



Treaty Series No. 76 (1977)

Agreement

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the United States of America
concerning Air Services

Bermuda, 23 July 1977

[The Agreement entered into force on 23 July 1977]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
November 1977*

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AGREEMENT
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE UNITED STATES OF AMERICA
CONCERNING AIR SERVICES

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America;

Resolved to provide safe, adequate and efficient international air transportation responsive to the present and future needs of the public and to the continued development of international commerce;

Desiring the continuing growth of adequate, economical and efficient air transportation by airlines at reasonable charges, without unjust discrimination or unfair or destructive competitive practices;

Resolved to provide a fair and equal opportunity for their designated airlines to compete in the provision of international air services;

Desiring to ensure the highest degree of safety and security in international air transportation;

Seeking to encourage the efficient use of available resources, including petroleum, and to minimize the impact of air services on the environment;

Believing that both scheduled and charter air transportation are important to the consumer interest and are essential elements of a healthy international air transport system;

Reaffirming their adherence to the Convention on International Civil Aviation opened for signature at Chicago on 7 December 1944⁽¹⁾; and

Desiring to conclude a new agreement complementary to that Convention for the purpose of replacing the Final Act of the Civil Aviation Conference held at Bermuda, from 15 January to 11 February 1946, and the annexed Agreement between the Government of the United Kingdom and the Government of the United States of America relating to Air Services between their Respective Territories, as subsequently amended ("the 1946 Bermuda Agreement")⁽²⁾;

Have agreed as follows:

ARTICLE 1

Definitions

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

- (a) "Aeronautical authorities" means, in the case of the United Kingdom, the Secretary of State for Trade, the Civil Aviation Authority, or their successors; and in the case of the United States, the Department of Transportation, the Civil Aeronautics Board, or their successor agencies;

⁽¹⁾ Treaty Series No. 8 (1953), Cmd. 8742.

⁽²⁾ Treaty Series No. 3 (1946), Cmd. 6747.

See page 48 for text of Agreed Minute concerning the period between the expiry of the 1946 Agreement and the entry into force of this Agreement.

- (b) " Agreement " means this Agreement, its Annexes, and any amendments thereto;
- (c) " Air service " means scheduled air service or charter air service or both, as the context requires, performed by aircraft for the public transport of passengers, cargo or mail, separately or in combination, for compensation;
- (d) " Airport " means a landing area, terminals and related facilities used by aircraft;
- (e) " All-cargo air service " means air service performed by aircraft on which cargo or mail (with ancillary attendants) is carried, separately or in combination, but on which revenue passengers are not carried;
- (f) " Combination air service " means air service performed by aircraft on which passengers are carried and on which cargo or mail may also be carried if authorized by the relevant national license or certificate;
- (g) " Convention " means the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, and includes:
 - (i) any amendment thereto which has entered into force under Article 94 (a) thereof and has been ratified by both Contracting Parties; and
 - (ii) any Annex or any amendment thereto adopted under Article 90 of that Convention, insofar as such amendment or Annex is at any given time effective for both Contracting Parties;
- (h) " Designated airline " means an airline designated and authorized in accordance with Article 3 of this Agreement;
- (i) " Gateway route segment " means that part of a route described in Annex 1 which lies between the point of last departure or first arrival served by a designated airline in its homeland and the point or points served by that airline in the territory of the other Contracting Party;
- (j) " International air service " means an air service which passes through the air space over the territory of more than one State;
- (k) " Revenue passenger " means a passenger paying 25 per cent or more of the normal applicable fare;
- (l) " Stop for non-traffic purposes " means a landing for any purpose other than taking on or discharging passengers, cargo or mail carried for compensation;
- (m) " Tariff " means the price to be charged for the public transport of passengers, baggage and cargo (excluding mail) on scheduled air services including the conditions governing the availability or applicability of such price and the charges and conditions for services ancillary to such transport but excluding the commissions to be paid to air transportation intermediaries;
- (n) " Territory " means the land areas under the sovereignty, jurisdiction, protection, or trusteeship of a Contracting Party, and the territorial waters adjacent thereto; and
- (o) " User charge " means a charge made to airlines for the provision for aircraft, their crews and passengers of airport or air navigation property or facilities, including related services and facilities.

ARTICLE 2

Grants of Rights

(1) Each Contracting Party grants to the other Contracting Party the following rights for the conduct of international air services by its airlines:

- (a) the right to fly across its territory without landing; and
- (b) the right to make stops in its territory for non-traffic purposes.

(2) Each Contracting Party grants to the other Contracting Party the rights specified in this Agreement for the purposes of operating scheduled international air services on the routes specified in Annex 1. Such services and routes are hereafter called "the agreed services" and "the specified routes" respectively. The airlines designated by each Contracting Party may make stops in the territory of the other Contracting Party at the points specified and to the extent specified for each route in Annex 1 for the purpose of taking on board and discharging passengers, cargo or mail, separately or in combination, in scheduled international air service.

(3) Each Contracting Party grants to the other Contracting Party the rights specified in Annex 4 for the purposes of operating charter international air services.

(4) Nothing in paragraphs (2) or (3) of this Article shall be deemed to confer on the airline or airlines of one Contracting Party the rights to take on board, in the territory of the other Contracting Party, passengers, cargo or mail carried for compensation and destined for another point in the territory of that other Contracting Party except to the extent such rights are authorized in Annex 1 or Annex 4.

(5) If because of armed conflict, political disturbances or developments, or special and unusual circumstances, a designated airline of one Contracting Party is unable to operate a service on its normal routing, the other Contracting Party shall use its best efforts to facilitate the continued operation of such service through appropriate rearrangements of such routes, including the grant of rights for such time as may be necessary to facilitate viable operations.

ARTICLE 3

Designation and Authorization of Airlines

(1) (a) Each Contracting Party shall have the right to designate an airline or airlines for the purpose of operating the agreed services on each of the routes specified in Annex 1 and to withdraw or alter such designations. Such designations shall be made in writing and shall be transmitted to the other Contracting Party through diplomatic channels.

(b) A Contracting Party may request consultations with regard to the designation of an airline or airlines under sub-paragraph (a) of this paragraph. If, however, agreement is not reached within 60 days from the date of the designation, the designation shall be regarded as a proper designation under this Article.

(2) Notwithstanding paragraph (1) of this Article, for the purpose of operating the agreed combination air services on US Routes 1 and 2, and UK Routes 1, 2, 3, 4 and 5, each Contracting Party shall have the right to designate not more than:

- (a) two airlines on each of two gateway route segments of its own choosing;
- (b) one airline on each gateway route segment other than those selected under sub-paragraph (a) of this paragraph, except that each Contracting Party may designate not more than:
 - (i) two airlines on any gateway route segment other than those selected under sub-paragraph (a) of this paragraph, provided: (A) the total on-board passenger traffic carried by the designated airlines of both Contracting Parties in scheduled air service on a gateway route segment exceeds 600,000 one-way revenue passengers in each of two consecutive twelve month periods; or (B) the total on-board passenger traffic carried by its designated airline in scheduled air service on the gateway route segment exceeds 450,000 one-way revenue passengers in each of two consecutive twelve month periods. For the purpose of this sub-paragraph, the revenue passenger levels specified must be reached for the first time after the entry into force of this Agreement; and
 - (ii) two airlines on any gateway route segment other than those selected under sub-paragraph (a) or permitted under sub-paragraph (b) (i) of this paragraph, where either the other Contracting Party has not made a designation three years after the right to operate that gateway route segment becomes effective or the airline designated by it does not by then operate (either nonstop or in combination with another gateway route segment) or operates fewer than 100 round trip combination flights within a twelve month period. An additional designation under this sub-paragraph shall continue in force notwithstanding subsequent regular operation by an airline of the other Contracting Party.

If coincident gateway route segments appear on more than one route, the limitations set forth in this paragraph apply to the coincidence segments taken together. A Contracting Party making designations under this paragraph shall specify which sub-paragraph applies. dent

(3) Notwithstanding paragraph (1) of this Article, for the purpose of operating the agreed all-cargo air services on US Route 7 and on UK Routes 10, 11 and 12 (taken together), each Contracting Party shall have the right to designate not more than a total of three airlines, except that, if the airline or airlines designated by one Contracting Party are licensed or certificated by their own aeronautical authorities and authorized by the other Contracting Party to offer all-cargo air services on a gateway route segment on which the airline or airlines designated by the other Contracting Party are not licensed or certificated by their own aeronautical authorities to offer such services, that other Contracting Party may designate an additional airline on the relevant route or routes to operate all-cargo air services only on that gateway route segment, notwithstanding the fact that such designation will result in the designation of more than three airlines on the relevant route or routes:

(4) Notwithstanding paragraph (1) of this Article, a Contracting Party receiving a designation of an airline which is authorized by that airline's own aeronautical authorities only to operate aircraft having a maximum passenger capacity of 30 seats or less and a maximum payload capacity of 7,500 pounds or less and which was not designated under the 1946 Bermuda Agreement may refuse to regard such designation as a proper designation under this Article if it would result in more than three such airlines or more than the number designated under the 1946 Bermuda Agreement (whichever is greater), operating at any point in the territory of the Contracting Party receiving the designation.

(5) If either Contracting Party wishes to designate an airline or airlines for the routes set forth in paragraphs (2) or (3) of this Article, in addition to the designations specifically permitted by those paragraphs, it shall notify the other Contracting Party. The second Contracting Party may either: (i) accept such further designation; or (ii) request consultations. After consultations the second Contracting Party may decline to accept the designation.

(6) On receipt of a designation made by one Contracting Party under the terms of paragraphs (1), (2) or (3) of this Article, or accepted under the terms of paragraph (5) of this Article, and on receipt of an application or applications from the airline so designated for operating authorizations and technical permissions in the form and manner prescribed for such applications, the other Contracting Party shall grant the appropriate operating authorizations and technical permissions, provided:

- (a) substantial ownership and effective control of that airline are vested in the Contracting Party designating the airline or in its nationals;
- (b) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the Contracting Party considering the application or applications; and
- (c) the other Contracting Party is maintaining and administering the standards set forth in Article 6 (Airworthiness).

If the aeronautical authorities of the Contracting Party considering the application or applications are not satisfied that these conditions are met at the end of a 90-day period from receipt of the application or applications from the designated airlines, either Contracting Party may request consultations, which shall be held within 30 days of the request.

(7) When an airline has been designated and authorized in accordance with the terms of this Article, it may operate the relevant agreed services on the specified routes in Annex 1, provided, however, that the airline complies with the applicable provisions of this Agreement.

ARTICLE 4

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 or departure from its territory of passengers, crew, cargo or mail of aircraft, including regulations relating to entry, clearance, immigration, passports, customs and quarantine, shall be complied with by or on behalf of such passengers, crew, cargo or mail of the airlines of the other Contracting Party upon entrance into or departure from and while within the territory of the first Contracting Party.

ARTICLE 5

Revocation or Suspension of Operating Authorization

(1) Each Contracting Party shall have the right to revoke, suspend, limit or impose conditions on the operating authorizations or technical permissions of an airline designated by the other Contracting Party where:

- (a) substantial ownership and effective control of that airline are not vested in the Contracting Party designating the airline or in nationals of such Contracting Party; or
- (b) that airline has failed to comply with the laws or regulations of the first Contracting Party; or
- (c) the other Contracting Party is not maintaining and administering safety standards as set forth in Article 6 (Airworthiness).

(2) Unless immediate revocation, suspension or imposition of the conditions mentioned in paragraph (1) of this Article is essential to prevent further non-compliance with sub-paragraphs (b) or (c) of paragraph (1) of this Article, such rights shall be exercised only after consultation with the other Contracting Party.

ARTICLE 6

Airworthiness

(1) Certificates of airworthiness, certificates of competency, and licenses issued or rendered valid by one Contracting Party, and still in force, shall be recognized as valid by the other Contracting Party for the purpose of operating the air services provided for in this Agreement, provided that the requirements under which such certificates or licenses were issued or rendered valid are equal to or above the minimum standards which may be established pursuant to the Convention. Each Contracting Party reserves the right, however, to refuse to recognize as valid for the purpose of flights above its own territory, certificates of competency and licenses granted to its own nationals by the other Contracting Party.

(2) The competent aeronautical authorities of each Contracting Party may request consultations concerning the safety and security standards and requirements maintained and administered by the other Contracting Party relating to aeronautical facilities, aircrew, aircraft, and the operation of the designated airlines. If, following such consultations, the competent aeronautical authorities of either Contracting Party find that the other Contracting Party does not

effectively maintain and administer safety and security standards and requirements in these areas that are equal to or above the minimum standards which may be established pursuant to the Convention, they will notify the other Contracting Party of such findings and the steps considered necessary to bring the safety and security standards and requirements of the other Contracting Party to standards at least equal to the minimum standards which may be established pursuant to the Convention, and the other Contracting Party shall take appropriate corrective action. Each Contracting Party reserves the right to withhold, revoke or limit, pursuant to Articles 2 (Grant of Rights), 3 (Designation and Authorization of Airlines), and 5 (Revocation or Suspension of Operating Authorization), the operating authorization or technical permission of an airline or airlines designated by the other Contracting Party, in the event the other Contracting Party does not take such appropriate action within a reasonable time.

ARTICLE 7

Aviation Security

The Contracting Parties reaffirm 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 services and undermine public confidence in the safety of civil aviation. The Contracting Parties agree to provide maximum aid to each other with a view to preventing hijackings and sabotage to aircraft, airports and air navigation facilities and threats to aviation security. They reaffirm their commitments under and shall have regard to the provisions of the Convention on Offences and certain other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963⁽³⁾, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at the Hague on 16 December 1970⁽⁴⁾, and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971⁽⁵⁾. The Contracting Parties shall also have regard to applicable aviation security provisions established by the International Civil Aviation Organization. When incidents or threats of hijacking or sabotage against aircraft, airports or air navigation facilities occur, the Contracting Parties shall assist each other by facilitating communications intended to terminate such incidents rapidly and safely. Each Contracting Party shall give sympathetic consideration to any request from the other for special security measures for its aircraft or passengers to meet a particular threat.

ARTICLE 8

Commercial Operations

(1) The designated airline or airlines of one Contracting Party shall be entitled, in accordance with the laws and regulations relating to entry, residence and employment of the other Contracting Party, to bring in and maintain in the territory of the other Contracting Party those of their own managerial, technical, operational and other specialist staff who are required for the provision of air services.

⁽³⁾ Treaty Series No. 126 (1969), Cmnd. 4230.

⁽⁴⁾ Treaty Series No. 39 (1972), Cmnd. 4956.

⁽⁵⁾ Treaty Series No. 10 (1974), Cmnd. 5524.

(2) Each Contracting Party agrees to use its best efforts to ensure that the designated airlines of the other Contracting Party are offered the choice, subject to reasonable limitations which may be imposed by airport authorities, of providing their own services for ground handling operations; of having such operations performed entirely or in part by another airline, an organization controlled by another airline, or a servicing agent, as authorized by the airport authority; or of having such operations performed by the airport authority.

(3) Each Contracting Party grants to each designated airline of the other Contracting Party the right to engage in the sale of air transportation in its territory directly and, at the airline's discretion, through its agents. 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 of other countries.

(4) Each designated 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 without restrictions at the rate of exchange applicable to current transactions which is in effect at the time such revenues are presented for conversion and remittance. Both Contracting Parties have accepted the obligations set out in Article VIII of the Articles of Agreement of the International Monetary Fund.

(5) Each Contracting Party shall use its best efforts to secure for the designated airlines of the other Contracting Party on a reciprocal basis an exemption from taxes, charges and fees imposed by State, regional and local authorities on the items listed in paragraphs (1) and (2) of Article 9 (Customs Duties), as well as from fuel through-put charges, in the circumstances described under those paragraphs, except to the extent that the charges are based on the cost of providing the service.

ARTICLE 9

Customs Duties

(1) Aircraft operated in international air services by the designated airlines of either Contracting Party, their regular equipment, fuel, lubricants, consumable technical supplies, spare parts including engines, and aircraft stores including but not limited to such items as food, beverages and tobacco, which are on board such aircraft, shall be relieved on the basis of reciprocity from all customs duties, national excise taxes, and similar national fees and charges not based on the cost of services provided, on arriving in the territory of the other Contracting Party, provided such equipment and supplies remain on board the aircraft.

(2) There shall also be relieved from the 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 Contracting Party, and taken on board, within reasonable limits, for use on outbound aircraft engaged in an international air service of a designated airline of the other Contracting Party;

- (b) spare parts including engines introduced into the territory of a Contracting Party for the maintenance or repair of aircraft used in an international air service of a designated airline of the other Contracting Party; and
 - (c) fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Contracting Party for use in an aircraft engaged in an international air service of a designated airline of the other Contracting Party, even when these supplies are to be used on a part of the journey performed over the territory of the Contracting 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 reliefs provided for by this Article shall also be available in situations where the designated airlines of one Contracting Party have entered into arrangements with another airline or airlines for the loan or transfer in the territory of the other Contracting Party of the items specified in paragraphs (1) and (2) of this Article provided such other airline or airlines similarly enjoy such reliefs from such other Contracting Party.

ARTICLE 10

User Charges

- (1) Each Contracting Party shall use its best efforts to ensure that user charges imposed or permitted to be imposed by its competent charging authorities on the designated airlines of the other Contracting Party are just and reasonable. Such charges shall be considered just and reasonable if they are determined and imposed in accordance with the principles set forth in paragraphs (2) and (3) of this Article, and if they are equitably apportioned among categories of users.
- (2) Neither Contracting Party shall impose or permit to be imposed on the designated airlines of the other Contracting Party user charges higher than those imposed on its own designated airlines operating similar international air services.
- (3) User charges may reflect, but shall not exceed, the full cost to the competent charging authorities of providing appropriate airport and air navigation facilities and services, and may provide for a reasonable rate of return on assets, after depreciation. In the provision of facilities and services, the competent authorities shall have regard to such factors as efficiency, economy, environmental impact and safety of operation. User charges shall be based on sound economic principles and on the generally accepted accounting practices within the territory of the appropriate Contracting Party.
- (4) Each Contracting Party shall encourage consultations between its competent charging authorities and airlines using the services and facilities, where practicable through the airlines' representative organizations. Reasonable notice should be given to users of any proposals for changes in user charges to enable them to express their views before changes are made.

(5) For the purposes of paragraph (4) of this Article, each Contracting Party shall use its best efforts to encourage the competent charging authorities 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 set out in this Article.

(6) In the event that agreement is reached between the Contracting Parties that an existing user charge should be revised, the appropriate Contracting Party shall use its best efforts to put the revision into effect promptly.

ARTICLE 11

Fair Competition

(1) The designated airline or airlines of one Contracting Party shall have a fair and equal opportunity to compete with the designated airline or airlines of the other Contracting Party.

(2) The designated airline or airlines of one Contracting Party shall take into consideration the interests of the designated airline or airlines of the other Contracting Party so as not to affect unduly that airline's or those airlines' services on all or part of the same routes. In particular, when a designated airline of one Contracting Party proposes to inaugurate services on a gateway route segment already served by a designated airline or airlines of the other Contracting Party, the incumbent airline or airlines shall each refrain from increasing the frequency of their services to the extent and for the time necessary to ensure that the airline inaugurating service may fairly exercise its rights under paragraph (1) of this Article. Such obligation to refrain from increasing frequency shall not last longer than two years or beyond the point when the inaugurating airline matches the frequencies of any incumbent airline, whichever occurs first, and shall not apply if the services to be inaugurated are limited as to their capacity by the license or certificate granted by the designating Contracting Party.

(3) 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 country 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 of international air transport to which both Contracting Parties subscribe and shall be subject to the general principle that capacity should be related to:

- (a) the 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.

(4) The frequency and capacity of services to be provided by the designated airlines of the Contracting Parties shall be closely related to the requirements of all categories of public demand for the carriage of passengers and cargo including mail in such a way as to provide adequate service to the public and to permit the reasonable development of routes and viable airline operations. Due regard shall be paid to efficiency of operation so that frequency and capacity are provided at levels appropriate to accommodate the traffic at load factors consistent with tariffs based on the criteria set forth in paragraph (2) of Article 12 (Tariffs).

(5) The Contracting Parties recognize that airline actions leading to excess capacity or to the underprovision of capacity can both run counter to the interests of the travelling public. Accordingly, in the particular case of combination air services on the North Atlantic routes specified in paragraph (1) of Annex 2, they have agreed to establish the procedures set forth in Annex 2. With respect to other routes and services, if one Contracting Party believes that the operations of a designated airline or airlines of the other Contracting Party have been inconsistent with the principles set forth in this Article, it may request consultations pursuant to Article 16 (Consultations) for the purpose of reviewing the operations in question to determine whether they are in conformity with these principles. In such consultations there shall be taken into consideration the operations of all airlines serving the market in question and designated by the Contracting Party whose airline or airlines are under review. If the Contracting Parties conclude that the operations under review are not in conformity with the principles set forth in this Article, they may decide upon appropriate corrective or remedial measures, except that, where frequency or capacity limitations are already provided for a route specified in Annex 1, the Contracting Parties may not vary those limitations or impose additional limitations except by amendment of this Agreement.

(6) Neither Contracting Party shall unilaterally restrict the operations of the designated airlines of the other except according to the terms of this Agreement or by such uniform conditions as may be contemplated by the Convention.

ARTICLE 12

Tariffs

(1) Tariffs of the designated airlines of the Contracting Parties for carriage between their territories shall be established in accordance with the procedures set out in this Article.

(2) The tariffs charged by the designated airlines of one Contracting Party for public transport to or from the territory of the other Contracting Party shall be established at the lowest level consistent with a high standard of safety and an adequate return to efficient airlines operating on the agreed routes. Each tariff shall, to the extent feasible, be based on the costs of providing such service assuming reasonable load factors. Additional relevant factors shall include among others the need of the airline to meet competition from scheduled or charter air services, taking into account differences in cost and quality of service, and the prevention of unjust discrimination and undue preferences or

advantages. To further the reasonable interests of users of air transport services, and to encourage the further development of civil aviation, individual airlines should be encouraged to initiate innovative, cost-based tariffs.

(3) The tariffs charged by the designated airlines of one Contracting Party for public transport between the territory of the other Contracting Party and the territory of a third State shall be subject to the approval of the other Contracting Party and such third State; provided, however, that a Contracting Party shall not require a different tariff from the tariff of its own airlines for comparable service between the same points. The designated airlines of each Contracting Party shall file such tariffs with the other Contracting Party, in accordance with its requirements.

(4) Any tariff agreements with respect to public transport between the territories of the Contracting Parties concluded as a result of inter-carrier discussions, including those held under the traffic conference procedures of the International Air Transport Association, or any other association of international airlines, and involving the airlines of the Contracting Parties will be subject to the approval of the aeronautical authorities of those Contracting Parties, and may be disapproved at any time whether or not previously approved. The submission of such agreements is not the filing of a tariff for the purposes of the provisions of paragraph (5) of this Article. Such agreements shall be submitted to the aeronautical authorities of both Contracting Parties for approval at least 105 days before the proposed date of effectiveness, accompanied by such justification as each Contracting Party may require of its own designated airlines. The period of 105 days may be reduced with the consent of the aeronautical authorities of the Contracting Party with whom a filing is made. The aeronautical authorities of each Contracting Party shall use their best efforts to approve or disapprove (in whole or in part) each agreement submitted in accordance with this paragraph on or before the 60th day after its submission. Each Contracting Party may require that tariffs reflecting agreements approved by it be filed and published in accordance with its laws.

(5) Any tariff of a designated airline of one Contracting Party for public transport between the territories of the Contracting Parties shall, if so required, be filed with the aeronautical authorities of the other Contracting Party at least 75 days prior to the proposed effective date unless the aeronautical authorities of that Contracting Party permit the filing to be made on shorter notice. Such tariff shall become effective unless action is taken to continue in force the existing tariff as provided in paragraph (7) of this Article.

(6) If the aeronautical authorities of one Contracting Party, on receipt of any filing referred to in paragraph (5) of this Article, are dissatisfied with the tariff proposed or desire to discuss the tariff with the other Contracting Party, the first Contracting Party shall so notify the other Contracting Party through diplomatic channels within 30 days of the filing of such tariff, but in no event less than 15 days prior to the proposed effective date of such tariff. The Contracting Party receiving the notification may request consultations and, if so requested, such consultations shall be held at the earliest possible date for the purpose of attempting to reach agreement on the appropriate tariff. If notification of dissatisfaction is not given as provided in this paragraph, the tariff shall be deemed to be approved by the aeronautical authorities of the Contracting Party receiving the filing and shall become effective on the proposed date.

(7) If agreement is reached on the appropriate tariff under paragraph (6) of this Article, each Contracting Party shall exercise its best efforts to put such tariff into effect. If an agreement is not reached prior to the proposed effective date of the tariff, or if consultations are not requested, the aeronautical authorities of the Contracting Party expressing dissatisfaction with that tariff may take action to continue in force the existing tariffs beyond the date on which they would otherwise have expired at the levels and under the conditions (including seasonal variations) set forth therein. In this event the other Contracting Party shall similarly take any action necessary to continue the existing tariffs in effect. In no circumstances, however, shall a Contracting Party require a different tariff from the tariff of its own designated airlines for comparable service between the same points.

(8) The aeronautical authorities of each Contracting Party shall exercise their best efforts to ensure that the designated airlines conform to the agreed tariffs filed with the aeronautical authorities of the Contracting Parties, and that no airline rebates any portion of such tariffs by any means, directly or indirectly.

(9) In order to avoid tariff disputes to the greatest extent possible:

- (a) a continuing Tariff Working Group shall be established to make recommendations on tariff-making standards, as provided in Annex 3;
- (b) the aeronautical authorities will keep one another informed of such guidance as they may give to their own airlines in advance of or during traffic conferences of the International Air Transport Association; and
- (c) during the period that the aeronautical authorities of either Contracting Party have agreements under consideration pursuant to paragraph (4) of this Article, the Contracting Parties may exchange views and recommendations, orally or in writing. Such views and recommendations shall, if requested by either Contracting Party, be presented to the aeronautical authorities of the other Contracting Party, who will take them into account in reaching their decision.

ARTICLE 13

Commissions

(1) The airlines of each Contracting Party may be required to file with the aeronautical authorities of both Contracting Parties the level or levels of commissions and all other forms of compensation to be paid or provided by such airline in any manner or by any device, directly or indirectly, to or for the benefit of any person (other than its own *bona fide* employees) for the sale of air transportation between the territories of the Contracting Parties. The aeronautical authorities of each Contracting Party shall exercise their best efforts to ensure that the commissions and compensation paid by the airlines of each Contracting Party conform to the level or levels of commissions and compensation filed with the aeronautical authorities.

(2) The level of commissions and other forms of compensation paid with respect to the sale, within the territory of a Contracting Party, of air transportation, shall be subject to the laws and regulations of such Contracting Party, which shall be applied in a non-discriminatory fashion.

ARTICLE 14

Charter Air Service

(1) The Contracting Parties recognize the need to further the maintenance and development, where a substantial demand exists or may be expected, of a viable network of scheduled air services, consistently and readily available, which caters for all segments of demand and particularly for those needing a wide and flexible range of air services.

(2) The Contracting Parties also recognize the substantial and growing demand from that section of the travelling public which is price rather than time sensitive, for air services at the lowest possible level of fares. The Contracting Parties, therefore, taking into account the relationship of scheduled and charter air services and the need for a total air service system, shall further the maintenance and development of efficient and economic charter air services so as to meet that demand.

(3) The Contracting Parties shall therefore apply the provisions of Annex 4 to charter air services between their territories.

ARTICLE 15

Transitional Provisions

(1) *Designation.* On the entry into force of this Agreement, and until 1 November 1977, all designations and authorizations in effect pursuant to the 1946 Bermuda Agreement shall remain in effect. Additional designations shall be subject to the provisions of Article 3 (Designation and Authorization of Airlines) of this Agreement. By 1 November 1977, each Contracting Party shall indicate to the other all the initial designations applicable under this Agreement. Notwithstanding the provisions of Article 3, until 1 November 1977:

- (a) the United States shall be entitled to retain two designated airlines to operate combination air services on each of three gateway route segments on US Routes 1 and 2, taken together; and
- (b) the United Kingdom shall be entitled to retain three designated airlines to operate combination air services on one gateway route segment on UK Routes 1, 2, 3, 4 and 5, taken together.

(2) *Capacity.* Notwithstanding the provisions of Annex 2, as regards the winter traffic season of 1977-78 the following procedures shall apply:

- Paragraph (3):* Airlines shall file schedules not later than 120 days prior to the winter traffic season, instead of 180 days.
- Paragraph (3):* Airlines shall refile amendments not later than 105 days prior to the winter traffic season, instead of 165 days.
- Paragraph (4):* A Contracting Party's notice of inconsistency shall be given within 90 days, instead of 150 days.
- Paragraph (5):* If requested, consultations shall begin not later than 75 days prior to the winter traffic season, instead of 90 days.
- Paragraph (6):* If agreement on capacity to be operated is not achieved, paragraph (6) procedures shall apply within 60 days prior to the winter traffic season, instead of 75 days.

(3) *Tariffs*. All tariffs filed to become effective on or after 1 November 1977, and all agreements filed to become effective on or after 1 January 1978 shall be subject to the provisions of Article 12 (Tariffs). Agreements filed to become effective prior to 1 January 1978 shall be subject to the provisions of Article 12 to the greatest extent feasible. Tariffs filed to become effective prior to 1 November 1977 shall be subject to the provisions of the 1946 Bermuda Agreement, and all tariffs in effect under the 1946 Bermuda Agreement shall continue in force, but either Contracting Party may notify the other Contracting Party of its dissatisfaction with any such tariffs, and the procedures set forth in this Agreement shall then apply.

ARTICLE 16

Consultations

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

ARTICLE 17

Settlement of Disputes

(1) Any dispute arising under this Agreement, other than disputes where self-executing mechanisms are provided in Article 12 (Tariffs) and Annex 2, which is not resolved by a first round of formal consultations, may be referred by agreement of the Contracting Parties for decision to some person or body. If the Contracting Parties do not so agree, the dispute shall at the request of either Contracting Party be submitted to arbitration in accordance with the procedures set forth below.

(2) Arbitration shall be by a tribunal of three arbitrators to be constituted as follows:

- (a) within 30 days after the receipt of a request for arbitration, each Contracting Party shall name one arbitrator. Within 60 days after these two arbitrators have been nominated, they shall by agreement appoint a third arbitrator, who shall act as President of the arbitral tribunal;
- (b) if either Contracting Party fails to name an arbitrator, or if the third arbitrator is not appointed in accordance with sub-paragraph (a) of this paragraph, either Contracting Party may request the President of the International Court of Justice to appoint the necessary arbitrator or arbitrators within 30 days. If the President 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.

(3) Except as otherwise agreed by the Contracting Parties, the arbitral tribunal shall determine the limits of its jurisdiction in accordance with this Agreement, and shall establish its own procedure. At the direction of the tribunal or at the request of either of the Contracting Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held no later than 15 days after the tribunal is fully constituted.

(4) Except as otherwise agreed by the Contracting Parties or prescribed by the tribunal, each Party shall submit a memorandum within 45 days of the time the tribunal is fully constituted. Replies shall be due 60 days later. The tribunal shall hold a hearing at the request of either Party or at its discretion within 15 days after replies are due.

(5) The tribunal shall attempt to render a written decision within 30 days after completion of the hearing or, if no hearing is held, after the date both replies are submitted, whichever is sooner. The decision of the majority of the tribunal shall prevail.

(6) The Contracting Parties may submit requests for clarification of the decision with 15 days after it is rendered and any clarification given shall be issued within 15 days of such request.

(7) Each Contracting Party shall, consistent with its national law, give full effect to any decision or award of the arbitral tribunal. In the event that one Contracting Party does not give effect to any decision or award, the other Contracting Party may take such proportionate steps as may be appropriate.

(8) The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Contracting Parties. Any expenses incurred by the President of the International Court of Justice in connection with the procedures of paragraph (2) (b) of this Article shall be considered to be part of the expenses of the arbitral tribunal.

ARTICLE 18

Amendment

Any amendments or modifications of this Agreement agreed by the Contracting Parties shall come into effect when confirmed by an Exchange of Notes.

ARTICLE 19

Termination

Either Contracting Party may at any time give notice in writing to the other Contracting 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) immediately before the first anniversary of the date of receipt of the notice by the other Contracting Party, unless the notice is withdrawn by agreement before the end of this period.

ARTICLE 20

Registration with ICAO

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

ARTICLE 21

Entry into Force

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

In witness whereof the undersigned, being duly authorized thereto by their respective Governments, have signed the present Agreement.

Done in duplicate at Bermuda this 23rd day of July, Nineteen Hundred and Seventy-seven.

For the Government of the United
Kingdom of Great Britain and
Northern Ireland:

EDMUND DELL
W. PATRICK SHOVELTON

For the Government of the United
States of America:

BROCK ADAMS
ALAN S. BOYD

ANNEX 1

Route Schedules

Section 1: Scheduled Combination Air Service Routes for the United States

1. Atlantic Combination Air Service
2. Round the World Combination Air Service
3. Pacific Combination Air Service
4. Bermuda Combination Air Service
5. Bermuda Combination Air Service—Beyond
6. Caribbean Combination Air Service

Section 2: Scheduled All-Cargo Air Service Routes for the United States

7. Atlantic All-Cargo Air Service
8. Pacific All-Cargo Air Service
9. Bermuda All-Cargo Air Service
10. Bermuda All-Cargo Air Service—Beyond
11. Caribbean All-Cargo Air Service

Section 3: Scheduled Combination Air Service Routes for the United Kingdom

1. Atlantic Combination Air Service
2. Atlantic Combination Air Service via Canada
3. Atlantic Combination Air Service Beyond to Mexico City
4. Atlantic Combination Air Service Beyond to South America
5. Atlantic Combination Air Service Beyond to Japan
6. Pacific Combination Air Service
7. Pacific Combination Air Service via Tarawa
8. Bermuda Combination Air Service
9. Caribbean Combination Air Service

Section 4: Scheduled All-Cargo Air Service Routes for the United Kingdom

10. Atlantic All-Cargo Air Service
11. Atlantic All-Cargo Air Service Beyond to South America
12. Atlantic All-Cargo Air Service Beyond to Mexico
13. Pacific All-Cargo Air Service
14. Pacific All-Cargo Air Service via Tarawa
15. Bermuda All-Cargo Air Service
16. Caribbean All-Cargo Air Service

Section 5: Notes Applicable to All Route Schedules

Section 1: Scheduled Combination Air Service Routes for the United States
US Route 1: Atlantic Combination Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond⁽²⁾ ⁽³⁾</i>
Anchorage		London	Frankfurt
Atlanta		Prestwick/Glasgow	Hamburg
Boston			Munich
Chicago			Berlin
Dallas/Ft. Worth			
Detroit			
Houston ⁽¹⁾			
Los Angeles			
Miami			
New York			
Philadelphia			
San Francisco			
Seattle			
Washington/Baltimore			

An additional point to be agreed between the Contracting Parties⁽¹⁾

⁽¹⁾ May not be served nonstop until three years after this Agreement enters into force.

⁽²⁾ In addition, Austria and Belgium may be served for three years after this Agreement enters into force; the Netherlands, Norway and Sweden may be served for five years after this Agreement enters into force; and these points shall be considered as appearing in Column (D) for the specified periods.

⁽³⁾ Only one United States airline may be designated to serve each point in Column (D) on this route, including those in footnote 2, except for Frankfurt for which two airlines may be designated on US Routes 1 and 2 taken together.

US Route 2: Round the World Combination Air Service⁽¹⁾

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Segment (a): New York Washington/Baltimore		London	Frankfurt ⁽²⁾ Turkey Lebanon Syria Iran Pakistan New Delhi Calcutta Points on Segment (b) ⁽³⁾
Segment (b): Honolulu Los Angeles San Francisco	Japan	Hong Kong	Thailand Points on Segment (a) ⁽³⁾

⁽¹⁾ Not more than seven flights per week may operate in each direction on each segment.

⁽²⁾ Not more than two United States airlines may be designated to serve Frankfurt on US Routes 1 and 2, taken together.

⁽³⁾ Segments (a) and (b) shall be combined, except as may be agreed pursuant to Article 2, paragraph (5).

US Route 3: Pacific Combination Air Service

(A) <i>US Gateway Points</i>	(B) <i>Intermediate Points</i>	(C) <i>Points in UK Territory</i>	(D) <i>Points Beyond</i>
Anchorage	Japan ⁽¹⁾	Hong Kong	Thailand ⁽²⁾
Guam			Singapore ⁽²⁾
Honolulu			
Los Angeles			
New York			
San Francisco			
Seattle			

(1) Not more than 14 round trip combination flights per week may serve Japan with full traffic rights between Japan and Hong Kong. Flights which serve Japan on US Route 2 shall count toward this number.

(2) Thailand and Singapore may not both be served on the same flight. Not more than seven round trip combination flights per week may serve these points taken together with full traffic rights between Hong Kong and these points. Flights which serve Thailand on US Route 2 shall count toward this number.

US Route 4: Bermuda Combination Air Service

(A)	(B)	(C)	(D)
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Atlanta		Bermuda	
Baltimore			
Boston			
Chicago			
Detroit			
Miami			
New York			
Philadelphia			
Washington			

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US Route 5: Bermuda Combination Air Service—Beyond

(A)	(B)	(C)	(D)
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Atlanta		Bermuda	Azores
Baltimore			Two points in Europe (other than the United Kingdom) to be agreed between the Contracting Parties
Miami			
Washington			

US Route 6: Caribbean Combination Air Service

(A)	(B)	(C)	(D)
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Any point or points in US Territory	Aruba Bahamas Barbados Bonaire Cuba Curacao Dominican Republic Grenada Guadeloupe Guyana Haiti Jamaica Martinique St. Maarten St. Martin Trinidad and Tobago US points in the Caribbean area Venezuela	Antigua Dominica St. Christopher (St. Kitts)- Nevis-Anguilla ⁽¹⁾ St. Lucia St. Vincent Belize British Virgin Islands Cayman Islands Montserrat Turks and Caicos Islands	

⁽¹⁾ Any one or more of the points may be served.

Section 2: Scheduled All-Cargo Air Service Routes for the United States
US Route 7: Atlantic All-Cargo Air Service

<i>(A)</i> <i>US Gateway Points</i>	<i>(B)</i> <i>Intermediate Points</i>	<i>(C)</i> <i>Points in UK Territory</i>	<i>(D)</i> <i>Points Beyond</i>
Boston		London	Belgium
Chicago		Manchester	Netherlands
Detroit		Prestwick/Glasgow	Federal Republic of
Houston ⁽¹⁾			Germany
Los Angeles			Turkey
New York			Lebanon
Philadelphia			Syria
			Jordan
			Iran
			India

US Route 8: Pacific All-Cargo Air Service

<i>(A)</i> <i>US Gateway Points</i>	<i>(B)</i> <i>Intermediate Points</i>	<i>(C)</i> <i>Points in UK Territory</i>	<i>(D)</i> <i>Points Beyond</i>
Anchorage		Hong Kong	
Chicago			
Guam			
Honolulu			
Los Angeles			
New York			
San Francisco			
Seattle			

⁽¹⁾ May not be served nonstop until three years after this Agreement enters into force.

US Route 9: Bermuda All-Cargo Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Atlanta		Bermuda	
Baltimore			
Boston			
Chicago			
Detroit			
Miami			
New York			
Philadelphia			
Washington			

US Route 10: Bermuda All-Cargo Air Service—Beyond

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Atlanta		Bermuda	Azores
Baltimore			Two points in Europe (other than the United Kingdom) to be agreed between the Contracting Parties
Miami			
Washington			

US Route 11: Caribbean All-Cargo Air Service

(A)	(B)	(C)	(D)
<i>US Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in UK Territory</i>	<i>Points Beyond</i>
Any point or points in US Territory	Aruba Bahamas Barbados Bonaire Cuba Curacao Dominican Republic Grenada Guadeloupe Guyana Haiti Jamaica Martinique St. Maarten St. Martin Trinidad and Tobago US points in the Caribbean area Venezuela	Antigua Dominica St. Christopher (St. Kitts)- Nevis-Anguilla ⁽¹⁾ St. Lucia St. Vincent Belize British Virgin Islands Cayman Islands Montserrat Turks and Caicos Islands	

⁽¹⁾ Any one or more of the points may be served.

Section 3: Scheduled Combination Air Service Routes for the United Kingdom
UK Route 1: Atlantic Combination Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London		Atlanta ⁽¹⁾	
Manchester		Boston	
Prestwick/Glasgow		Chicago	
		Dallas/Ft. Worth ⁽¹⁾	
		Detroit	
		Houston	
		Los Angeles	
		Miami	
		New York	
		Philadelphia	
		San Francisco	
		Seattle	
		Washington/Baltimore	

⁽¹⁾ May not be served nonstop until three years after this Agreement enters into force.

UK Route 2: Atlantic Combination Air Service via Canada

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London	Canada	Boston	
Manchester		Chicago	
Prestwick/Glasgow		Dallas/Ft. Worth ⁽¹⁾	
		Detroit	
		New York	
		Philadelphia	
		Washington/Baltimore	

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UK Route 3: Atlantic Combination Air Service Beyond to Mexico City

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London		Boston	Mexico City
Manchester		Detroit	
Prestwick/Glasgow		New York	
		Philadelphia	
		Washington/Baltimore	

⁽¹⁾ May not be served nonstop until three years after this Agreement enters into force.

UK Route 4: Atlantic Combination Air Service Beyond to South America

<i>(A)</i> <i>UK Gateway Points</i>	<i>(B)</i> <i>Intermediate Points</i>	<i>(C)</i> <i>Points in US Territory</i>	<i>(D)</i> <i>Points Beyond</i>
London Manchester Prestwick/Glasgow		Atlanta ⁽¹⁾ Houston	Venezuela Colombia Manaus Peru ⁽²⁾

UK Route 5: Atlantic Combination Air Service Beyond to Japan

<i>(A)</i> <i>UK Gateway Points</i>	<i>(B)</i> <i>Intermediate Points</i>	<i>(C)</i> <i>Points in US Territory</i>	<i>(D)</i> <i>Points Beyond</i>
London		Anchorage	Japan

⁽¹⁾ May not be served nonstop until three years after this Agreement enters into force.

⁽²⁾ Without rights to carry local traffic between Houston and Peru.

UK Route 6: Pacific Combination Air Service

(A)	(B)	(C)	(D)
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Hong Kong	Japan ⁽¹⁾	Guam Honolulu Los Angeles ⁽³⁾ San Francisco ⁽³⁾ Seattle ⁽³⁾	Vancouver ⁽²⁾

UK Route 7: Pacific Combination Air Service via Tarawa

(A)	(B)	(C)	(D)
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Tarawa	Christmas Island	Honolulu	

⁽¹⁾ As long as there is any frequency limitation on combination air services of US designated airlines between Japan and Hong Kong, UK designated airlines may not serve Japan with more than 7 round trip combination flights per week with full traffic rights between US points and Japan.

⁽²⁾ The route segment Honolulu-Vancouver may not be served nonstop until five years after this Agreement enters into force.

⁽³⁾ Only two of the points, San Francisco, Seattle or Los Angeles, may be served during a traffic season. A designated airline may, in its discretion, and with not less than 90 days notice, change from one of these points to another each season.

UK Route 8: Bermuda Combination Air Service

(A)
UK Gateway Points
Bermuda

(B)
Intermediate Points

(C)
Points in US Territory
Three points to be selected
by the UK and notified to
the US

(D)
Points Beyond

UK Route 9: Caribbean Combination Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Antigua	Bahamas	Baltimore ⁽¹⁾	
Dominica	Barbados	Houston ⁽¹⁾	
St. Christopher (St. Kitts)-	Cuba	Miami ⁽¹⁾	
Nevis-Anguilla ⁽²⁾	Dominican Republic	New Orleans ⁽¹⁾	
St. Lucia	Grenada	Puerto Rico	
St. Vincent	Guadeloupe	Tampa ⁽¹⁾	
Belize	Guyana	US Virgin Islands	
British Virgin Islands	Haiti	Washington ⁽¹⁾	
Cayman Islands	Jamaica		
Montserrat	Martinique		
Turks and Caicos Islands	St. Maarten		
	St. Martin		
	Trinidad and Tobago		
	Any point or points in Column (A)		

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⁽¹⁾ Each UK designated airline may not during a traffic season serve more than two of the following US points: Baltimore, Houston, Miami, New Orleans, Tampa or Washington. Each designated UK airline may, in its discretion, and with not less than 90 days notice, change from one of these points to another each season.

⁽²⁾ Any one or more of these points may be served.

Section 4: Scheduled All-Cargo Air Service Routes for the United Kingdom
UK Route 10: Atlantic All-Cargo Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London	Canada ⁽¹⁾		Panama ⁽¹⁾
Manchester		Boston	
Prestwick/Glasgow		Chicago	
		Detroit	
		Los Angeles ⁽¹⁾	
		New York	
		Washington/Baltimore	

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UK Route 11: Atlantic All-Cargo Air Service Beyond to South America

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London		Atlanta ⁽²⁾	Venezuela
Manchester		Houston	Colombia
Prestwick/Glasgow			Manaus
			Peru ⁽³⁾

⁽¹⁾ Without rights to carry local traffic between Los Angeles and Canada and between Los Angeles and Panama.

⁽²⁾ May not be served nonstop until three years after this Agreement enters into force.

⁽³⁾ Without rights to carry local traffic between Houston and Peru.

UK Route 12: Atlantic All-Cargo Air Service Beyond to Mexico

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
London		Miami	Mexico City
Manchester			
Prestwick/Glasgow			

UK Route 13: Pacific All-Cargo Air Service

<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Hong Kong		Guam	
		Honolulu	
		Los Angeles	
		San Francisco	
		Seattle	

UK Route 14: Pacific All-Cargo Air Service via Tarawa

(A)	(B)	(C)	(D)
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Tarawa	Christmas Island	Honolulu	

UK Route 15: Bermuda All-Cargo Air Service

(A)	(B)	(C)	(D)
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Bermuda		Three points to be selected by the UK and notified to the US	

UK Route 16: Caribbean All-Cargo Air Service

(A)	(B)	(C)	(D)
<i>UK Gateway Points</i>	<i>Intermediate Points</i>	<i>Points in US Territory</i>	<i>Points Beyond</i>
Antigua	Bahamas	Baltimore ⁽¹⁾	
Dominica	Barbados	Houston ⁽¹⁾	
St. Christopher (St. Kitts)- Nevis-Anguilla ⁽²⁾	Cuba	Miami ⁽¹⁾	
St. Lucia	Dominican Republic	New Orleans ⁽¹⁾	
St. Vincent	Grenada	Puerto Rico	
Belize	Guadeloupe	Tampa ⁽¹⁾	
British Virgin Islands	Guyana	US Virgin Islands	
Cayman Islands	Haiti	Washington ⁽¹⁾	
Montserrat	Jamaica		
Turks and Caicos Islands	Martinique		
	St. Maarten		
	St. Martin		
	Trinidad and Tobago		
	Any point or points in Column (A)		

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⁽¹⁾ Each UK designated airline may not during a traffic season serve more than two of the following US points: Baltimore, Houston, Miami, New Orleans, Tampa or Washington. Each designated UK airline may, in its discretion, and with not less than 90 days notice, change from one of these points to another each season.

⁽²⁾ Any one or more of these points may be served.

SECTION 5
NOTES APPLICABLE TO ALL ROUTES

1. In addition to the right to carry transit, connecting, and local traffic between points in column B and points in column C and between points in column C and points in column D, designated airlines may carry transit and on-line connecting traffic between points in column C and points in other countries, including countries not listed in columns B or D. Such on-line connecting traffic may be connected at any points in columns A, B, C or D or at any points in countries not listed in such columns.

2. Each designated airline may carry transit and on-line connecting traffic between any two points in the territory of the other Contracting Party which appear in either column C or column D on any route for which that airline is designated.

3. Except as may be otherwise specifically provided, a designated airline may, on any or all flights, and at its option, serve points on a route and operate via points not listed in columns A, B, C or D in any order, operate flights in either or both directions, and omit stops at any point or points, without loss of any right to uplift or discharge traffic otherwise permissible under the relevant routes or notes applicable thereto, provided that the service begins or terminates in the territory of the Contracting Party designating the airline. Unless specifically restricted, a point on a route appearing in column B shall be considered as also appearing in column D, and a point in column D shall be considered as also appearing in column B.

4. A designated airline may carry traffic between points in column A and points in column C, on the same flight or otherwise, via points in other countries, including countries not listed in columns B or D.

5. A designated airline may serve points behind any homeland gateway point shown in column A with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services.

6. A designated airline of one Contracting Party may make a change of gauge in the territory of the other Contracting Party or at points in column B or column D or at points in other countries, provided that:

- (a) operations beyond the point of change of gauge shall be performed by an aircraft having capacity less, for outbound services, or more, for inbound services, than that of the arriving aircraft;
- (b) aircraft for such operations shall be scheduled in coincidence with the inbound or outbound aircraft, as the case may be, and shall have the same flight number;
- (c) in the case of combination air services only, the onward flight, inbound or outbound as the case may be, shall be scheduled to depart within three hours of the scheduled arrival of the incoming aircraft, unless airport curfews, airport slots, or other operational constraints, at the point where change of gauge occurs or at the next point or points of destination of the flight, prevent such scheduling; and
- (d) if a flight is delayed by unforeseen operational or mechanical problems, the onward flight may operate without regard to the conditions in paragraphs (b) and (c) of this Note.

7. Stops for non-traffic purposes may be made at any point in connection with the operations on any route.

8. Notwithstanding the terms of Notes 1, 4 and 7 of this Section, US designated airlines serving Hong Kong shall not make stops for traffic or non-traffic purposes at any point or points in the mainland territory of the People's Republic of China.

9. In these Notes:

“ Transit traffic ” means that traffic which is carried on a flight through a point. Flight, for the purpose of this definition, means either:

(a) The arrival and onward operation of an aircraft by an airline whether or not under the same flight identification number, or

(b) the arrival of one aircraft and next onward operation of another aircraft under the same flight identification number, as otherwise allowable under this Agreement, including Note 6 of this Section; and

“ On-line connecting traffic ” means that traffic which is carried on an incoming flight of an airline and is transferred to an onward flight of the same airline under a different flight identification number. For passengers only, the onward transfer shall be ticketed on the first available onward flight of that airline for the point to which a passenger is connecting, provided that the time between the scheduled arrival of the incoming flight and the scheduled departure of the onward flight does not exceed 24 hours.

ANNEX 2

Capacity on the North Atlantic

(1) In order to ensure the sound application of the principles set forth in Article 11 (Fair Competition) of this Agreement and in view of the special circumstances of North Atlantic air transport, the Contracting Parties have agreed to the following procedures with respect to combination air services on US Routes 1 and 2 and UK Routes 1, 2, 3, 4 and 5, specified in Annex 1.

(2) The purpose of this Annex is to provide a consultative process to deal with cases of excess provision of capacity, while ensuring that designated airlines retain adequate scope for managerial initiative in establishing schedules and that the overall market share achieved by each designated airline will depend upon passenger choice rather than the operation of any formula or limitation mechanism. In keeping with these objectives, the Contracting Parties desire to avoid unduly frequent invocation of the consultative mechanism or limitation provision in order to avoid undue burden of detailed supervision of airline scheduling for the Contracting Parties.

(3) Not later than 180 days before each summer and winter traffic season, each designated airline shall file with both Contracting Parties its proposed schedules for services on each relevant gateway route segment for that season. Such schedules shall specify the frequency of service, type of aircraft and all the points to be served. The designated airlines may amend their filings in the light of the schedules so filed and shall file such amendments with both

Contracting Parties not later than 165 days before each summer and winter traffic season. In the event that adjustments in schedules are later required, such adjustments shall be filed with both Contracting Parties on a timely basis. A resulting increase in frequency by an airline on any gateway route segment shall be subject to the approval of the other Contracting Party.

(4) If a Contracting Party (the "Receiving Party") believes that an increase in frequency of service on a gateway route segment contained in any of the schedules so filed with it by a designated airline of the other Contracting Party (the "Requesting Party") may be inconsistent with the principles set forth in Article 11 of this Agreement, it shall, not later than 150 days before the next traffic season, notify the Requesting Party, giving the reasons for its belief and, in its discretion, indicating the increase, if any, in frequency of service on the gateway route segment which it considers consistent with the Agreement. Such notification shall not, however, be permitted in respect of a schedule for a summer traffic season which specifies a total of 120 or fewer round trip frequencies on any gateway route segment or for a winter traffic season which specifies 88 or fewer such frequencies. The Requesting Party shall review the increase in frequency of service called into question in the light of the principles set forth in Article 11, taking into account the public requirement for adequate capacity, the need to avoid uneconomic excess capacity, the development of routes and services, the need for viable airline operations, and the capacity offered by airlines of third countries between the points in question. The Requesting Party shall, not later than 120 days before the next traffic season, notify the Receiving Party of the extent to which it considers that the increase in frequency is consistent with the principles set forth in Article 11.

(5) If the Receiving Party is not satisfied with the Requesting Party's determination with respect to the increase in frequency in question, it shall so notify the Requesting Party not later than 105 days before the next traffic season, and consultations shall be held as soon as possible and in any event not later than 90 days before that traffic season. In such consultations, the Parties shall exchange relevant economic data, including forecasts of the percentage increase in total on-board revenue passenger traffic expected on the gateway route segment in question when the next traffic season is compared with the previous corresponding season.

(6) If, 75 days before the traffic season begins, agreement has not been reached through such consultations, each designated airline on the gateway route segment in question shall be entitled to operate during the next traffic season the schedule it proposes to operate, but not more than the sum of:

- (a) the total number of round trip frequencies (excluding extra sections) which that airline was allowed under this Annex to operate on that gateway route segment during the previous corresponding season; and
- (b) such number of round trip frequencies as are determined by applying to the number described in sub-paragraph (a) the average of the forecast percentages mentioned in paragraph (5) of this Annex. An addition of 20 round trip frequencies during a summer traffic season or 15 during a winter traffic season shall in any event be permitted.

In no event shall a designated airline be required to operate fewer than 120 round trip frequencies during a summer traffic season or 88 during a winter traffic season.

(7) A designated airline of one Contracting Party which inaugurates service on a gateway route segment already served by a designated airline or airlines of the other Contracting Party shall not be bound by the limitations set forth in paragraph (6) of this Annex for a period of two years or until it matches the frequencies of any incumbent airline of that other Contracting Party, whichever occurs first.

(8) Operations of Concorde aircraft by United Kingdom designated airlines shall not be subject to the provisions of this Annex. In order, however, that this exclusion should not unfairly affect United States designated airlines, the United States airline designated to operate combination air services on the Washington-London gateway route segment may not be required, under paragraph (6) of this Annex, to operate fewer than seven round trip flights per week.

(9) Each Contracting Party shall allow filed schedules which have not been questioned under paragraph (5) of this Annex to become effective on their proposed commencement dates. Each Contracting Party shall allow schedules which may have been determined by agreement through consultations or, in the absence of such agreement, as provided in paragraph (6) of this Annex, to become effective on their proposed commencement dates. Each Contracting Party may take such steps as it considers necessary to prevent the operation of schedules which include frequencies greater than those permitted or agreed under this Annex.

(10) Each designated airline shall be entitled to operate extra sections on any gateway route segment, provided that such extra sections are not advertised or held out as separate flights.

(11) In the event that either Contracting Party believes that this Annex is not achieving the objectives set forth in paragraph (2), they may consult at any time, pursuant to Article 16 (Consultations) of this Agreement, to consider alterations to the procedures or numerical limitations.

(12) Subject to Article 19 (Termination) of this Agreement, this Annex shall remain in force for a period of five years. The Contracting Parties shall consult during the first quarter of the fifth year after the entry into force of this Agreement to review the operation of the Annex and to decide as to its extension or revision. If the Contracting Parties do not agree on extension or revision, this Annex shall remain in force for a further period of two years and shall then lapse.

(13) For the purposes of this Annex, "summer and winter traffic seasons" mean, respectively, the periods from 1 April through 31 October and from 1 November through 31 March.

ANNEX 3

Tariffs

(1) A Tariff Working Group shall be established and shall consist of experts from each Contracting Party in areas such as accounting, statistics, financial analysis, economics, pricing and marketing.

(2) The Tariff Working Group shall meet within 90 days of the entry into force of this Agreement and thereafter as necessary to accomplish the objectives of this Agreement.

(3) The Tariff Working Group shall develop procedures for the exchange, on a recurrent basis, of verified financial and traffic statistics in order to assist each Contracting Party in assessing tariff proposals.

(4) The Tariff Working Group shall, by 23 July 1978, make recommendations to the Contracting Parties on load factor standards and evaluation and review criteria for North Atlantic tariffs.

(5) The Contracting Parties shall review the recommendations of the Tariff Working Group and, subject to the outcome of this review, shall give due consideration to these recommendations in reviewing tariffs and agreements reached under the auspices of the International Air Transport Association.

(6) Either Contracting Party may from time to time request that the Tariff Working Group be convened to consider specific issues.

ANNEX 4

Charter Air Service

(1) The Memorandum of Understanding on Passenger Charter Air Services between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America, applying from 1 April 1977, shall be regarded as being incorporated in this Annex for as long as it remains in force.

(2) Articles 1, 2 (paragraphs (1), (3), and (4)), 4, 6, 7, 8 (except that paragraph (3) shall apply only to the extent authorized by the aeronautical authorities in the relevant territory), 9, 10, 14, 16, 17, 18, 19, 20, and 21 of this Agreement shall apply to airlines authorized by both Contracting Parties to operate charter international air services between the territories of the two Contracting Parties.

(3) In furtherance of paragraphs (1) and (2) of Article 14 of this Agreement, the Contracting Parties agree that it is desirable to work toward a multilateral arrangement for charter air services in the North Atlantic market. The Contracting Parties also agree that a bilateral agreement would be an appropriate means of achieving their common objective. Such bilateral agreement should include, among other matters, progressive charterworthiness conditions, freedom of market access, arrangements for designation and authorization of charter airlines which lead to the issue of permits rather than individual flight licenses, minimization of administrative burdens, all-cargo charter arrangements, and capacity and price arrangements consistent with those contained in the Memorandum of Understanding on Passenger Charter Air Services. The Contracting Parties shall enter into negotiations as soon as possible and, in any event, not later than 31 December 1977, to work towards the foregoing objectives. In the absence of agreement by 31 March 1978, the Contracting Parties agree to consult further with a view to a continuation of liberal arrangements for charter air services.

**EXCHANGE OF LETTERS BETWEEN THE HEADS
OF DELEGATIONS**

No. 1

*The Head of the United States Delegation to the Head of the
United Kingdom Delegation*

*Bermuda,
23 July 1977.*

Dear Mr. Shovelton,

I refer to the Agreement between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland concerning Air Services signed at Bermuda on today's date, and wish to set forth on behalf of my Government the following statements of interpretation with regard to certain provisions of the Agreement:

Article 3 (Designation and Authorization of Airlines)—Multiple Designation in respect of Dependent Territories

The United Kingdom Government has expressed concern over the situation which could arise under Article 3 of the Agreement if the United States were to designate more airlines to serve Bermuda, Hong Kong, and United Kingdom points in the Caribbean area than were designated under the 1946 Bermuda Agreement without the United Kingdom and its dependencies having the opportunity to do more than consult with the United States. While the terms of the Agreement do not impose any general limitations on the number of United States airlines which may be designated to serve those points, the wishes of the United Kingdom and its dependencies are relevant to the decision of the United States Government concerning such designations. Should the United Kingdom transmit to the United States its views or those of its dependencies concerning United States Civil Aeronautics Board proceedings which might result in designations believed to be excessive by the United Kingdom or its dependencies, those views would be transmitted by the Department of State to the Civil Aeronautics Board for consideration during the Board's proceedings, and would also be transmitted to the President for consideration in his review of Civil Aeronautics Board proposals.

Article 3 (Designation and Authorization of Airlines)—Caribbean Ownership and Control

(1) Under the terms of Article 3 (Designation and Authorization of Airlines) of the Agreement, it is the intention of the Government of the United Kingdom to designate, in the first instance, the following Caribbean-based United Kingdom airlines for services on United Kingdom Routes 9 and 16:

LIAT (1974) Limited
Air BVI (1976)
Cayman Airways Limited
Belize Airways Limited.

(2) The Government of the United States will use its best efforts to ensure that the necessary operating authorizations are issued to those airlines, provided that:

- (a) substantial ownership and effective control of such airlines continues to include at least as great an element of United Kingdom ownership and control as existed when operating authorizations were last issued to these airlines; and
- (b) significant financial interest or control in such airlines is not exercised by United States nationals or by nationals or governments of major developed States or by airlines of third countries; and
- (c) such airlines demonstrate to the United States aeronautical authorities that they are taking significant steps towards greater ownership and control by United Kingdom nationals.

(3) The Government of the United States will use its best efforts to ensure that the necessary operating authorizations are issued to any additional airlines designated by the United Kingdom for services on United Kingdom Routes 9 and 16, provided that there is no less degree of United Kingdom ownership and control than has been accepted in the case of the airlines named in paragraph (1) above and provided that the conditions set out in paragraph (2) above are likewise fulfilled.

(4) The United States Government understands that the Recommended Opinion of the Civil Aeronautics Board on Belize Airways Limited (Docket 29740) is, in the view of the United Kingdom Government, consistent with the above assurances. The recommended permit has not yet been approved. It is understood that, during the two-year term the permit issued to Belize Airways would remain in effect, the United States aeronautical authorities expect Belize Airways to take significant steps to transfer substantial ownership and effective control to United Kingdom nationals.

Article 8 (Commercial Operation)—Ground Handling

It is the intention of the United Kingdom and the United States Governments that airlines should, to the greatest extent feasible, be permitted flexibility in ground handling. To the extent that designated airlines of one Contracting Party are performing their own ground handling at any airport on the date the Agreement enters into force, such airlines will be permitted unless circumstances change to continue to perform such services at that airport. Designated airlines whose ground handling has been performed under arrangements with other airlines or organizations will similarly be permitted unless circumstances change to continue such arrangements. Should circumstances change, consultations will be held before any changes are made. It is understood that no changes in ground handling arrangements are currently contemplated at London-Heathrow.

Article 9 (Customs Duties)

The United Kingdom Government has indicated that it understands the importance that the United States attaches to the relief of ground equipment from Customs duty. The United Kingdom Government has indicated that because the grant of relief from Customs duty is governed by Regulations of the Council of the European Economic Community, it is precluded from

autonomously granting relief from Customs duty on ground equipment introduced into the United Kingdom for use in the maintenance, repair and servicing of aircraft engaged in international air service. If the Community by Regulation agrees to provide for relief from duty on ground equipment, the United Kingdom Government will be prepared to amend Article 9 of the Agreement so as to provide for the grant of relief.

In the interim, the United Kingdom authorities will relieve ground equipment from Customs duty to the fullest extent permitted by national law and will give the most favourable consideration possible to requests from United States airlines under the existing Hire and Loan provisions.

Article 10 (User Charges)

With respect to paragraph (4) of Article 10, the United States Government expects that in its territory consultations will normally take place directly between the competent charging authority and airlines.

Article 12 (Tariffs)—North Atlantic Fare Investigation

(1) A proceeding, entitled *North Atlantic Fare Investigation*, is currently under way before the United States Civil Aeronautics Board. The purpose of the investigation is to consider rate-making standards and principles that should be used in reviewing the reasonableness of tariffs for North Atlantic passenger air services.

(2) The ultimate decisions in the *North Atlantic Fare Investigation* must be based on a public record according to procedures specified in the United States Administrative Procedure Act. Depending upon the nature of the decision, certain aspects may be legally binding on the United States Civil Aeronautics Board. Under the United States domestic law, the Civil Aeronautics Board has authority over agreements concluded under the auspices of the International Air Transport Association, whilst Civil Aeronautics Board action disapproving tariffs must be reviewed by the President.

(3) It is hoped that during the course of the *North Atlantic Fare Investigation*, the Tariff Working Group can consult and exchange information on the issues and facts developed in that proceeding. Following the United States Civil Aeronautics Board's decision in the *North Atlantic Fare Investigation*, the United States hopes that the Tariff Working Group will meet to consider the United States Civil Aeronautics Board's determinations, to identify points of agreement and disagreement, and to develop recommendations for their respective Governments with respect to the disposition of agreements.

(4) If the Tariff Working Group established by Article 12 (Tariffs) adopts recommendations on standards and criteria for North Atlantic tariffs, the United States Civil Aeronautics Board will give due consideration to such recommendations in reviewing tariffs and agreements concluded under the auspices of the International Air Transport Association.

Article 12 (Tariffs)—Currency Exchange Rates and Local Selling Prices

(1) Article 12 of the Agreement does not cover one matter which has been of pressing concern to the authorities of the United Kingdom and the United States, namely, the conversion of tariffs agreed under the auspices of the International Air Transport Association, or otherwise, into selling prices in

local currencies. In recent years, as certain currencies have depreciated in relation to others, the conversion mechanism applied to tariff prices to determine local selling prices payable in pounds has frequently not kept pace with the changing currency relationship. This has led to the dilution of revenues of airlines of the countries with stronger currencies and may have contributed to distortion of traffic flows and marketing abuses. It is the intention of the Governments of the United Kingdom and the United States that, in principle, the fares paid in each currency should reflect actual currency exchange rates.

(2) Pending full implementation of this general principle, the United Kingdom Government will use its best efforts to increase the level prevailing for passenger transportation and the currency surcharges applicable to cargo shipments not later than 1 October 1977, and the surcharges applicable to APEX travel not later than 1 April 1978. In the case of APEX fares, however, which are geared essentially to specific market conditions in the country of origin of the traffic (including the general level of competing charter services), there may, under some circumstances, need to be directional differences in the fares themselves, as distinct from the surcharges applied to them.

(3) The United States Government recognises that the general principle set forth above is applicable also in relation to Hong Kong.

Annex 1—Route Schedules

Nonstop combination air services by a United States airline or airlines between Atlanta and London and between Houston and London will serve London-Gatwick Airport, provided that the United Kingdom airline serving these United States points also serves London-Gatwick Airport on these routes. If nonstop combination air services between Dallas/Ft. Worth and London are operated by a United States airline which already serves London-Heathrow, that airline will serve London-Heathrow on this route until a United Kingdom airline operating nonstop combination air services on this route serves London-Gatwick Airport, at which time the United States airline will also serve London-Gatwick Airport on its nonstop combination air services on this route. If the United States airline designated to serve Dallas/ Ft. Worth-London does not already serve London-Heathrow, it will serve London-Gatwick Airport, provided that the designated United Kingdom airline, when it starts services on the route, also serves London-Gatwick Airport.

Sincerely yours,

ALAN S. BOYD.

Patrick Shovelton, Esq.,
Leader of the United Kingdom Delegation.

No. 2

*The Head of the United Kingdom Delegation to the Head of the
United States Delegation*

Dear Mr. Ambassador,

*Bermuda,
23 July 1977.*

I have the honour to acknowledge receipt of your letter of today's date, setting out certain statements of interpretation regarding the Agreement between our two Governments concerning Air Services signed at Bermuda on today's date. I have the honour to confirm that these statements reflect equally the understanding of my Government.

I have the honour to be,

Sir,

Your obedient Servant,

PATRICK SHOVELTON

The Honorable Alan S. Boyd
Special Ambassador
Chairman of the United States Delegation.

AGREED MINUTE

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, through their designated representatives have agreed upon terms for a new air services agreement, a draft of which is attached to this Agreed Minute. The new Agreement will replace the Agreement between the Government of the United States and the Government of the United Kingdom Relating to Air Services between their Respective Territories ("the 1946 Bermuda Agreement") which expires on June 21, 1977. The 1946 Bermuda Agreement will be observed as if it were still in force until July 31, 1977, or until the date when the new Agreement will be signed at Bermuda and will enter into force. Prior to that date representatives of the United States and of the United Kingdom will review the draft Agreement, will resolve any remaining issues which may arise in the course of the review and will make such drafting modifications as are required in order to arrive at a final text of the new Agreement.

W. P. SHOVELTON.

ALAN S. BOYD.