

## AIR TRANSPORT SERVICES

Agreement Between the  
UNITED STATES OF AMERICA  
and the CZECHOSLOVAK SOCIALIST  
REPUBLIC

Signed at Prague June 29, 1987

*and*

Extending Agreements  
Effected by Exchange of Notes  
Dated at Prague February 6 and 24, 1989

And Exchange of Notes  
Dated at Prague December 28, 1989  
and January 25, 1990



## CZECHOSLOVAK SOCIALIST REPUBLIC

### Air Transport Services

*Agreement signed at Prague June 29, 1987;  
Entered into force June 29, 1987.*

*And extending agreements.*

*Effected by exchange of notes*

*Dated at Prague February 6 and 24, 1989;*

*Entered into force February 24, 1989;*

*Effective January 1, 1989.*

*And exchange of notes*

*Dated at Prague December 28, 1989 and January 25, 1990;*

*Entered into force January 25, 1990;*

*Effective January 1, 1990.*

AIR TRANSPORT AGREEMENT BETWEEN THE  
GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND THE GOVERNMENT OF THE  
CZECHOSLOVAK SOCIALIST REPUBLIC

The Government of the United States of America and the Government of the Czechoslovak Socialist Republic,

Desiring to conclude an agreement for the purpose of promoting air transport relations between the United States of America and the Czechoslovak Socialist Republic for their mutual benefit,

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,

Being parties to the Convention on International Civil Aviation opened for signature at Chicago on December 7, 1944,<sup>1</sup>

Have agreed as follows:

ARTICLE I

(Definitions)

- (1) "Agreement" shall mean this Agreement including the Schedule and Annex attached thereto, and any amendments thereof.
- (2) "Aeronautical authorities" shall mean, in the case of the United States of America, the Department of Transportation, and, in the case of the Czechoslovak Socialist Republic, the Federal Ministry of Transport, Civil Aviation Administration, or, in both cases, any person or agency authorized to perform the functions exercised at the present time by those authorities.
- (3) "Designated airline" shall mean an airline that one Contracting Party has notified to the other Contracting Party in writing to be an airline which will operate services authorized by this Agreement.
- (4) "Convention" means the Convention on International Civil Aviation opened for signature at Chicago on December 7, 1944.

<sup>1</sup> TIAS 1591, 6605, 6681; 61 Stat. 1180; 19 UST 7693; 20 UST 718.

(5) The terms "territory," "air service," "international air service," and "stop for non-traffic purposes" shall have the meanings respectively assigned to them in the Convention.

(6) "Price" means:

- (a) any fare, rate or price charged or to be charged by airlines, or their agents, and the conditions governing the availability of such fare, rate and price;
- (b) the charges and conditions for services ancillary to carriage of traffic which are offered by airlines; and
- (c) amounts charged by airlines to air transportation intermediaries;

for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation.

## ARTICLE II

### (Grant of Rights)

(1) Each Contracting Party grants to the other Contracting Party the following rights for the conduct of international air transportation by the airlines of the other Contracting 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 paragraph (1) of this Article shall be deemed to grant the right for one Contracting Party's airlines to participate in air transportation between points in the territory of that other Contracting Party.

## ARTICLE III

### (Airline Designation)

(1) Each Contracting Party shall have the right to designate in writing to the other Contracting Party an airline or airlines for the purpose of operating the services authorized by this Agreement.

(2) On receipt of the designation, the other Contracting Party shall, with a minimum of procedural delay, grant to the airline designated the appropriate operating authorization.

## ARTICLE IV

## (Revocation)

(1) Each Contracting Party shall have the right to withhold or revoke the operating authorizations or technical permissions, or to suspend the exercise of the rights specified in Article II of this Agreement by an airline or airlines designated by the other Contracting Party, or to impose such conditions as it may deem necessary on the exercise of these rights:

- (a) In the event of failure by such airline to qualify before the aeronautical authorities of that Contracting Party under the laws and regulations normally applied by those authorities to the operation of international air services;
- (b) In the event of failure by such airline to comply with the laws and regulations referred to in Article V of this Agreement;
- (c) In the event it is not satisfied that substantial ownership and effective control of that airline are vested in the Contracting Party designating the airline or in nationals of such Contracting Party; or
- (d) In the event that airline or that other Contracting Party fails to comply with any provision of Articles VII or VIII of this Agreement.

(2) Unless immediate action to withhold or revoke operating authority or technical permissions, suspend the exercise of rights or impose the conditions mentioned in paragraph (1) of this Article is essential to prevent further infringements, such action shall be exercised only after consultation with the other Contracting Party.

## ARTICLE V

## (Application of Laws)

(1) The laws and regulations of one Contracting Party relating to the admission to or departure from its territory of aircraft engaged in international air navigation, or to the operation and navigation of such aircraft while within its territory, shall be applied to the aircraft of the airline or airlines designated by the other Contracting Party and shall be complied with by such aircraft upon entrance into or departure from and while within the territory of the first Contracting Party.

(2) The laws and regulations of one Contracting Party relating to the admission to, stay in, transit through and departure from its territory of passengers, crew, cargo or mail on aircraft, including regulations relating to entry, clearance, immigration, passports, customs and quarantine, shall be complied with by the airline

or airlines of the other Contracting Party upon entrance into or departure from and while within the territory of the first Contracting Party.

## ARTICLE VI

### (Customs Duties and Taxes)

In order to assure equality of treatment, and to facilitate the operation of international air services agreed to by the Contracting Parties, both Contracting Parties agree to the exemptions as specified in this Article:

(1) Reciprocal exemptions from economic import restrictions and limitations, as well as reciprocal exemptions from all national customs duties and other taxes, charges and fees imposed by the national authorities not based on the cost of services provided; these exemptions shall be applicable to:

(a) aircraft of the airlines of the other Contracting Party, operated in international air transportation; and

(b) regular equipment, ground equipment, spare parts (including engines), fuel, lubricants, consumable technical supplies, aircraft stores (articles of a readily consumable nature including but not limited to items of food, beverages, liquor, tobacco and other products destined for sale to or use by passengers during flight) intended for and used solely in connection with the operation of such aircraft, if such items are:

(i) introduced into or supplied in the territory of the other Contracting Party for the operation or servicing of aircraft, whether or not such goods are consumed wholly within the territory of the Contracting Party granting the exemption; or

(ii) retained on board the aircraft of the airlines of one Contracting Party from arrival in until departure from the territory of the other Contracting Party.

(2) Equipment and supplies referred to in paragraph (1) of this Article may be required to be kept under the supervision and control of the appropriate authorities.

(3) The exemptions provided by paragraph (1) of this Article shall also be available where the airlines of one Contracting Party have 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 goods specified in paragraph (1) of this Article.

(4) For items referred to in paragraph (1) of this Article and used by the airlines of the Contracting Parties solely in connection with their own services, such airlines shall be exempted, on a reciprocal basis, from economic export and transit restrictions.

(5) *Passengers in direct transit across the territory of a Contracting Party, not leaving the area of the airport reserved for such purposes, shall be subject to a simplified form of control. Baggage and freight shall be exempt from customs duties and other charges, if in direct transit.*

## Article VII

### (Safety)

(1) Each Contracting 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 Contracting Party and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards which may be established pursuant to the Convention. Each Contracting 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 Contracting Party.

(2) Each Contracting Party may request consultations concerning the safety standards maintained by the other Contracting Party relating to aeronautical facilities, aircrew, aircraft, and operation of the designated airlines. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards and requirements in these areas that at least equal the minimum standards which may be established pursuant to the Convention, the other Contracting Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards, and the other Contracting Party shall take appropriate corrective action. Failure to take such appropriate action will constitute grounds for application of Article IV of this Agreement.

## ARTICLE VIII

### (Aviation Security)

(1) Consistent with their rights and obligations under international law, the Contracting 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 Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offences 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, and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on September 23, 1971.<sup>1</sup>

(2) The Contracting 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, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.

(3) The Contracting Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Convention on International Civil Aviation to the extent that such security provisions are applicable to the Contracting Parties; they shall require that operators of aircraft of their registry or 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. Each Contracting Party shall give advance information to the other of its intention to notify any difference to the aviation security standards established by the International Civil Aviation Organization.

(4) Each Contracting Party agrees that such operators of aircraft may be required to observe the aviation security provisions required by the other Contracting Party for entry into the territory of that other Contracting Party and to take adequate measures to protect aircraft and to inspect passengers, crew, their carry-on items as well as cargo and aircraft stores prior to and during boarding or loading.

(5) Each Contracting Party shall give sympathetic consideration to any request from the other Contracting Party for special security measures to meet a particular threat.

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

<sup>1</sup>TIAS 6768, 7192, 7570; 20 UST 2941; 22 UST 1641; 24 UST 564.

(7) When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the aviation security provisions of this article, that Contracting Party may request immediate consultations with the other Contracting Party. Failure to reach satisfactory agreement within fifteen (15) days from the date of the request for consultations or an urgent threat to the security of civil aviation will constitute grounds for application of Article IV of this Agreement.

## ARTICLE IX

### (User Charges)

Each Contracting Party may impose or permit to be imposed just and reasonable charges for the use of airports and other facilities under its control. Such charges shall not be higher than the charges imposed for use by foreign aircraft or by national aircraft engaged in similar international services.

## ARTICLE X

### (Commercial Opportunities)

Subject to the provisions of the Annex:

(1) The sale of air transportation by the designated airlines of one Contracting Party in the territory of the other Contracting Party will be accomplished pursuant to regulations in force in the territory of the other Contracting Party, provided that:

- (a) Each Contracting Party shall, on the basis of reciprocity, exempt the designated airlines of the other Contracting Party from national taxes on profits and income derived from the performance of services under this Agreement;
- (b) Each designated airline has the right to transfer promptly the earnings achieved in the territory of the other Contracting Party to its country in any freely convertible currency in accordance with the provisions of the Annex.

(2) The designated airlines of one Contracting Party may, subject to the prior approval of the aeronautical authorities, establish offices in the territory of the other Contracting Party. Such airlines may, in accordance with the laws and regulations of the other Contracting Party relating to entry, residence and employment, bring in and maintain, at the point served in the territory of the other Contracting Party, its managerial, marketing, operational and other specialist staff required for the provision of air transportation.

## ARTICLE XI

## (Capacity)

Subject to the provisions of the Annex:

(1) There shall be a fair and equal opportunity for the airlines of each Contracting Party to operate on any route covered by this Agreement.

(2) In the operation by the airlines of either Contracting Party of the air services described in this Agreement, the interest of the airlines of the other Contracting Party shall be taken into consideration so as not to affect unduly the services which the latter provide on all or part of the same route.

(3) The air services made available to the public by the designated airlines of the Contracting Parties operating under this Agreement shall bear a close relationship to the requirements of the public for such services.

(4) Services provided by a designated airline under this Agreement shall retain as their primary objective the provision of capacity adequate to the traffic demands between the country of which such airline is a national and the countries of ultimate destination of the traffic. The right to embark or disembark on such services international traffic destined for and coming from third countries at a point or points on the routes specified in this Agreement shall be exercised in accordance with the general principles of orderly development to which both Contracting Parties subscribe and shall be subject to the general principle that capacity should be related to:

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

(5) Neither Contracting Party shall restrict the airline of the other Contracting Party with respect to capacity, frequency, scheduling or type of aircraft employed in connection with services over any of the routes specified in the Schedule of this Agreement. In the event that one of the Contracting Parties believes that the operations conducted by an airline of the other Contracting Party have been inconsistent with the standards and principles set forth in paragraphs (1), (2), (3), or (4) of this Article, it may request consultations pursuant to Article XIV of this Agreement for the purpose of reviewing the operations in question to determine whether they are in conformity with said standards and principles.

## ARTICLE XII

## (Pricing)

(1) Each Contracting Party shall allow prices for international air transportation to be established by each designated airline based upon commercial considerations in the marketplace. Intervention by the Contracting Parties shall be limited to prevention of unreasonably discriminatory prices; protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and protection of airlines from prices that are artificially low because of direct or indirect governmental subsidy or support. If a Contracting Party believes that a price warrants intervention under the specific criteria described above, then it shall notify the other Contracting Party pursuant to the provisions set forth in paragraph (4). After compliance with the notification provisions of paragraph (4), a Contracting Party may then take action to prevent 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) Where both Contracting Parties permit designated airlines to participate in price coordination activities of the International Air Transport Association (IATA), or another airline tariff coordination forum, and where both Contracting Parties have approved an IATA or other airline tariff agreement in any market, prices filed by designated airlines pursuant to that approved agreement for the markets that are the subject of that agreement shall be approved by both Contracting Parties. Where any designated airline has chosen, however, not to adhere to such an agreement, prices charged or proposed to be charged by that airline shall be reviewed in accordance with the objectives and procedures contained in this Article, and the failure of any airline to participate in such price-coordination activities or the non-conformity of any price to the terms of an IATA or other airline tariff agreement shall not, in itself, constitute a valid reason for either Contracting Party to disapprove a price.

(3) Each Contracting Party may require filings with its aeronautical authorities of prices charged or proposed to be charged to or from its territory by designated airlines of the other Contracting Party. Filing by the airlines of both Contracting Parties may be required not more than thirty (30) days before the proposed date of effectiveness. In individual cases, a Contracting Party may permit a filing on shorter notice than normally required. If a Contracting 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 Contracting Party.

(4) If either Contracting Party believes that a price proposed by a designated airline of the other Contracting Party for international air transportation between the territories of the Contracting Parties, or by an airline of the other Contracting Party for international air transportation between the territory of the first Contracting Party and a third country, including in both cases transportation on an interline or intraline basis, is inconsistent with the considerations set forth in paragraph (1) of this Article, it shall notify the other Contracting Party of the reasons for its dissatisfaction as soon as possible, but in any event not less than fifteen (15) days before the proposed effectiveness date. Either Contracting 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 notice of dissatisfaction. The Contracting Parties shall cooperate on a continuing basis in securing information necessary for reasoned resolution of the issue. If notification of dissatisfaction is not given as provided in this paragraph, the price shall be deemed to be approved and shall become effective on the proposed date.

(5) If the Contracting Parties reach agreement with respect to a price for which a notice of dissatisfaction has been given, each Contracting Party shall use its best efforts to put that agreement into effect.

(6) Notwithstanding paragraphs (1) and (4) of this Article, each Contracting Party shall allow (a) any airline of either Contracting 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 Contracting Parties, and (b) any airline of one Contracting 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 Contracting 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 routing, distance, timing, connections, aircraft type, aircraft configuration, or change of aircraft.

### ARTICLE XIII

#### (Registration with ICAO)

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

## ARTICLE XIV

## (Consultations)

Either Contracting Party may at any time request consultations with the appropriate authorities of the other Contracting Party on questions concerning the interpretation, application or amendment of this Agreement. Such consultations shall begin within a period of sixty (60) days from the date the other Contracting Party receives the request, unless otherwise agreed by the Contracting Parties.

## ARTICLE XV

## (Settlement of Disputes)

- (1) Any dispute relating to the interpretation or application of this Agreement not settled through consultations pursuant to Article XIV shall, at the request of either Contracting Party, be submitted for decision to a tribunal of three arbitrators, one to be nominated by each Contracting Party and the third to be appointed by the two so nominated. Each of the Contracting Parties shall nominate an arbitrator within a period of sixty (60) days from the date of receipt by either Contracting Party of a notice from the other through diplomatic channels requesting arbitration of the dispute by such a tribunal, and the third arbitrator shall be appointed within a further period of sixty (60) days.
- (2) Each Contracting Party shall use its best efforts consistent with its national law to put into effect any decision or award of the arbitral tribunal.
- (3) The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Contracting Parties.

## ARTICLE XVI

## (Amendment)

- (1) Any amendment to this Agreement (other than to the Schedule or Annex) shall come into force when confirmed by an exchange of diplomatic notes.
- (2) Any amendment of the Schedule or Annex to this Agreement may be applied provisionally as from the date agreed on by the aeronautical authorities and shall come into force when confirmed by an exchange of diplomatic notes.
- (3) If a general multilateral convention for scheduled international air services enters into force in relation to both Contracting Parties, this Agreement shall be amended so as to conform with the provisions of such multilateral convention.

## ARTICLE XVII

## (Termination)

Each Contracting Party may at any time notify the other Contracting Party of its intention to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. The Agreement shall terminate twelve (12) months after the date of receipt of the notice of intention to terminate, unless by agreement between the Contracting Parties such notice is withdrawn before the expiration of that time.

## ARTICLE XVIII

## (Supersedure)

This Agreement shall supersede the Air Transport Agreement between the United States of America and the Czechoslovak Socialist Republic signed at Prague on February 28, 1969, as subsequently amended.<sup>1</sup>

## ARTICLE XIX

## (Entry Into Force)

This Agreement shall enter into force on the day it is signed.

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

DONE in Prague on 29 June 1987 in duplicate, in the English and Czech languages, both being equally authentic.

For the Government of the  
United States of America

Julian M. Niemczyk

For the Government of the  
Czechoslovak Socialist Republic

Jaromir Johanes

<sup>1</sup> TIAS 6644, 7316, 7356, 7881, 8132, 8868, 9935, 10269, 10625, 10861, 11027; 20 UST 408; 23 UST 587, 909; 25 UST 1470; 26 UST 1742; 29 UST 1071; 32 UST 4167; 33 UST 3911.

SCHEDULE  
SCHEDULED AIR TRANSPORTATION

1. Airlines of one Contracting Party whose designation identifies this Schedule shall, in accordance with the terms of their designation, be entitled to perform scheduled international air transportation (1) between points on the following routes, and (2) between points on such routes and points in third countries through points in the territory of the Contracting Party which has designated the airlines.

A. *Routes for the airline or airlines designated by the Government of the United States:*

From the United States of America via points in Ireland, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of the Netherlands, the Kingdom of Belgium, the Kingdom of Denmark, and the Federal Republic of Germany to Prague and beyond via intermediate points to the Republic of India and beyond to the United States, in both directions.

With respect to beyond points between Prague and the Republic of India, the designated U.S. airline(s) may make four (4) traffic stops in the following countries:

the Republic of Austria  
the Republic of Turkey  
the People's Republic of Poland  
the Socialist Republic of Romania  
the People's Republic of Hungary  
the Socialist Federal Republic of Yugoslavia

With respect to beyond points between the Republic of India and the United States, the designated U.S. airline(s) may make six (6) traffic stops in the following countries:

the Kingdom of Thailand  
the Socialist Republic of Viet Nam  
Malaysia  
The Republic of Singapore  
the Republic of Indonesia  
the Republic of the Philippines  
Hong Kong  
Japan

The Government of the United States shall have the right to substitute for any country initially selected another of the countries listed in the same group of countries. Such right may be exercised at six (6) month intervals with 30 days' advance notice to the Government of the Czechoslovak Socialist Republic.

B. *Routes for the airline or airlines designated by the Government of the Czechoslovak Socialist Republic:*

From the Czechoslovak Socialist Republic via a point in the Federal Republic of Germany, or the French Republic, or the United Kingdom of Great Britain and Northern Ireland, points in the Grand Duchy of Luxembourg, the Kingdom of Belgium, the Kingdom of the Netherlands and the Kingdom of Denmark to a point in Canada and New York.

The Canadian point may be served as a point intermediate to or beyond New York on any flight. The Canadian point may be changed in each traffic season upon 60 days' notice to the U.S. aeronautical authorities.

With regard to its selection of a point in the Federal Republic of Germany, or the French Republic, or the United Kingdom of Great Britain and Northern Ireland, the Government of the Czechoslovak Socialist Republic shall have the right to substitute for the point initially selected a point in either of the other two countries. Such right may be exercised at six (6) month intervals with 30 days' advance notice to the Government of the United States.

2. Points on any of the specified routes may, at the option of each designated airline, be omitted on any or all flights.

3. Each Contracting Party recognizes the right of the designated airline or airlines of the other Contracting Party to change gauge in operating the services authorized by this Agreement.

4. This Schedule may be amended or extended by agreement of the appropriate authorities of each Contracting Party. This amendment or extension shall come into force in accordance with Article XVI, paragraph (2).

5. This Schedule shall expire on December 31, 1988. The appropriate authorities shall consult no later than September 1, 1988, to consider an extension or amendment of this Schedule. However, if one of the Contracting Parties notifies the other Contracting Party of its intent to terminate this Schedule, such termination will occur thirty (30) days after the date of receipt of the notice of intent to terminate.

ANNEX  
COMMERCIAL OPPORTUNITIES

The Contracting Parties have agreed to apply the following provisions in order to assure that the Air Transport Agreement reflects an equitable exchange of opportunities for the airlines of each Contracting Party:

1. *Interline Sales.* The U.S. designated airline appoints the Czechoslovak designated airline as its general sales agent in the Czechoslovak Socialist Republic. The Czechoslovak designated airline will make 1,400,000 U.S. dollars in interline sales outside the United States for calendar year 1987 and 1,500,000 U.S. dollars in interline sales outside the United States in calendar year 1988 for services offered anywhere in the world by the U.S. designated airline, including the U.S. dollar value of the U.S. designated airlines' sales in non-transferable Czechoslovak crowns. After actual net interline sales for 1987 and 1988 are determined between the designated airlines concerned, any difference between that amount and the sales requirement for 1987 and 1988 will be added to or subtracted from, as appropriate, the net interline sales requirement of the Czechoslovak designated airline for 1988 and/or 1989. The term "net interline sales" refers to total interline sales for services minus any commission paid or to be paid to agents for making such sales.
2. *Ground Handling.* The Czechoslovak designated airline will appoint the U.S. designated airline as its airport ground handling agent in the United States. The U.S. designated airline will appoint the Czechoslovak designated airline as its airport ground handling agent in the Czechoslovak Socialist Republic.
3. *General Sales Agency.* The Czechoslovak designated airline appoints the U.S. designated airline as its general sales agent in the United States. Under the general sales agency agreement, the U.S. designated airline will appoint and control sales agents at its discretion, taking into account the requests and recommendations of the Czechoslovak designated airline. The general sales agency agreement may also provide for the placement of advertising and other matters comparable to those required to be performed by the Czechoslovak designated airline as general sales agent for the U.S. designated airline in the Czechoslovak Socialist Republic. The foregoing general sales agency agreement will be subject to approval by the respective aeronautical authorities. The Czechoslovak designated airline shall be permitted to use its own ticket stock in the United States for official Czechoslovak Government travel.
4. *U.S. Airline Sales in Freely Convertible Currency.* The U.S. designated airline will continue to enjoy at its offices in the Czechoslovak Socialist Republic

the right to sell for freely convertible currency air transportation using its own transportation documents to any person legally entitled to hold freely convertible currency.

5. *U.S. Airline Sales in Non-transferable Crowns.* The U.S. designated airline will enjoy in the Czechoslovak Socialist Republic the right to sell, through the Czechoslovak designated airline as general sales agent, air transportation on its services for non-transferable Czechoslovak crowns to be fixed by the Czechoslovak authorities at 550,000 Czechoslovak crowns for 1987 and 550,000 Czechoslovak crowns for 1988. The U.S. dollar value of this transportation will be honored to the U.S. designated airline in Czechoslovak crowns according to the current rate of exchange published by the Czechoslovak State Bank increased by the surcharge announced by the Czechoslovak State Bank. The full amount of the Czechoslovak crowns accumulated within this limit may be used by the U.S. designated airline to cover local expenses, as specified below:

- Salaries and related personnel expenses;
- Office rents and utilities;
- Routine office business expenses;
- State administrative fees;
- Expenses for telecommunications and postal services; and
- Other items approved by the respective Czechoslovak authorities.

6. *Commercial Opportunities.* The Czechoslovak authorities will endeavor to expand the commercial opportunities of the U.S. designated airline in the Czechoslovak Socialist Republic. In no event will the U.S. designated airline enjoy less favorable commercial opportunities in the Czechoslovak Socialist Republic than any other foreign airline. With respect to local origin traffic from the Czechoslovak Socialist Republic to points in the People's Republic of Poland, the People's Republic of Hungary, and the Socialist Republic of Romania, the U.S. designated airline has the right to match any fares which are approved for reimbursement in convertible currency. Stopover and interline travel that covers continuation of a journey originated outside the Czechoslovak Socialist Republic is not subject to disapproval by the Czechoslovak authorities.

7. *Capacity.* For any calendar year, the Czechoslovak designated airline will be permitted to operate two roundtrip flights per week or 104 flights on an annual basis for the years 1987 and 1988 respectively on the route specified in paragraph 1.B of the Schedule attached to the Air Transport Agreement. Additional frequencies on the above route will be operated only following approval by the U.S. authorities and without traffic rights between intermediate points and New

York. Requests for additional frequencies will be made by filing the proposed schedule through diplomatic channels at least 60 days before its proposed effective date. In acting on such requests, the U.S. authorities will take into account appropriate factors, including the extent of opportunities made available to the U.S. designated airline in the Czechoslovak Socialist Republic. The Czechoslovak authorities will be informed of the decision made by the U.S. authorities no later than 30 days before the proposed effective date of the schedule.

8. *Charter Provisions.*

A. Subject to the provisions of Article IV of the Agreement, the Czechoslovak aeronautical authorities, upon appropriate application in accordance with published Czechoslovak filing procedures, will allow U.S. airlines to operate charter passenger air services between the two countries, with stopovers at intermediate and beyond points in third countries.

B. Subject to the provisions of Article IV of the Agreement, the Czechoslovak designated airline may, upon appropriate application and prior approval by the U.S. aeronautical authorities, operate charter passenger flights between the two countries. The Czechoslovak designated airline must file such applications at least 30 days prior to the proposed charter flights. However, such applications may be filed on less than 30 days' notice (but at least 14 days prior to the proposed flight) if good cause can be established for a shortened filing period.

C. The charterworthiness and prices of charter flights shall be determined exclusively by the rules of the country in which the traffic originates.

D. Neither Contracting Party shall require the filing by airlines of the other Contracting Party of prices charged by charterers to the public for charter traffic originating in the territory of the Contracting Party.

E. Neither Contracting Party will impose, nor will it allow any of the airlines of that Contracting Party to impose, no-objection fees upon an airline of the other Contracting Party.

9. *Flight Routes.* The flight routes of aircraft conducting scheduled and charter operations and the points at which they cross national boundaries will be established by each Contracting Party within its territory.

10. *Amendment and Extension Procedures.* This Annex may be amended or extended by agreement of the appropriate authorities of each Contracting Party. This amendment or extension shall enter into force in accordance with Article XVI paragraph (2).

11. *Termination Procedures.* This Annex shall expire on December 31, 1988. The appropriate authorities shall consult no later than September 1, 1988, to con-

sider an extension or amendment of this Annex. However, if one of the Contracting Parties notifies the other Contracting Party of its intent to terminate this Annex, such termination will occur thirty (30) days after the date of receipt of the notice of intent to terminate.