Air Services Agreement

Between

The Government of the State of Israel

and

The Government of Iceland

PREAMBLE

The Government of the State of Israel and the Government of Iceland hereinafter referred to as the "Parties";

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

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 State of Israel the Ministry of Transport and Road Safety by the Civil Aviation Authority; and in the case of Iceland the Ministry of Transport and Local Government; or in both cases any other authority or person empowered to perform the functions exercised by the said authorities;

b) "Agreement" means this Agreement, its Annex, and any amendments thereto;

c) "Capacity" means the amount(s) of services provided under the Agreement, usually measured in the number of flights (frequencies) or seats or tons of cargo offered in a market (city pair, or country-to-country) or on a route during a specific period, such as daily, weekly, seasonally or annually;

d) "Convention" means the Convention on International Civil Aviation opened for signature at Chicago on the seventh day of December, 1944, and includes any Annex adopted under Article 90 of that Convention, and any amendment of the Annexes or Convention under Articles 90 and 94, insofar as such Annexes and amendments have become effective for both Parties;

e) "Designated Airline" means an airline which has been designated and authorized in accordance with Article 3 (Designation and Authorization) of this Agreement;

f) "Price" or "Tariff" means any fare, rate or charge for the carriage of passengers, baggage and/or cargo (excluding mail) in air transportation (including any other mode of transportation in connection therewith), charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;

g) "Territory" in relation to a State has the meaning assigned to it in Article 2 of the Convention;

h) "User Charges" means a charge made to airlines by the competent authorities, or permitted by them to be made, for the provision of airport property or facilities or of air navigation facilities, or aviation security facilities or services, including related services and facilities, for aircraft, their crews, passengers and cargo;

i) "Air Service", "International Air Service", "Airline", and "Stop for Non-traffic Purposes", have the meanings assigned to them in Article 96 of the Convention.

j) "Agreed Services" means scheduled air services on the routes specified in the Annex to this Agreement for the transportation of passengers, cargo and mail, separately or in combination;

k) "Ground Equipment", "Aircraft Stores", and "Spare Parts" have the meanings respectively assigned to them in Annex 9 of the Convention.

ARTICLE 2

Grant of Rights

1. Each Party grants to the other Party the rights specified in this Agreement for the purpose of operating international air services on the routes specified in the Route Schedule of the Annex.
2. Subject to the provisions of this Agreement, the airline (s) designated by each Party shall enjoy, while operating international air services, the following rights:
   a) the right to fly without landing across the territory of the other Party;
   b) The right to make stops in the territory of the other Party for non-traffic purpose;
   c) The right to make stops at the point(s) on the route(s) specified in the Route Schedule of the Annex to this Agreement for the purpose of taking on board and discharging international traffic in passengers, cargo or mail separately or in combination;
3. The airlines of each Party, other than those designated under Article 3 (Designation and Authorization) of this Agreement shall also enjoy the rights specified in paragraphs 2 a) and b) of this Article.
4. Nothing in paragraph 2 shall be deemed to confer on the designated airline(s) of one Party the privilege of taking on board, in the territory of the other Party, passengers, cargo and mail for remuneration and destined for another point in the territory of the other Party.

ARTICLE 3

Designation and Authorization

1. Each Party shall have the right to designate in writing to the other Party one or more airlines to operate the agreed services and to withdraw or alter such designation.
2. On receipt of such a designation, and of application from the designated airline, in the form and manner prescribed for operating authorization, each Party shall grant the appropriate operating authorization with minimum procedural delay, provided that:
   a) Substantial ownership and effective control are vested in the Party designating the airline, nationals of that Party or both;

b) the Party designating the airline is in compliance with the provisions set forth in Article 8 (Safety) and Article 9 (Aviation Security); and

c) the designated airline is qualified to meet other conditions prescribed under the laws and regulations normally applied to the operation of international air transport services by the Party receiving the designation.

3. On receipt of the operating authorization of paragraph 2, a designated airline may at any time begin to operate the agreed services for which it is so designated, provided that the airline complies with the applicable provisions of this Agreement.

ARTICLE 4

Withholding, Revocation and Limitation of Authorization

1. The Aeronautical Authorities of each Party shall have the right to withhold the authorizations referred to in Article 3 (Designation and Authorization) of this Agreement with respect to an airline designated by the other Party, and to revoke, suspend or impose conditions on such authorizations, temporarily or permanently:

   a) in the event that they are not satisfied that substantial ownership and effective control are vested in the Party designating the airline, nationals of that Party or both ;

   b) in the event of failure of the Party designating the airline to comply with the provisions set forth in Article 8 (Safety) and Article 9 (Aviation Security);

   c) in the event of failure that such designated airline is qualified to meet other conditions prescribed under the laws and regulations normally applied to the operation of international air transport services by the Party receiving the designation.

2. Unless immediate action is essential to prevent infringements of laws and regulations referred to above, or unless safety or security requires action in accordance with Article 8 (Safety) and Article 9 (Aviation Security), the rights enumerated in paragraph 1 of this Article shall be exercised only after consultation between the aeronautical authorities in conformity with Article 22 (Consultation) of this Agreement.

ARTICLE 5

Application of Laws

1. The laws and regulations of one Party governing entry into and departure from its territory of aircraft engaged in international air services, or the operation and navigation of such aircraft while within its territory, shall be applied to aircraft of the airline of the other Party.

2. The laws and regulations of one Party relating to the entry into, stay in and departure from its territory of passengers, crew and cargo including mail such as those regarding immigration, customs, currency and health and quarantine shall apply to passengers, crew,

cargo and mail carried by the aircraft of the airline of the other Party while they are within the said territory.

3. Neither Party shall give preference to its own or any other airline over an airline of the other Party engaged in similar international air transportation in the application of its immigration, customs, quarantine and similar regulations.

ARTICLE 6

Direct Transit

Passengers, baggage, cargo and mail in direct transit shall be subject to no more than a simplified control. Baggage and cargo in direct transit shall be exempt from customs duties and other similar taxes.

ARTICLE 7

Recognition of Certificates and Licenses

1. Certificates of airworthiness, certificates of competency and licenses issued or rendered valid by one Party and still in force shall be recognized as valid by the other Party for the purpose of operating the agreed services provided that the requirements under which such certificates and licenses were issued or rendered valid are equal to or above the minimum standards which may be established pursuant to the Convention.
2. If the privileges or conditions of the licenses or certificates referred to in paragraph 1 above, issued by the aeronautical authorities of one Party to any person or designated airline or in respect of an aircraft used in the operation of the agreed services, should permit a difference from the minimum standards established under the Convention, and which difference has been filed with the International Civil Aviation Organization (ICAO), the other Party may request consultations between the aeronautical authorities with a view to clarifying the practice in question.
3. Each Party reserves the right, however, to refuse to recognize for the purpose of flights above or landing within its own territory, certificates of competency and licenses granted to its own nationals by the other Party.

ARTICLE 8

Aviation Safety

1. Each Party may request consultations at any time concerning the safety standards maintained by the other Party in areas relating to aeronautical facilities, flight crew, aircraft and the operation of aircraft. Such consultations shall take place within thirty (30) days of that request.
2. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1 of this

Article that meet the Standards established at that time pursuant to the Convention, the other Party shall be informed of such findings and of the steps considered necessary to conform with the ICAO Standards. The other Party shall then take appropriate corrective action within an agreed time period.

3. Pursuant to Article 16 of the Convention, it is further agreed that, any aircraft operated by, or on behalf of an airline of one Party, on service to or from the territory of the other Party, may, while within the territory of the other Party be the subject of a search by the authorized representatives of the other Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Convention, the purpose of this search is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the standards established at that time pursuant to the Convention.

4. When urgent action is essential to ensure the safety of an airline operation, each Party reserves the right to immediately suspend or vary the operating authorization of an airline or airlines of the other Party.

5. Any action by one Party in accordance with paragraph 4 above shall be discontinued once the basis for the taking of that action ceases to exist.

6. With reference to paragraph 2 of this Article, if it is determined that one Party remains in non-compliance with minimum standards established at that time pursuant to the Convention when the agreed time period has elapsed, the Secretary General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.

ARTICLE 9

Aviation Security

1. Consistent with their rights and obligations under international law, the Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Parties shall in particular act in conformity with the provisions of the Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970 and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971, its Supplementary Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, signed at Montreal on 24 February 1988, as well as with any other convention and protocol relating to the security of civil aviation which both Parties adhere to.

2. The Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such

aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.

3. The Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by ICAO and designated as Annexes to the Convention; to the extent that such security provisions are applicable to the Parties, they shall require that operators of aircraft of their registry or operators of aircraft who have their principal place of business or permanent residence in their territory and the operators of airports in their territory act in conformity with such aviation security provisions. Each Party shall advise the other Party of any difference between its national regulations and practices and the aviation security standards of the Annexes to the Convention. Either Party may request immediate consultations with the other Party at any time to discuss any such differences.

4. Each Party agrees that such operators of aircraft may be required to observe the aviation security provisions referred to in paragraph 3 above required by the other Party for entry into, departure from, or while within, the territory of that other Party. Each Party shall ensure that adequate measures are effectively applied within its territory to protect the aircraft and to inspect passengers, crew, carry-on items, baggage, cargo and aircraft stores prior to and during boarding or loading. Each Party shall also give sympathetic consideration to any request from the other Party for reasonable special security measures and for this purpose the Aeronautical Authorities of the Parties will be entitled to conclude implementing security arrangements.

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

6. When a Party has reasonable grounds to believe that the other Party has departed from the provisions of this Article, the first Party may request consultations. Such consultations shall start within fifteen (15) days of receipt of such a request from either Party. Failure to reach a satisfactory agreement within fifteen (15) days from the start of consultations shall constitute grounds for withholding, revoking, suspending or imposing conditions on the authorizations of the airline designated by the other Party. When justified by an emergency, or to prevent further non-compliance with the provisions of this Article, the first Party may take interim action at any time.

ARTICLE 10

User Charges

1. Neither Party shall impose or permit to be imposed on the designated airlines of the other Party user charges higher than those imposed on its own airlines operating similar international services.

2. Each Party shall encourage consultations on user charges between its competent charging authority and airlines using the service and facilities provided, where practicable through

those airlines' representative organizations. Reasonable notice of any proposals for changes in user charges should be given to such users to enable them to express their views before changes are made. Each Party shall further encourage its competent charging authority and such users to exchange appropriate information concerning user charges.

ARTICLE 11

Customs Duties

1. Each Party shall, on the basis of reciprocity, exempt a designated airline of the other Party to the fullest extent possible, under its national law, from import restrictions, customs duties, excise taxes, inspection fees and other national duties and charges, not based on the cost of services provided on arrival, on aircraft, fuel, lubricating oils, consumable technical supplies, spare parts including engines, regular aircraft equipment, aircraft stores and other items such as printed ticket stock, air waybills, any printed material which bears the insignia of the company printed thereon and usual publicity material distributed free of charge by that designated airline intended for use or used solely in connection with the operation or servicing of aircraft of the designated airline of such other Party operating the agreed services.
2. The exemptions granted by this article shall apply to the items referred to in paragraph 1:
   a) introduced into the territory of the one Party by or on behalf of the designated airline of the other Party;
   b) retained on board aircraft of the designated airline of one Party upon arrival in or leaving the territory of the other Party; or
   c) taken on board aircraft of the designated airline of one Party in the territory of the other Party and intended for use in operating the agreed services;

   whether or not such items are used or consumed wholly within the territory of the Party granting the exemption, provided that the ownership of such items is not transferred in the territory of the said Party.
3. The regular airborne equipment, as well as the materials and supplies normally retained on board the aircraft of a designated airline of either Party, may be unloaded in the territory of the other Party only with the approval of the customs authorities of that territory. In such case, they may be placed under the supervision of the said authorities up to such time, as they are re-exported or otherwise disposed of in accordance with customs regulations.

ARTICLE 12

Taxation

1. Profits or incomes from the operation of the aircraft in international traffic derives by an airline of one Party, including participation in inter- airline commercial agreements or joint business ventures, shall be exempt from any tax on profits or income to the Government of the other Party.

2. Capital and assets of an airline of one Party relating to the exploitation and/or operation of aircraft in international traffic shall be exempt from all taxes on capital and assets imposed by the Government of the other Party.
3. Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft by an airline of one Party shall be exempt from any tax on gains imposed by the Government of the other Party.
4. Where a special agreement for the avoidance of double taxation exists between the Parties, the provisions of the latter shall prevail.

ARTICLE 13

Capacity

1. The total capacity to be provided on the agreed services by the designated airlines of the Parties shall be agreed between or approved by, the aeronautical authorities of the Parties before the commencement of the operations, and thereafter according to anticipated traffic requirements.
2. The designated airline or airlines of each Party shall have a fair and equal opportunity to operate on any agreed route between the territories of the Parties.

ARTICLE 14

Tariffs

1. The tariffs in respect of international air services operated to/form the territory of either Party shall be established by the designated airlines at reasonable levels, due regard being paid to all relevant factors, including cost of operation, reasonable profit and the tariffs of other airlines.
2. Each party may require notifications or filing of tariffs established under paragraph 1 above by the designated airlines of the other Party.
3. Each Party shall have the right to intervene so as to:
   a) prevent unreasonably discriminatory prices or practices;
   b) protect consumers from prices that are unduly high or restrictive due to the abuse of a dominant position; and
   c) protect airlines from prices that are artificially low.

ARTICLE 15

Currency Conversion and Remittance of Earnings

1. Each Party shall permit airline of the other Party to convert and transmit abroad, on demand, all local revenues from the sale of air transport services in excess of sums locally

disbursed, with conversion and remittance permitted promptly at the rate of exchange applicable as of the date of the request for conversion and remittance.

2. The conversion and remittance of such revenues shall be permitted in conformity with the applicable laws and regulations and are not subject to any administrative or exchange charges except those normally made by banks for the carrying out of such conversion and remittance.

3. The provisions of this Article do not exempt the airlines of both Parties of the duties, taxes and contributions they are subject to.

ARTICLE 16

Sale and Marketing of Air Transport Services

1. Each Party shall accord the airline of the other Party the right to sell and market international air services in its territory directly or through agents or other intermediaries of the airline's choice, including the right to establish offices, both on-line and off-line.

2. The designated airline of one Party shall be allowed, on the basis of reciprocity, to bring into and to maintain in the territory of the other Party representatives and commercial, operational and technical staff as required in connection with the operation of the agreed services.

3. These staff requirements may, at the option of the designated airline of one Party, be satisfied by its own personnel or by using the services of any other organization, company or airline operating in the territory of the other Party and authorized to perform such services for other airlines.

4. The representatives and staff shall be subject to the laws and regulations in force of the other Party, and consistent with such laws and regulations:

   a) each Party shall, on the basis of reciprocity and with the minimum of delay, grant the necessary employment authorizations, visitor visas or other similar documents to the representatives and staff referred to in paragraph 3 of this Article; and

   b) both Parties shall facilitate and expedite the requirement of employment authorizations for personnel performing certain temporary duties not exceeding ninety (90) days.

ARTICLE 17

Code Sharing/Cooperative Arrangements

1) In operating or holding out the authorized services on the agreed routes, any designated airline of one Party may enter into cooperative marketing arrangements such as blocked-space or code-share arrangements, with:
   a) an airline or airlines of either Party;
   b) an airline or airlines of a third Party.

2) The above provision is subject to the conditions that all airlines in such arrangements:

a) hold the appropriate authority.
b) meet the requirements normally applied to such arrangements.
c) in respect of each ticket sold, the purchaser is informed at the point of sale which airline will operate each sector of the service.

ARTICLE 18

Leasing

1. Either Contracting Party may prevent the use of leased aircraft for services under this agreement which does not comply with Articles 8 (Aviation Safety) and 9 (Aviation Security),

2. Subject to paragraph 1 above, the designated airlines of each Contracting Party may provide services under this agreement by:
   a. Using aircraft dry leased from any company including airlines.
   b. Using aircraft wet – leased from airlines of the same Contracting Party.
   c. Using aircraft wet – leased from airlines of the other Contracting Party.
   d. Using aircraft wet – leased from airlines of third countries,

provided that all airlines participating in the arrangements listed in b), c) and d) above, hold the appropriate authorization and meet the requirements normally applied to those arrangements.

ARTICLE 19

Provision of Statistics

The Aeronautical Authorities of each Party shall provide or cause its designated airline to provide the aeronautical authorities of the other Party, upon request, periodic or other statements of statistics as may be reasonably required for the purpose of reviewing the capacity provided on the agreed services operated by the designated airline of the first Party.

ARTICLE 20

Submission of Schedules

1. The designated airline of each Party shall submit its envisaged flight schedules for approval to the aeronautical authorities of the other Party at least thirty (30) days prior to the operation of the agreed services. The same procedure shall apply to any modification thereof.
2. For supplementary flights which the designated airline of one Party wishes to operate on thr agreed services outside the approved timetable, that airline must request prior permission from the aeronautical authorities of the other Party. Such requests shall usually be submitted at least four (4) working days prior to the operation of such flights.

ARTICLE21

Environmental Protection

The Parties support the need to protect the environment by promoting the sustainable development of aviation. The Parties agree with regard to operations between their respective territories to comply with the ICAO Standards and Recommended Practices (SARPs) of Annex 16 and the existing ICAO policy and guidance on environmental protection.

ARTICLE 22

Consultations

1. Either Party may at any time request consultation on the interpretation, application, implementation or amendment of this Agreement or compliance with this Agreement.

2. Such consultations, which may be through discussion or by correspondence, shall begin within a period of 60 (sixty) days from the date the other Party receives a written request, unless otherwise agreed by the Parties.

ARTICLE 23

Settlement of Disputes

1. If any dispute arises between the Parties relating to the interpretation or application of this Agreement, the Parties shall in the first place endeavor to settle their dispute by negotiations between Aeronautical Authorities of the States of both Parties.

2. If the said Aeronautical Authorities fail to reach a settlement by negotiation, the dispute shall be settled through diplomatic channels.

3. If the Contracting Parties fail to reach a settlement pursuant to paragraphs (1) and (2) above, either Party may refer the dispute to an arbitral tribunal of three arbitrators, one to be named by each Party and the third arbitrator who shall act as the Chairman of the tribunal, to be agreed upon by the two Parties, provided that such arbitrator shall not be a national of either Party and shall be a national of a State having diplomatic relations with each of the Parties at the time of appointment.

   Each Party shall nominate its arbitrator within a period of sixty (60) days from the date of receipt, through diplomatic channels, of a notice of arbitration. The Chairman shall be appointed within a further period of sixty (60) days following the appointment of the two arbitrators by the Parties.

   If a Party fails to nominate its arbitrator within the specified period or in case the Parties fail to agree on the Chairman within the mentioned period, each Party may request the President of the Council of ICAO to appoint the Chairman or the arbitrator representing the Party in default, as the case may require.

4. In case of absence or incompetence of the President of ICAO, The Vice-President or a senior member of the ICAO Council, not being a national of either of the Parties, and shall be a national of a state having diplomatic relations with each of the Contracting Parties at the time of the appointment as the case may be, shall replace the President of ICAO in its arbitral duties, as mentioned in paragraph (3) of this Article.

5. The arbitral tribunal shall determine its procedures and the place of arbitration subject to provisions agreed upon between the Contracting Parties.

6. Decisions of the arbitral tribunal shall be made by a majority of the arbitrators and shall be reasoned. The decisions of the arbitral tribunal shall be final and binding upon the Parties to the dispute.

7. If either Party or the designated airline of either Party fails to comply with the decision given under paragraph (6) of this Article, the other Party may limit, suspend or revoke any rights or privileges which have been granted by virtue of this Agreement to the Party in default.

8. Each Party shall bear the expenses of its own arbitrator. The expenses of the chairman, including his/her fees and any expenses incurred by ICAO in connection with the appointment of the chairman and/or the arbitrator of the Party in default as referred to in paragraph (3) of this Article shall be shared equally by the Parties.

9. Pending the submission to arbitration and thereafter until the arbitral tribunal publishes its award, the Parties shall, except in the event of termination, continue to perform all their obligations under this Agreement without prejudice to a final adjustment in accordance with the said award.

ARTICLE 24

Amendments

1. This Agreement can be amended by mutual consent of the Parties.
2. Any amendment of this Agreement excluding amendments of the Annex shall come into force in accordance with the procedures set forth in Article 28 to this Agreement.
3. Any amendment of the Annex may be made by written agreement between the aeronautical authorities of the Parties.

ARTICLE 25

Multilateral Agreements

If a multilateral agreement concerning air transport comes into force in respect of both Parties, the present Agreement shall be amended so as to conform to the provisions of that multilateral agreement.

ARTICLE 26

Termination

Either Party may, at any time, give notice in writing, through diplomatic channels, to the other Party of its decision to terminate this Agreement. Such notice shall be simultaneously communicated to ICAO. This Agreement shall terminate at midnight, local time of the notified Party immediately after twelve (12) months the date of receipt of the notice by the other Party, unless the notice is withdrawn by agreement before the end of this period. In the absence of acknowledgement of receipt by the other Party, the notice shall be deemed to have been received fourteen (14) days after receipt of the notice by ICAO.

ARTICLE 27

Registration with ICAO

This Agreement and any amendment thereto shall be registered upon its signature with ICAO by the Party in which territory this Agreement was signed, or as agreed by the Parties.

ARTICLE 28

Entry into Force

This Agreement shall enter into force on the date of the receipt of the second diplomatic note indicating that all necessary internal procedures have been completed by both Parties.

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

Done at Reykjavik, on the 19 day of *(month)* Kislev ...,*5779* (which corresponds to the 27 day of the month of November of the year _____ *(20*18 in the Gregorian calendar) *in* 3 *authentic copies* in the Hebrew, Icelandic and English languages, all texts being equally authentic.

In case of divergence of interpretation the English text shall prevail.

Annex

Route schedules

Airlines of each Party designated under this Agreement shall be entitled to provide air transportation between points on the following routes:

A. Routes to be operated by the designated airline (s) of Israel:

From any point or points in Israel via any intermediate point to any point or points in Iceland and any point beyond.

B. Routes to be operated by the designated airline (s) of Iceland:

From any point or points in Iceland via any intermediate point to any point or points in Israel and any point beyond.

Notes:

Intermediate points and points beyond may be omitted on any section.

The right of the designated airline of one Party to operate flights for the carriage of passengers, baggage, cargo and mail between the points in the territory of the other Party and points in the territory of third countries (5th freedom traffic rights) shall be subject to a separate agreement between the Aeronautical Authorities of the Parties.