

MEMORANDUM OF UNDERSTANDING

relating to an Air Services Agreement between Iceland and India

Delegations representing the Government of the Republic of Iceland and the Government of the Republic of India have through correspondence exchanged views on various issues relating to arrangements governing air services. The exchanges took place in a friendly and cordial atmosphere. The delegations agreed on the desirability of closer cooperation between the two countries in this field of growing importance in their relations. The list of Members is attached as *Appendix 1*.

Air Services Agreement

The two delegations recognized the need for an Air Services Agreement (ASA) to be concluded between Iceland and India and agreed on the text of such an agreement, which is attached as *Appendix 2*.

EEA requirements

The Icelandic delegation explained that, as a member of the European Economic Area (EEA), it is obliged to include certain standard provisions, in particular on designation and revocation of EEA airlines and the establishment of prices, in all its bilateral arrangements. It explained the meaning of these provisions and urged the Indian delegation to accept them. It further explained, that if these provisions were not accepted, any arrangements or agreements entered into between Iceland and India could only be applied on a provisional basis. Furthermore, notwithstanding Article 13, paragraph 2, of the ASA, the Icelandic side advised that during such provisional period airlines designated by India would be requested to notify, before the launching of services, their prices on routes wholly within the European Economic Area.

The Indian delegation, while taking note of the request of the Icelandic side, stated that it needed more time to study these clauses. It was not possible to immediately confirm the incorporation of these clauses in the ASA, as they are still under consideration of the Government of India. However, the entire issue would be discussed in due course or as soon as the matter is settled between India and any other EEA member, or with the European Union.

Route schedule

The two delegations agreed that the designated airlines of each party are entitled to operate 14 flights per week with two (2) intermediate and two (2) beyond points as follows:

Designated airlines of Iceland

7 flights to one airport and another 7 flights to any other airport

Designated airlines of India

Up to 14 flights

The Indian delegation informed that India has an open sky policy for air cargo operations and a very liberal policy for Inclusive Tour Package tourist charter flights.

Self-handling

While the right of designated airlines to self-handling is not included in the ASA, the Icelandic delegation confirmed its willingness to grant that right on the basis of reciprocity to airlines designated by India, as well as to allow the option of airlines to select among competing agents for such services in whole or in part. The Indian side informed that their ground handling policy is presently under review and stated their willingness to revert to the matter once their new policy is finalized.

In their effort to strengthen their relations in the field of civil aviation, the Delegations agreed, that, pending the signature and subsequent entry into force of the ASA, the Aeronautical Authorities of both Contracting Parties would endeavour to apply from the date hereof the agreed text as it appears in *Appendix 2*.

Done in Reykjavík, in duplicate, on 31 May 2005.

For the Delegation of Iceland

For the Delegation of India

Ólafur Egilsson

Mahesh Sachdev