exemptions from the other Party, for the loan or transfer in the territory of the other Party of the items specified in paragraphs 1 and 2 of this Article.

5. A Party may request the assistance of the other Party, on behalf of its airline or airlines, in securing, on the basis of reciprocity, an exemption from taxes, duties, charges and fees imposed by State and local governments or authorities on the goods specified in paragraphs 1 and 2 of this Article, as well as from fuel through-put charges, in the circumstances described in this Article, except to the extent that the charges are based on the cost of providing the service. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Article 10 **User Charges**

1. User charges that may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other Party shall be just, reasonable, not unjustly discriminatory, and equitably apportioned among categories of users. In any event, any such user charges shall be assessed on the airlines of the other Party on terms not less favorable than the most favorable terms available to any other airline in the same charging category at an airport at the time the charges are assessed.

2. User charges imposed on the airlines of the other Party may reflect, but shall not exceed, the full cost to the competent charging authorities or bodies of providing the appropriate airport, airport environmental, air navigation, and aviation security facilities and services at the airport or within the airport system. Such user charges may include a reasonable return on assets, after depreciation. Facilities and services for which charges are made shall be provided on an efficient and economic basis.

3. Each Party shall encourage consultations between the competent charging authorities or bodies in its territory and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs 1 and 2 of this Article. Each Party shall encourage the competent charging authorities to provide users with reasonable notice of any proposal for changes in user charges to enable users to express their views before changes are made.

4. The provisions of Article 14 shall not be invoked with respect to disputes under this Article, unless:

(a) one Party fails to undertake a review of the charge or practice that is the subject of complaint by the other Party within ninety (90) days, or as otherwise agreed between the Parties; or

(b) following such a review, the first Party fails to take all steps within its power to remedy any charge or practice that is inconsistent with this Article.

Article 11
Fair Competition

1. Each Party shall allow a fair and equal opportunity for the designated airlines of both Parties to compete in providing the international air transportation governed by this Agreement. A Party shall promptly examine concerns notified by the other Party that unfair competitive behavior by an airline or airlines of the first Party is adversely affecting an airline or airlines of the other Party. Following such examination, a Party shall, when appropriate, take steps following notice from the other Party to ensure that fair and equal opportunity to compete exists.

2. Each Party shall allow each designated airline to determine the frequency and capacity of the international air transportation it offers, consistent with the rights granted in this Agreement, based upon commercial considerations in the marketplace. Consistent with this right, neither Party shall unilaterally limit the volume, of traffic, frequency or regularity of service, or the aircraft type or types operated by the designated airlines of the other Party, except as may be required for customs, technical, operational (including congestion) or environmental reasons under uniform conditions consistent with Article 15 of the Convention, or as otherwise specified in this Agreement.

3. Neither Party shall impose on the designated airlines of the other Party any requirement with respect to capacity, frequency or traffic that would be inconsistent with the purposes of this Agreement.

4. Except as may be necessary to implement the rights in this Agreement, neither Party shall require the filing of schedules or programs for charter flights by airlines of the other Party for approval, except as may be required on a non-discriminatory basis. If a Party requires such filings, it shall minimize the administrative burdens of filing requirements and procedures on air transportation intermediaries and on designated airlines of the other Party.

5. The frequency and capacity to be offered by airlines of the United States for services between the territory of France and a third country member of the European Union on the date this Agreement is signed, consistent with the rights granted in this Agreement, shall be approved or permitted provided such frequency and capacity are not specifically prohibited under the Community law in effect on the date this Agreement is signed.

Article 12
Pricing

1. Each Party shall allow prices for air transportation to be established by each designated airline based upon commercial considerations in the marketplace. Intervention by the Parties shall be limited to:

- (a) prevention of unreasonably discriminatory prices or practices;
- (b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position;
- (c) protection of airlines from prices that are artificially low due to direct or indirect

subsidy or support; and

(d) protection of airlines from prices that are artificially low, where evidence exists as to an intent to eliminate competition.

2. Each Party may require notification to or filing with its aeronautical authorities of prices to be charged to or from its territory by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than thirty (30) days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Except as may be necessary to implement the rights under this Agreement, neither Party shall require the notification or filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a non-discriminatory basis.

3. Neither Party shall take unilateral action to prevent the inauguration or continuation of a price proposed to be charged or charged by:

(a) an airline of either Party for international air transportation between the territories of the Parties, or;

(b) an airline of one Party for international air transportation between the territory of the other Party and any other country, consistent with the rights granted in this Agreement,

including in both cases transportation on an interline or intraline basis, provided that, in the case of services to or from a third country that is a member of the European Union on the date that this Agreement is signed, such price is not specifically prohibited under the Community law in effect on the date that this Agreement is signed.

4. If either Party believes that any such price is inconsistent with the considerations set forth in paragraph 1 of this Article, it shall request consultations and notify the other Party of the reasons for its dissatisfaction as soon as possible. These consultations shall be held not later than thirty (30) days after receipt of the request, and the Parties shall cooperate in securing information necessary for reasoned resolution of the issue. If the Parties reach agreement with respect to a price for which a notice of dissatisfaction has been given, each Party shall take appropriate action, consistent with its national law, to put that agreement into effect. Without such mutual agreement, the price shall go into effect or continue in effect.

Article 13 **Consultations and High-Level Meetings**

Part A - Consultations

1. The Parties shall at all times endeavour to agree on the interpretation and application of this Agreement and shall make every attempt through cooperation, exchange of information, and consultations to arrive at a mutually satisfactory resolution of any matter that might affect its operation.

2. Either Party may request consultations regarding any aspect of the Agreement, including, but not limited to, any actual or proposed measure or any matter that it considers affects the

interpretation or application of the Agreement. On matters which the requesting Party deems and states to be urgent, such consultations shall commence within fifteen (15) days of the date of delivery of the request, unless otherwise agreed between the Parties. In all other cases consultations shall commence at the earliest possible date, but not later than thirty (30)

days from the date of receipt of the request for consultations, unless otherwise agreed by the Parties.

3. The Parties shall make every attempt to arrive as expeditiously as possible at a mutually satisfactory resolution of any matter through consultations. To the extent one Party has requested consultations regarding an actual or proposed measure of a State or local government or authority of the other Party, which the requesting Party believes to be inconsistent with the Agreement, such other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority.

4. The Parties shall exchange sufficient information to enable a full examination of how the actual or proposed measure or other matter affects, or might affect, the operation of the Agreement.

5. Each Party shall treat any confidential or proprietary information exchanged in the course of consultations on the same basis as the Party providing the information treats it.

If the Parties fail to resolve a matter on which consultations have been requested within: (a)

thirty (30) days of the commencement of consultations;

(b) thirty (30) days of delivery of a request for consultations in matters deemed and stated to be urgent by the requesting Party; or

(c) such other period as they may agree;

either Party may request in writing a High-Level Meeting, as set out in Part B below. Furthermore, with regard to a dispute or complaint covered by Part C, paragraph 1, of this Article that a Party deems urgent and believes is likely to result in irreparable harm to one or more of its airlines, a Party may request in writing the review of the dispute or complaint by independent advisory experts, as set out in Part C below.

Part B - High-Level Meeting

1. A High-Level Meeting, which may include representatives of, for the United States, the Department of State and/or the Department of Transportation and, for France, the Ministry of Foreign Affairs and/or the Ministry in charge of Transportation, shall be held at the request of either Party. At the request of either Party, the High-Level Meeting shall be between, for the United States, the Secretary of State and/or the Secretary of Transportation and, for France, the Minister of Foreign Affairs and/or the Minister in charge of Transportation, or their designees.

2. The purpose of a High-Level Meeting shall be to:
(a) consider any matter that may affect the operation of this Agreement; and
(b) resolve disputes that may arise regarding its interpretation or application.

3. A High-Level Meeting may:
 - (a) establish, and delegate responsibilities to, *ad hoc* or standing committees, or working groups;
 - (b) seek the advice of non-governmental persons or groups;
 - (c) have recourse to good offices, conciliation, mediation, or such other similar procedures;
 - (d) appoint technical advisors or experts groups which may, if so instructed by the High-Level Meeting:
 - (i) review the facts underlying a dispute;
 - (ii) prepare written reports; and
 - (iii) offer recommendations for resolution of the dispute;

if the Parties believe such measures will assist them in reaching a mutually satisfactory resolution of the dispute.

4. If a High-Level Meeting is requested pursuant to this Article, the requesting Party shall state in the request the measure or other matter complained of and indicate the provisions of this Agreement that it considers relevant.

5. Unless it is mutually agreed by the Parties that a High-Level Meeting will not be convened or should be delayed, a High-Level Meeting requested pursuant to this Article shall convene within twenty (20) days of delivery of the request and shall endeavor to resolve the dispute promptly.

Part C - Advice of Experts

1. Where a Party has requested a High-Level Meeting, following the conclusion of urgent consultations, to address allegations that evidence exists of the intent of an airline or airlines of the other Party to eliminate competition through anticompetitive conduct and that the airline or airlines have a substantial likelihood of succeeding, a High-Level Meeting shall, upon request of either Party, obtain the advice of experts concerning the airline conduct at issue.

2. Within ten (10) working days of a request by a Party for advice of experts, each Party shall select one independent expert who is not an employee of that Party. If either Party fails to appoint an expert within the required time, then the expert selected shall provide the requested advice.

3. The experts so selected may develop information from any sources they deem relevant, subject to such cost and timeliness parameters that the Parties may agree to impose. At a minimum, however, the experts shall solicit and fully consider the views of both Parties on the controversy. The Parties shall cooperate with all reasonable requests of the experts.

4. Specific procedures shall be established at the discretion of the experts, but no formal hearing procedure shall be employed. The experts may offer their advice in either an oral or written format. Unless the parties agree otherwise, the experts shall report to the Parties no later than thirty (30) days after their selection.

5. Any conclusions of the experts shall be considered as advice and shall have no precedential or evidentiary value and shall not be advanced or admissible in any adjudication, arbitration, or similar proceeding under this Agreement or otherwise.

6. The cost related to experts shall be divided between the Parties, with common costs being divided equally between the Parties and costs of the expert selected by each Party borne by the selecting Party.

Article 14 **Settlement of Disputes**

Part A - Arbitral Tribunal Proceedings

1. The provisions of this Article shall apply when a Party considers that there has been a violation of the Agreement, except that this Article shall not apply to individual prices charged by the airlines designated by either Party.

2. If a High-Level Meeting has convened pursuant to Article 13 and the matter has not been resolved within:

(a) forty (40) days after the delivery of the request for a High-Level Meeting;

(b) seventy-five (75) days after the delivery of the request for a High-Level Meeting, if Article 13, Part C, is invoked; or

(c) such other period as the Parties may agree; or

if it is mutually agreed by the Parties that a High-Level Meeting should not be convened, then either Party may request in writing the establishment of an arbitral tribunal with respect to the matters referred to in paragraph 1 of Part A of this Article which have been discussed at the High-Level Meeting, or if a High-Level Meeting has not been convened, which have been the subject of consultations.

3. Unless otherwise agreed by the Parties, the arbitral tribunal shall be established and perform its functions in a manner consistent with the provisions of this Article.

4. Arbitration shall be by a tribunal of three arbitrators to be constituted as follows: (a) Within twenty (20) days after the receipt of a request for arbitration, each Party shall name one arbitrator. Within twenty (20) days after these two arbitrators have been named, they shall by agreement appoint a third arbitrator, who shall act as President of the arbitral tribunal.

(b) If either Party fails to name an arbitrator, or if the third arbitrator is not appointed in accordance with subparagraph (a) of this paragraph, either Party may request the President of the Council of the International Civil Aviation Organization to appoint the necessary arbitrator or arbitrators within twenty (20) days. If the President of the Council is of the same nationality as one of the Parties, the most senior Vice President who is not disqualified on that ground shall make the appointment.

5. Except as otherwise agreed, the arbitral tribunal shall determine the limits of its

jurisdiction in accordance with this Agreement and shall establish its own procedural rules.

6. The tribunal, once formed, may recommend interim relief measures pending its final determination.

7. At the direction of the tribunal or at the request of either of the Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held not later than fifteen (15) days after the tribunal is fully constituted.

8. Except as otherwise agreed or as directed by the tribunal, each Party shall submit a memorandum within forty-five (45) days of the time the tribunal is fully constituted. Replies shall be due sixty (60) days later. The tribunal shall hold a hearing at the request of either Party or on its own initiative within fifteen (15) days after replies are due.

9. The tribunal shall attempt within thirty (30) days after completion of the hearing or, if no hearing is held, after the date both replies are submitted, to render a written decision. In any case, the tribunal shall render its final decision within one hundred and sixty (160) days after the selection of the last arbitrator unless otherwise agreed by the Parties. The decision of the majority of the tribunal shall prevail.

10. The Parties may submit requests for clarification of the decision within fifteen (15) days after a final decision is rendered and any clarification given shall be issued within fifteen (15) days of such request.

Part B - Implementation of the Arbitral Tribunal Decision

1. If in its final decision an arbitral tribunal has determined that there has been a violation of this Agreement, the Party complained against shall either cure the violation or the Parties shall reach agreement on the resolution of the dispute, which normally shall conform with the determinations and recommendations, if any, of the arbitral tribunal.

2. Where resolution of the dispute involves a State or local government or authority, the Parties shall use their best efforts, consistent with national law, to give full effect to such resolution.

3. If in its final decision an arbitral tribunal has determined that there has been a violation of this Agreement and the Party complained against has not cured the violation or reached agreement with the complaining Party on a mutually satisfactory resolution pursuant to paragraph 1 of this Part within forty (40) days of receiving the final decision, such complaining Party may suspend the application of benefits of equivalent effect arising under this Agreement until such time as the Parties have reached agreement on a resolution of the dispute. However, nothing in this paragraph shall be construed as limiting the right of either Party to suspend the application of proportional benefits in accordance with international law.

4. In considering what benefits to suspend pursuant to paragraph 3 of Part B of this Article, a complaining Party should first seek to suspend benefits similar to those affected by the measure or other matter that the panel has found to violate this Agreement. If a complaining Party considers that it is not feasible or effective to suspend benefits similar to those affected, it may suspend benefits that are not similar.

Part C - Remuneration and Payment of Expenses

The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Parties. Any expenses incurred by the President of the Council of the International Civil Aviation Organization in connection with the procedures of part A, paragraph 4, of this Article shall be considered to be part of the expenses of the arbitral tribunal.

Article 15 **Amendment of Agreement**

If either Party considers it desirable to modify any provision of this Agreement, it shall notify the other Party of the desired changes. Either Party may then request consultations. If requested, consultations shall begin within sixty (60) days from the date of the request. Any amendment shall be agreed in writing between the Parties.

Article 16 **Multilateral Agreement**

If, after entry into force of this Agreement, both Parties become bound by a multilateral agreement that addresses matters covered by this Agreement, they shall consult to determine whether this Agreement should be revised to take into account the multilateral agreement.

Article 17 **Termination**

Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight (at the place of receipt of the notice to the other Party) immediately before the first anniversary of the date of receipt of the notice by the other Party, unless the notice is withdrawn by agreement of the Parties before the end of this period.

Article 18 **Registration with ICAO**

This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

Article 19 **Entry into Force**

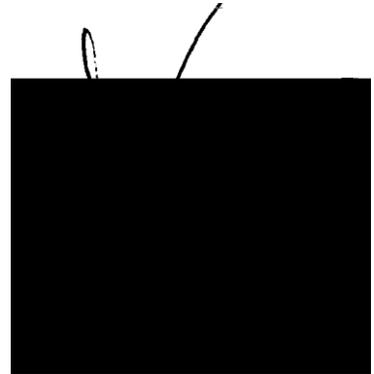
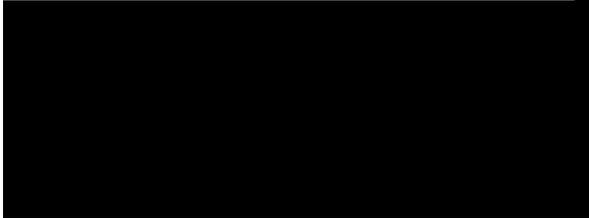
This Agreement and its Annexes shall enter into force on the date of signature.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Washington, this eighteenth day of June, 1998, in duplicate, in the English and French languages, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE FRENCH PUBLIC:



ANNEX I

Scheduled Air Transportation

Section 1 Routes

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, be entitled to perform scheduled international air transportation between points on the following routes:

A. Routes to be served by the Combination and Cargo Airlines of the United States

1. U.S. - Metropolitan France Routes:

(a) For combination air services:

From points behind the United States via the United States to France and beyond to Tel Aviv¹ and Cairo;²

(b) For all-cargo air services:

From points behind the United States via the United States and intermediate points to France and beyond;³

2. From points behind the United States via the United States and intermediate points to the French Departments of America and beyond;⁴

3. From points behind the United States via the United States to New Caledonia and/or Wallis and Futuna;⁵

¹ I Beginning the first day of the IATA summer traffic season (hereinafter referred to generally as "April") 1998, combination airlines designated by the United States may operate on Route 1(a) with fifth-freedom traffic rights to Tel Aviv on up to four (4) weekly roundtrip flights.

² Beginning April 2000, combination airlines designated by the United States may operate with fifth-freedom traffic rights on Route 1(a) to Tel Aviv and/or Cairo on up to eleven (11) weekly roundtrip flights serving Tel Aviv and Cairo, either separately or in combination. However, fifth-freedom traffic rights shall not be exercised on more than seven (7) weekly roundtrip flights to either point.

³ Operations on this route are subject to the provisions of Annex II.

⁴ Airlines designated by the United States may exercise fifth-freedom traffic rights on combination and all-cargo services on Route 2 only to a total of ten (10) points in the Western Hemisphere to be selected and changed by the Government of the United States by diplomatic note to the French Government.

4. From points behind the United States via the United States and intermediate points to French Polynesia and beyond;⁶

5. From points behind the United States via the United States and intermediate points to Saint-Pierre and Miquelon and beyond.⁷

B. Routes to be served by the Combination and Cargo Airlines of the French Republic

1. Metropolitan France - U.S. Routes (a)

For combination air services:

From points behind France via France to the United States and beyond to two points in the Western Hemisphere,⁸ points in the French Departments of America, and points in the French Territories in the Pacific;

(b) For all-cargo air services:

From points behind France via France, and intermediate points to the United States and beyond;⁹

⁵ The issue of intermediate and beyond operations on Route 3 may be discussed by the Parties at a mutually acceptable time.

⁶ A separate agreement on intermediate and beyond points on Route 4 shall be concluded by an exchange of diplomatic notes between the Parties.

⁷ Airlines designated by the United States may exercise fifth-freedom traffic rights on combination and all-cargo services on Route 5 only to a total of ten (10) points in the Western Hemisphere to be selected and changed by the Government of the United States by diplomatic note to the French Government.

⁸ The French Government shall select and change the two (2) points in the Western Hemisphere by diplomatic note to the Government of the United States. Beginning April 1998, combination airlines designated by France may operate on Route 1(a) with fifth-freedom traffic rights to one beyond point on up to four (4) weekly roundtrip flights. Beginning April 2000, combination airlines designated by France may operate with fifth-freedom traffic rights to either or both of two selected beyond points on up to eleven (11) weekly roundtrip flights, serving the two points either separately or in combination. However, fifth-freedom traffic rights on Route 1(a) shall not be exercised on more than seven (7) weekly roundtrip flights to each of the points.

⁹ Operations on this route are subject to the provisions of Annex II.

2. From points behind the French Departments of America via the French Departments of America and intermediate points to the United States of America and beyond;¹

3. From points behind New Caledonia and/or Wallis and Futuna via New Caledonia and/or Wallis and Futuna to the United States;¹¹

4. From points behind French Polynesia via French Polynesia and intermediate points to the United States and beyond;¹²

5. From points behind Saint-Pierre and Miquelon via Saint-Pierre and Miquelon and intermediate points to the United States and beyond.¹³

Section 2 Operational Flexibility

Each designated airline may, on any or all flights and at its option:

1. operate flights in either or both directions;
2. combine different flight numbers within one aircraft operation;
3. serve behind, intermediate, and beyond points and points in the territories of the Parties on the routes in any combination and in any order;
4. omit stops at any point or points;
5. transfer traffic, including stop-over traffic traveling under its code, between any of its aircraft, including aircraft operated by code-share partners, to any of its other aircraft at any point on the routes, to the extent consistent with the provisions of Article 2(2) of this Agreement; and

10 Airlines designated by France may exercise fifth-freedom traffic rights on combination and all-cargo services on Route 2 only to a total of ten (10) points in the Western Hemisphere to be selected and changed by the French Government by diplomatic note to the Government of the United States.

11 The issue of intermediate and beyond operations on Route 3 may be discussed by the Parties at a mutually acceptable time.

12 A separate agreement on intermediate and beyond points on Route 4 shall be concluded by an exchange of diplomatic notes between the Parties.

13 Airlines designated by France may exercise fifth-freedom traffic rights on combination and all-cargo services on Route 5 only to a total of ten (10) points in the Western Hemisphere to be selected and changed by the French Government by diplomatic note to the Government of the United States.

6. serve points behind any point in its territory with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services:

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement; provided that the service serves a point in the territory of the Party designating the airline.

Section 3
Change of Gauge

On any segment or segments of the routes above, any designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated; provided that in the outbound direction, the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation from beyond such point.

Section 4
Intermodal Services

Airlines and indirect providers of transportation of both Parties shall be permitted, without restriction, to employ in connection with international air transportation any surface transportation for cargo and mail to or from any points in the territories of the Parties or in third countries, including transport of cargo and mail to and from all airports with customs facilities, and including, where applicable, the right to transport cargo and mail in bond under applicable laws and regulations. Such cargo and mail, whether moving by surface or by air, shall have access to airport customs processing and facilities. Airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of air transportation. Such intermodal cargo and mail services may be offered at a single, through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Section 5
Blind Sectors

In conjunction with operations on the routes in Section 1 of Annex I of this Agreement, designated airlines shall be entitled to operate combination and all-cargo services to any third-country point or points not available for fifth-freedom traffic rights under Section 1 of Annex I of this Agreement, without traffic rights between the territory of the other Party and any such point or points.

ANNEX II

All-Cargo Services

Notwithstanding the provisions paragraph 1 of Article 3 (Designation and Authorization), paragraph 2 of Article 11 (Fair Competition) and Section 1, subparagraphs A1(b) and B 1(b) of Annex I (Scheduled Air Services) of this Agreement, all-cargo operations on routes 1(b) of subsection A and 1(b) of subsection B shall be subject to the following provisions, which shall apply in accordance with their terms.

Section 1 Designations

A. Each Party shall have the right to designate under Article 3 (Designation and Authorization) its airlines operating all-cargo services between the United States and France prior to April ¹ 1998.²

B. In addition:

1. Effective April 1998: Each Party shall have the right to designate two (2) additional airlines for all-cargo services. One of these two additional airlines may not operate to Paris until April 2003, unless that airline is subsequently designated pursuant to a designation authorized in 2000 or 2002;

2. Effective April 2000: Each Party shall have the right to designate one (1) additional airline for all-cargo services;

3. Effective April 2002: Each Party shall have the right to designate one (1) additional airline for all-cargo services;

4. Effective April 2003: All limitations on designations shall expire.

I For purposes of this Annex, references to April of a particular year shall be construed as referring to the first day of the International Air Transportation Association (IATA) summer traffic season for that year.

²The referenced airlines are, for the United States, Federal Express Corporation and for France, Compagnie Nationale Air France.

Section 2 Third and Fourth-Freedom Points

Subject to the limitation noted above for one 1998 designation, U.S. and French airlines designated for all-cargo services shall be entitled immediately to operate between all points in the United States and all points in France.

Section 3
Fifth-Freedom Points

A. General Provisions

1. Agreed lists of cities available for selection for intermediate and beyond operations on routes described in paragraphs A 1(b) and B 1(b) of Section 1 of Annex I (hereinafter referred to as the "points pools") have been established for all-cargo services by airlines of each Party. These lists are appended to this Annex. Each airline designated by a Party for all-cargo services may select points for service only from the points pool of the Party designating that airline (hereinafter referred to as "its points pool").
2. Each airline designated for all-cargo service shall be entitled to select from its points pool the total number of points that are authorized for selection as of the time of its designation.
3. Each airline designated for all-cargo service shall be entitled to substitute a different point from its points pool for a previously selected point on thirty (30) days' notice to the aeronautical authorities of the other Party.
4. Any point in a Party's points pool may be selected by any number of airlines designated for all-cargo service by that Party, but will count against the points cap of each selecting airline.
5. Abidjan, Seoul, and Tokyo shall not be included in the points pool of either Party.

B. For the Period April 1998 - March 2001:

1. Effective April 1998: Each airline designated for all-cargo service shall be entitled to select from its points pool a maximum of 20 points. The U.S. airline operating all-cargo services prior to April 1998 shall be entitled to select thirteen (13) additional points from its points pool. The French airline operating all-cargo services prior to April 1998 shall be entitled to select five (5) additional points from its points pool.
2. Effective April 1999: Each airline designated for all-cargo service shall be entitled to select from its points pool a maximum of five (5) additional points.
3. Effective April 2000: Each airline designated for all-cargo service shall be entitled to select from its points pool a maximum of five (5) additional points.

C. For the Period April 2001-March 2011:

1. Each airline designated for all-cargo service shall be entitled to select five (5) additional points from its points pool every two (2) years, with the first selections authorized for operation in April 2002.
2. Each Party shall have the right to add five (5) points to that Party's points pool every two (2) years, with the first additions authorized for April 2002.

Section 4
Fifth-Freedom Operations to Hubs

A. Effective April 1998: Each airline designated for all-cargo service shall be entitled to notify the aeronautical authorities of the other Party that two (2) points it has selected from its points pool are hubs for purposes of this Annex, provided that the points meet the definition of a hub set forth in subsection D of this Section. Airlines designated for all-cargo service shall be entitled to operate beyond their hubs with *full* traffic rights to any points.

B. Effective April 2000: Each airline designated for all-cargo service shall be entitled to notify the aeronautical authorities of the other Party that one (1) additional point it has selected from its points pool is a hub, for purposes of this Annex, provided that the point meets the definition of a hub set forth in subsection D of this Section. Airlines designated for all-cargo service shall be entitled to operate beyond their hubs with *full* traffic rights to any points.

C. Any airline designated for all-cargo service shall be entitled to change its hub selections to different selected points on thirty (30) days' notice to the aeronautical authorities of the other Party.

D. For the purpose of this Agreement, a hub is defined as a point selected by an airline from its points pool, fed through several spokes, and serving several points via multiple aircraft, operated by or on behalf of the said airline.

Section 5
Capacity Limits Applicable To Fifth-Freedom
Sectors Between Points More Than Five Hours Away

A. On operations between any point in the territory of the other Party and a third-country point located more than five (5) hours away³ that it has selected, pursuant to Section 4, above, as a hub, each airline of a Party designated for all-cargo services shall be entitled to exercise fifth freedom traffic rights:

1. Effective April 1998 - March 2003: on up to one (1) daily inbound and outbound operation;
2. Effective April 2003: on up to two (2) daily inbound and outbound operations.

B. On operations between any point in the territory of the other Party and a selected third-country non-hub point located more than five (5) hours away, each airline of a Party designated for all-cargo services shall be entitled to exercise fifth-freedom traffic rights on: (i) up to two weekly inbound and outbound operations, or (ii) up to the number of weekly inbound and outbound all-cargo operations of the designated airline or airlines of the other Party to that point, whichever is greater. Operations to or from fifth-freedom points covered by this subsection B shall not be counted against the number of inbound and outbound operations permitted under this subsection to selected points, if the points are served as intermediate points on an operation to or from an airline's third-country hub.

C. Notwithstanding the provisions of subsections A and B of this Section, the U.S. all-cargo airline having a hub in Paris as of April 1998 and any other airlines having a hub in the territory of the

other Party that demonstrate an operational commitment to such a hub comparable to that demonstrated by the U.S. airline having a Paris hub as of April 1998 shall be entitled to exercise fifth-freedom traffic rights on:

1. In substitution for those rights described in subsection A of this Section that relate to hub-to-hub operations, operations to each third-country hub that is located more than five (5) hours away from its hub in the territory of the other Party shall not exceed:

(a) Effective April 1998: one (1) inbound and outbound operation per day;

(b) Effective April 2000: two (2) inbound and outbound operations per day; and

(c) Effective April 2006: three (3) inbound and outbound operations per day.³ For purposes of this Annex, the five- (5) hour standard shall be determined on the basis of a five-hour non-stop flight of a Boeing 747 Freighter under normal conditions. The use of such standard shall not obligate the airline to serve the hub without intermediate stops or to use any particular type of aircraft.

2. In addition to the rights described in subsection B of this Section, operations to each point that is not a hub, but that is located more than five (5) hours away from the hub in the territory of the other Party, shall not exceed:

(a) Effective April 1998: one (1) daily inbound and outbound operation to each of two (2) selected points on each continent;

(b) Effective April 2000: one (1) daily inbound and outbound operation to each of four (4) selected points on each continent;

(c) Effective April 2002: one (1) daily inbound and outbound operation to each of six (6) selected points on each continent;

(d) Effective April 2004: two (2) daily inbound and outbound operations to each of six (6) selected points on each continent.

Operations to or from fifth-freedom points covered by this paragraph 2 shall not be counted against the number of inbound and outbound operations permitted under this paragraph if the selected points are served as intermediate points on an operation to or from a third-country point.

Each inbound and outbound operation may serve multiple selected points.

APPENDIX TO ANNEX II

Section 1. UNITED STATES POINTS POOL⁴

EUROPE

Austria: Linz, Salzburg, Vienna

Belarus: Minsk

Belgium: Brussels, Ghent, Liege

Bulgaria: Sofia .Croatia: Zagreb Czech

Republic: Prague Denmark: Billund,

Copenhagen Estonia: Talinn Finland:

Helsinki

Germany: Berlin, Cologne, Dortmund, Dusseldorf, Frankfurt, Hamburg, Hannover, Leipzig, Mannheim, Munich, Nuremburg, Stuttgart

Greece: Athens, Thessaloniki

Hungary: Budapest

Iceland: Reykjavik

Ireland: Cork, Dublin, Shannon, Waterford

Italy: Bologna, Florence, Milan (includes Bergamo, Linate, Malpensa), Pisa, Rome (includes Ciampino, Fiumicino, Rome), Venice

Lithuania: Kaunas Luxembourg:

Luxembourg City

4 Points are available for selection as from April 1998, except where a later date is indicated in parenthesis for the particular point. ,

Netherlands: Amsterdam, Arnhem, Eindhoven, Rotterdam

Norway: Oslo, Stavanger

Poland: Warsaw

Portugal: Lisbon, Oporto

Romania: Bucharest

Russia: Moscow (all airports), Petropavlovsk-Kamchatsky, St. Petersburg, Vladivostok

Slovakia: Bratislava

Slovenia: Ljubljana

Spain: Barcelona, Madrid, Sevilla, Valencia, Vitoria, Zaragoza

Sweden: Gothenburg, Malmo, Stockholm Switzerland: Basel,

Bern, Geneva, Zurich Turkey: Ankara, Istanbul

Ukraine: Kiev

United Kingdom: Belfast, Birmingham, Bristol, East Midlands, Edinburgh, Glasgow (includes Glasgow, Prestwick), Liverpool, London (includes Gatwick, Heathrow, Luton, Stansted), Manchester

Yugoslavia: Belgrade

AFRICA

Egypt: Alexandria, Cairo (as from April 1999) Ethiopia: Addis Ababa

Ghana: Accra

Kenya: Nairobi

Morocco: Casablanca (as from April 2002) Nigeria: Lagos

Senegal: Dakar (as from April 2003)

South Africa: Capetown, Durban, Johannesburg (as from April 1999; except as from April 1998 from non-Paris airports), Pretoria

Tunisia: Tunis

Uganda: Entebbe

Zimbabwe: Harare

ASIA

Bahrain: Manama

Bangladesh: Dhaka

Brunei: Bandar Seri Begawan

China: Beijing (as from April 2001), Guangzhou (as from April 2002), Nanjing (as from April 2002), Shanghai (as from April 2004), Shenzhen (as from April 2001), Tianjin (as from April 2001), Xiamen (as from April 2002), Wuhan (as from April 2001)

Hong Kong (as from April 2004)

India: Bangalore, Bombay/Mumbai, Calcutta, Delhi (as from April 2000; except as from April 1998 from non-Paris airports), Madras/Chennai (as from April 1999)

Indonesia: Jakarta (as from April 2002)

Israel: Tel Aviv

Japan: Fukuoka (as from April 2003), Nagoya (as from April 2003), Okinawa (as from April 2003), Osaka (as from April 2000), Sapporo (as from April 2003)

Jordan: Amman

Kazakhstan: Almaty

Kuwait: Kuwait City

Macau: Macau

Malaysia: Kuala Lumpur (as from April 2000), Penang

Pakistan: Karachi (as from April 2002)

Philippines: Cebu, Clarke International Airport, Manila, Subic Bay

Saudi Arabia: Dhahran (as from April 2002), Jeddah, Mecca, Riyadh Singapore: Singapore (as from April 2004) South Korea: Pusan

Sri Lanka: Colombo

Taiwan: Heng-chun, Kaohsiung, Taipei (as from April 2002) Thailand: Bangkok (as from

April 2000), Utapao United Arab Emirates: Abu Dhabi, Dubai, Sharjah Uzbekistan: Tashkent

Vietnam: Hanoi, Ho Chi Minh City

OCEANIA

Australia: Melbourne, Perth, Sydney

Fiji: Nadi

New Zealand: Auckland

Section 2. FRENCH POINTS POOL^S

EUROPE

Austria: Vienna Belgium:

Oostende Bulgaria: Sofia

Croatia: Zagreb

Czech Republic: Prague Denmark:

Copenhagen Finland: Helsinki

Germany: Berlin, Cologne, Dusseldorf, Frankfurt, Hahn, Hamburg, Hannover, Leipzig, Munich

Greece: Athens

Hungary: Budapest Ireland: Dublin,

Shannon

Italy: Milan (includes Bergamo, Malpensa), Rome (includes Ciampino, Fiumicino, Rome)

Netherlands: Amsterdam Norway:

Oslo, Stavanger Portugal: Lisbon

Poland: Warsaw Romania: Bucharest

Russia: Moscow (all airports), Saint Petersburg, Vladivostok, Yekaterinburg, Novosibirsk

⁵ Points are available for selection as from April 1998 except where a later date is indicated in parenthesis for a particular point.

Spain: Barcelona, Madrid, Sevilla, Valencia Sweden:

Stockholm, Lulea Switzerland: Zurich

Turkey: Ankara, Istanbul Ukraine:

Kiev, Odessa

United Kingdom: Belfast, Birmingham, Bristol, East Midlands, Edinburg, Glasgow (includes Glasgow, Prestwick), Liverpool, London (includes Gatwick, Heathrow, Luton, Stansted), Manchester

Yugoslavia: Belgrade

AFRICA

Algeria: Algiers, Hassi Messaoud Angola:

Luanda

Egypt: Cairo (as from April 1999) Gabon:

Libreville

Kenya: Nairobi

Libya (when restrictions are lifted): Tripoli, Benghazi Morocco:

Casablanca (as from April 2002) Nigeria: Lagos

Senegal: Dakar (as from April 2003)

South Africa: Capetown, Johannesburg (as from April 1999; except as from April 1998 from non-Paris airports)

Tunisia: Tunis
Zimbabwe: Harare

ASIA

China: Beijing (as from April 2001), Tianjin (as from April 2001), Shenzhen (as from April 2001), Wuhan (as from April 2001), Guangzhou (as from April 2002), Nanjing (as from April 2002), Hong Kong (as from April 2004), Shanghai (as from April 2004)

India: Bangalore, Bombay/Mumbai, Delhi (as from April 2000; except as from April 1998 from non-Paris airports), Madras/Chennai (as from April 1999)

Indonesia: Batam, Jakarta (as from April 2002) Iraq (when restrictions are lifted): Baghdad Israel: Tel Aviv

Japan: Osaka (as from April 2000), Fukuoka (as from April 2003), Nagoya (as from April 2003), Okinawa (as from April 2003), Sapporo (as from April 2003)

Kazakhstan: Almaty

Kuwait: Kuwait City

Malaysia: Kuala Lumpur (as from April 2000), Penang Pakistan:

Karachi (as from April 2002) Philippines: Manila, Subic Bay

Saudi Arabia: Dhahran (as from April 2002), Jeddah Singapore:

Singapore (as from April 2004) Syria: Damascus

Taiwan: Kaohsiung, Taipei (as from April 2002) Thailand:
Bangkok (as from April 2000) United Arab Emirates: Abu
Dhabi, Dubai Vietnam: Hanoi, Ho Chi Minh City

One additional point in Asia to be selected by France

OCEANIA

Australia: Melbourne, Perth, Sydney
New Zealand: Auckland AMERICAS

Argentina: Buenos Aires, Cordoba, Mendoza Bolivia: La Paz

Brazil: Rio de Janeiro, Sao Paulo (includes Garuihos, Campinas), Manaus, Belem

Canada: Montreal, Toronto, Quebec, Edmonton, Calgary, Vancouver, Halifax

Chile: Santiago

Colombia: Bogota, Cali Costa Rica: San

Jose

Dominican Republic : Santo Domingo El Salvador: San

Salvador Ecuador: Guayaquil, Quito Guatemala:

Guatemala City Haiti: Port-au-Prince Jamaica:

Kingston Honduras: Tegucigalpa

Mexico: Mexico City, Guadalajara, Chihuahua, Monterrey Nicaragua:

Managua

Panama: Panama City Paraguay:

Asuncion Peru: Lima

Suriname: Paramaribo

Uruguay: Montevideo

Venezuela: Caracas

One additional point in the Americas to be selected by France

ANNEX III

Charter Air Transportation

Section 1

A. Airlines of a Party designated under this Annex shall have the right, in accordance with the terms of their designations, to carry international charter traffic:

1. between any point or points in the territory of the Party which has designated the airline and any point or points in the territory of the other Party, with multiple stops at points within, intermediate to, or beyond the territory of the other Party (i.e. unlimited blind sectors);

2. between any point or points in the territory of the other Party and any point or points in a third country, provided that such traffic is carried via the homeland of the airline and makes a stopover in the homeland for at least two consecutive nights.

B. In the performance of services covered by this Annex, airlines of one Party designated under this Annex also shall have the right:

1. to make stopovers at any points whether within or outside the territory of either Party; and

2. to carry transit traffic through the territory of the other Party.

C. Each Party shall extend favorable consideration to applications by airlines of the other Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

With regard to traffic originating in the territory of a Party, each airline performing air transportation under this Annex shall comply with such laws and regulations of the Party in whose territory the traffic originates, including round-trip charters, as that Party now or hereafter specifies shall be applicable to such transportation. When the regulations of one Party apply more restrictive terms, conditions or limitations to one or more of its airlines, the designated airlines of the other Party shall be subject to the least restrictive of such terms, conditions or limitations.

Section 3

Neither party shall require a designated airline of the other Party, in respect of the carriage of authorized charter traffic from the territory of that other Party, to submit for each charter program more than a description of the program and a declaration of conformity with the laws

and regulations referred to under Section 2 of this Annex, or of a waiver of these regulations granted by the applicable aeronautical authorities.

Section 4

Even if not provided for under the country-of-origin regime established in Section 2, the designated airline or airlines of either Party shall be entitled to operate the following charter types for service operated between any points in the territories of the Parties:

A. passenger charters: open jaw charters; split charters (no more than three charterers and/or three different charter types on the same flight); and charters that commingle traffic (i.e., mix French-origin traffic with United States-origin traffic on the same flight and/or mix charter groups originating in the homeland and moving to different destinations outside the territory of the other Party as well as inside the territory of the other Party);

B. cargo charters: charters that commingle traffic (traffic of different origins and different destinations on the same aircraft); split charters (no more than three charterers in the same country); and freight forwarder charters; and

C. combination charters (passengers and cargo as specified above on the same flight).

ANNEX IV

Computer Reservations Systems

1. The Parties recognize that computer reservations systems (CRS) operations are an important aspect of the ability of an airline to compete. Specifically, the Parties note that CRS operations are regulated at the date of this agreement

- in France, under European Community Regulation 2299/89, 24 July 1989, as amended by Regulation 3089/93 of 29 October 1993; and

- in the United States, under 14 CFR Part 255.

2. The Parties agree that, consistent with the laws and regulations of the Parties in effect on the date that this Agreement is signed, the following principles should be followed with respect to CRS operations in international aviation on a non-discriminatory basis:

(a) CRSs should have integrated primary displays for which

(i) information, regarding international air services, including the construction of connections on those services, should be edited and displayed based on non-discriminatory and objective criteria that are not influenced, directly or indirectly, by airline or market identity, and that apply uniformly to all participating airlines;

(ii) CRS data bases should be as comprehensive as possible and CRS vendors should

not delete information from their data bases until it has been superseded;

(iii) CRS vendors should not manipulate information given by participating airlines in a manner which would lead to the provision of inaccurate, misleading or discriminatory information; and the information provided by participating airlines should be clear and concise (for example flights for which the code displayed is not that of the operating airline (i.e. code share), flights involving a change of aircraft, and flights with stops should be clearly identified as having those characteristics);

(iv) All CRSs that are available to travel agents who directly distribute information about airline services to the traveling public in either Party's territory should not only be obligated to, but should also be entitled to, operate in conformance with the CRS rules that apply in the territory where the CRS is being operated;

(b) Travel agents should be allowed to use any of the secondary displays available through the CRS for an individual transaction so long as the travel agent makes a request for that display to meet a specific request by a consumer.

(c) All airlines willing to pay any applicable non-discriminatory fee should be permitted to participate in each vendor's CRS. All distribution facilities that a system vendor provides should be offered on a non-discriminatory basis to participating airlines. CRS vendors should

display, on a non-discriminatory, objective, airline-neutral basis, the international air services of participating airlines in all markets in which they wish to sell those services. Upon request, a CRS vendor should disclose details of its data base update and storage procedures, its criteria for editing and ranking information, the weight given to such criteria, and the criteria used for election of connect points and inclusion of connecting flights.

(d) CRS vendors of one Party operating in the territory of the other Party should be entitled to bring in, maintain, and make freely available, their CRSs to travel agencies or travel companies and other subscribers whose principal business is the distribution of travel-related [products in the territory of the other Party, if the CRS complies with these principles.

(e) In the territory of one Party, CRS vendors of the other Party should not be subject to more stringent or restrictive requirements, with respect to access to and use of communications facilities, selection and use of technical CRS hardware and software, and the technical installation of CRS hardware, than those imposed on the first Party's own CRS vendors.

(f) CRSs in use in the territory of one Party should be entitled to effective and unimpaired access in the territory of the other Party provided that they comply with the standards and laws in force in that territory, which should be non-discriminatory. One aspect of this is that a designated airline should participate in such a system as fully in its homeland territory as it does in any system offered to travel agents in the territory of the other Party. Owners/operators of CRSs of one Party should have the same opportunity to own/operate CRSs that conform to these principles within the territory of the other Party, as do owners/operators of that Party. Airlines and CRS vendors of one Party should not discriminate against travel agents in their homeland territory because of their use or possession of a CRS also operated in the territory of the other Party.

ANNEX V

Transitional Arrangements for Scheduled Combination Air Services

The following transitional provisions shall apply to the operation of U.S.-Metropolitan France scheduled combination air services described in paragraphs A 1(a) and B 1(a) of Section 1 of Annex I of this Agreement and shall limit the exercise of those rights. These limitations shall expire in April 2003 or on such earlier date as provided in this Annex.

Section 1 Designations

Notwithstanding the provision in paragraph 1 of Article 3 (Designation and Authorization) that gives each Party "the right to designate as many airlines as it wishes,"

- A. each Party shall be entitled to designate not more than one airline in addition to the currently designated airlines² until April 2000;
- B. each Party is limited to five (5) designated airlines for the New York-Paris route until April 2003. Should any of the five (5) U.S. airlines currently serving the New York-Paris route³ cease operating that service, the United States may designate a replacement airline or airlines. The operations of any replacement airline or airlines shall be subject to the capacity limits set out in Section III (Capacity) of this Annex.

Section 2 Cooperative Arrangements

Notwithstanding the provisions of paragraph 7 of Article 8 (Commercial Opportunities), of this Agreement, the ability of airlines: (A) to enter into code-sharing relationships with airlines of third countries for operations between the territories of the Parties via intermediate third countries ("via third-country code-share operations"); (B) to code share to the same point in France with both a French and a third-country airline; and (C) to code share with other airlines of the same Party shall be subject to the following limitations, which shall expire in April 2003, at which time all rights provided for in Article 8, paragraph 7, of this Agreement, may be exercised.

I For purposes of this Annex, references to April of a particular year shall be construed as referring to the first day of the International Air Transportation Association (IATA) summer traffic season for that year.

²The currently designated combination airlines for the United States are: American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Tower Air, Trans World Airlines, United Airlines, and US Airways; and for France: Compagnie Nationale Air France and AOM French Airlines.

³For the purposes of this paragraph, the U.S. airlines currently serving the New York-Paris route are: American Airlines, Continental Airlines, Delta Air Lines, Tower Air, and Trans World

Airlines.

A. Limitations On Code -Sharing Operations With Third-Country Airlines Via Third Countries

1. Limitations on Intermediate Points

Effective April 1998 to April 2003, each designated airline of a Party engaged in via third-country code-share operations with a third-country airline partner may operate code-share services under that partnership between the territories of the Parties via only one intermediate country.

Notwithstanding the foregoing, each Party may authorize one such partnership to operate via all homelands of the third-country partner airline.

2. Limitations on Number Of Third-Country Airline Partnerships

(a) Effective April 1998, each Party shall have the right to authorize two (2) of its designated airlines to engage in via third-country code-share operations with a third-country airline of each designated airline's choice. The code-share relationship between United Airlines and British Midland Airways to Nice via London and its expansion to Paris via London shall not require an authorization under this paragraph.

(b) Effective April 1999:

(i) Each Party shall have the right to authorize one additional designated airline to engage in via third-country code-share operations with a third-country airline of that designated airline's choice.

(ii) Each Party shall have the right to allocate, among the airlines it has authorized to engage in via third-country code-share operations, two additional partnership opportunities with third-country airlines for via third-country codeshare operations.

(iii) The United Airlines/British Midland Airways via third-country codeshare operation shall be permitted to operate to one additional point in France per year, with rights accumulating each year, whether or not exercised in that year. The first additional point may be chosen as from April 1999.

(c) Effective April 2000, each Party shall have the right to allocate, among the airlines it has authorized to engage in via third-country code-share operations, one additional partnership opportunity with a third-country airline for via third-country code-share operations.

(d) Effective April 2001, each Party may choose one of the two following rights:

(i) to authorize one additional designated airline to engage in via third-country code-share operations with a third-country airline of its choice; or

(ii) to allocate, among airlines it has authorized to engage in via third country code-share operations, one additional partnership opportunity with a third-country airline of the designated airline's choice for via third-country codeshare operations.

B. Code Sharing To Points In France With Both French And Third-Country Airlines

Designated airlines of each Party shall be entitled to offer code-share services to the same point in France both with a French airline and with a third-country airline via an intermediate third country to:

1. Effective April 1999: four (4) points;
2. Effective April 2000: two (2) additional points;
3. Effective April 2001: one (1) additional point; and
4. Effective April 2002: one (1) additional point.

C. Same-Country Airline Code Sharing

The United States shall have the right to select one (1) U.S. designated airline to code share with another U.S. designated airline:

1. Effective April 1998: from two (2) behind-gateway points in the United States via one (1) gateway in the United States of one of the partners to France;
2. Effective April 2000: from a total of three (3) behind-gateway points in the United States via two (2) gateways in the United States to France; and
3. Effective April 2002: from a total of four (4) behind-gateway points in the United States via two (2) gateways in the United States to France.

Section 3
Capacity

Notwithstanding the provision in paragraph 2 of Article 11 (Fair Competition) that "each Party shall allow each designated airline to determine the frequency and capacity of the international air transportation it offers based upon commercial considerations in the marketplace,"

A. Each Party shall have the right to allocate among its designated airlines for operations with their own aircraft up to one hundred forty-eight (148) weekly roundtrip frequencies;

B. Each Party also shall have the right to allocate among its designated airlines, for operations with their own aircraft:

1. Effective April 1998, twenty-one (21) additional weekly roundtrip frequencies;
2. Effective April 1999, seven (7) additional weekly roundtrip frequencies;
3. Effective April 2000, fourteen (14) additional weekly roundtrip frequencies;

4. Effective April 2001, seven (7) additional weekly roundtrip frequencies; and
5. Effective April 2002, fourteen (14) additional weekly roundtrip frequencies.

C. Each Party shall have the right to allocate the frequencies referenced in subsections A and B, above, among its designated airlines as it chooses, except that until April 2000, an airline authorized as a replacement airline, in accordance with Section 1, subsection B, of this Annex, to operate on the New York-Paris route may not operate more weekly frequencies than its predecessor on the route or a daily service, whichever is greater.

Section 4 Pricing

Notwithstanding the provisions of Article 12 (Pricing), until April 2000, the following provisions apply to prices for air transportation between the territories of the Parties and until April 2003 to prices for air transportation between the territory of either Party and third countries.

1. Each party shall allow prices for air transportation to be established by each designated airline based upon commercial considerations in the marketplace. Intervention of the Parties shall be limited to:

- (a) prevention of unreasonably discriminatory prices or practices;
- (b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position;
- (c) protection of airlines from prices that are artificially low due to direct or indirect subsidy or support; and
- (d) protection of airlines from prices that are artificially low, where evidence exists as to an intent to eliminate competition.

If a Party believes that a price warrants intervention under the specific criteria described above, then it shall notify the other Party pursuant to paragraph 3 of this Section. After compliance with the notification requirement of paragraph 3, a Party may take unilateral action to prevent the inauguration of such price, but only with respect to traffic where

the first point on the itinerary (as evidenced by the document authorizing transportation by air) is in its own territory.

2. Each Party may require filing with its aeronautical authorities of prices charged or proposed to be charged to or from its territory by designated airlines of the other Party. Filing by the airlines of both Parties may be required no more than thirty (30) days before the proposed date of effectiveness. In individual cases, a Party may permit filing on shorter notice than normally required. If a Party permits an airline to file a price on short notice, the price shall become effective on the proposed date for traffic originating in the territory of that Party. Except as may be necessary to implement the rights under this Agreement, neither Party shall require the filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a nondiscriminatory basis.

3. If either Party believes that a price proposed to be charged:

(a) by a designated airline of the other Party for international air transportation between the territories of the Parties, or

(b) by an airline of the other Party for international air transportation between the territory of the first Party and a third country, consistent with the rights granted in this Agreement,

including in both cases transportation on an interline or intraline basis, is inconsistent with the considerations set forth in paragraph 1 of this provision, or in the case of services to or from a third country that is a member of the European Union on the date that the Agreement is signed, such price is specifically prohibited under the Community law in effect on the date that this Agreement is signed, it shall notify the other Party of the reasons for its dissatisfaction as soon as possible, but in no event later than fifteen (15) days after the filing date. Either Party may then request consultations, which shall be held as soon as possible, and in no event later than thirty (30) days after receipt of a notice of dissatisfaction. The Parties shall cooperate in securing information necessary for reasoned resolution of the issue. If notification is not given as provided in this paragraph, the price shall be deemed to be approved and shall become effective on the proposed date.

4. If the Parties reach agreement with respect to a price for which a notice of dissatisfaction has been given, each Party shall take appropriate action, consistent with its national laws, to put that agreement into effect. If a Party prevents a proposed price from becoming effective in accordance with the provisions of this paragraph 4 or paragraph 1 of this Section, the comparable price previously in effect shall remain in effect.

5. Notwithstanding any other provision in this Section, each Party shall allow:

(a) any airline of either Party to meet any scheduled or charter price, including combinations of prices, charged in the marketplace for international air transportation between the territories of the Parties, and

(b) any airline of one Party to meet any scheduled or charter price, including combinations of prices, charged in the marketplace for international air transportation between the territory of the other Party and a third country.

As used herein the term "meet" means the right to continue or institute, on a timely basis, using such expedited procedures as may be necessary, an identical or similar price or such price through a combination of prices on a direct, interline, or intraline basis, notwithstanding differences in conditions including, but not limited to, those relating to airports, routing, distance, timing, connections, aircraft type, aircraft configuration, or change of aircraft.

Section 5 Change of Gauge

A. Notwithstanding the provisions of Section 3 of Annex I allowing change-of-gauge operations without any limitation as to number of aircraft operating to or from the change-of-gauge point, the following provision shall apply until April 2003:

On any segment or segments of the routes referenced in paragraphs A 1(a) and B 1(a) of Section 1 of Annex I, any designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type of aircraft operated; provided that the transportation outbound and inbound from its homeland beyond and to, respectively, the change-of-gauge point is performed by (a) not more than two (2) aircraft when the change-of-gauge point is in the territory of the other Party and (b) not more than two (2) aircraft serving a point or points in the territory of the other Party when the change-of-gauge point is outside the territory of the other Party.

B. Transportation performed on aircraft of other airlines under code-share arrangements shall not be counted for the purposes of this Section.