MEX

CONSOLIDATED

AIR TRANSPORT SERVICES AGREEMENT

BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICAN

AND

THE GOVERNMENT OF THE UNITED MEXICAN STATES

The attached reference document has been prepared by the Air Transport Association's International Affairs Department to consolidate the seven documents that comprise the current United States-Mexico bilateral relationship (as of January 2001). The documents used in this consolidation, and the font in which text from each document appears, are:

* Air Transport Services Agreement, August 15, 1960 (EIF January 17, 1961.

* Amendment effected by Exchange of Notes, July 31, 1970

* *Amendment effected by Exchange of Notes, September 23, 1988* and Exchange of Letters, September 23, 1988, pertaining to reduced air fairs (immediately follows Article 11)

* Amendment effected by Agreement, signed November 21, 1991

* *Exchange of Notes, December 4, 1997 (Annexes I and II)(EIF May 28, 1998)*

* Agreement signed February 15, 1999 at Merida (amending Annex II (charters) and adding Annex III (cooperative marketing arrangements))(EIF January 19, 2000

[Note: All editorial comments are in brackets and in this font.]

The Air Transport Services Agreement is the basic document. To the maximum extent possible, modifying text is consolidated from its original document to the section(s) in the basic

agreement to which it most closely relates. Paragraph numbering and section formatting from the original document are retained.

While every effort has been made to ensure the accuracy of the consolidated document and to the best of our knowledge it is a fair and accurate representation of the current U.S.-Mexico agreement situation, it is NOT an official document. If you do discover any errors, please advise ATA's International Affairs Department

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MEXICO AGREEMENT

CONSOLIDATED
AIR TRANSPORT SERVICES AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE UNITED MEXICAN STATES

The Government of the United States of America and the Government of the United Mexican States,

Considering the contiguity of their respective territories and the friendly relations between them;

Desiring to strengthen even more the cultural and economic bonds which link their peoples and the understanding and goodwill which exists among them;

Recognizing the increasing importance of international air travel between the two countries and within the Hemisphere and desiring to ensure its continued development in the common welfare on bases of equality and reciprocity; and

Desiring to conclude an Agreement which will facilitate the attainment of the aforementioned objectives;

Have accordingly appointed duly authorized representatives for this purpose, who have agreed as follows:

ARTICLE 1

[Definitions]

A. The word "Agreement" shall mean the Agreement and the Route Schedule annexed thereto.

B. The term "aeronautical authorities" shall mean, in the case of the United States of America, the Civil Aeronautics Board or any person or agency authorized to perform the functions exercised at the present time by the Civil Aeronautics Board; and, in the case of the United Mexican States, the Ministry of Communications and Transport or any person or agency authorized to perform the functions exercised at present by the Ministry of Communications and Transport.

C. The term "airline" shall mean any air transport enterprise offering or operating an international air service.

D. The term "designated airline" shall mean an airline which the aeronautical authorities of one contracting party have notified the aeronautical authorities of the other contracting party to be the airline which will operate a route or routes specified in the Route Schedule annexed to the Agreement. Such notification must have been communicated in writing, through diplomatic channels.

E. The term "territory" in relation to a State, shall mean the land areas and territorial waters adjacent thereto under the sovereignty, suzerainty, protection, jurisdiction or trusteeship of that State.

F. The term "air service" shall mean any scheduled air service performed by aircraft for the public transport of passengers, cargo or mail.

G. The term "international air service" shall mean an air service which passes through the air space over the territory of more than one State.

H. The term "stop for non-traffic purposes" (technical stop) shall mean a landing for any purpose other than taking on or discharging passengers, cargo or mail.

ARTICLE 2

[Grant of Rights]

Each party grants to the other party rights necessary for the conduct of air services by the designated airlines, as follows: the rights of transit, of stops for non-traffic purposes, and of commercial entry and departure for international traffic in passengers, cargo, and mail at the points in its territory named on each of the routes specified in the appropriate paragraph of the annexed Route Schedule. The fact that such rights may not be exercised immediately shall not preclude the subsequent inauguration of air services by the airlines of the party to whom such rights are granted over the routes specified in the said Route Schedule.

ARTICLE 3

[Designation and Authorization]

Air service on a specified route may be inaugurated immediately or at a later date at the option of the party to whom the rights are granted by an airline or airlines of such party at any time after that party has designated such airline or airlines for that route

and the other party has given the appropriate operating permission. Such other party shall, subject to Article 4, be bound to give this permission provided that the designated airline or airlines may be required to qualify before the competent aeronautical authorities of that party, under the laws and regulations normally applied by these authorities, before being permitted to engage in the operations contemplated in this Agreement.

ARTICLE 4

[Revocation of Authorization]

Each party reserves the right to withhold or revoke the operating permission provided for in Article 3 of this Agreement from an airline designated by the other party in the event that it is not satisfied that substantial ownership and effective control of such airline are vested in nationals of the other party or in case of failure by such airline to comply with the laws and regulations referred to in Article 5 of this Agreement, or in case of the failure of the airline or the Government designating it to fulfill the conditions under which the rights are granted in accordance with this Agreement.

ARTICLE 5

[Application of Laws]

A. The laws and regulations of one 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 party and shall be complied with by such aircraft upon entering or departing from, and while within the territory of the first party.

B. The laws and regulations of one party relating to the admission to or departure from its territory of passengers, crew, or cargo of aircraft, such as regulations relating to entry, clearance, immigration, passports, customs, and quarantine shall be complied with by or on behalf of such passengers, crew, or cargo of the other party upon entrance into or departure from, and while within the territory of the first party.

ARTICLE 6

[Safety]

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 routes and 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 on International Civil Aviation. Each party reserves the right, however, to refuse to recognize, for the purpose of flight above its own territory, certificates of competency and licenses granted to its own nationals by another state.

ARTICLE 6 bis

CIVIL AVIATION SECURITY

A. In accordance with their rights and obligations under International Law, the Parties reaffirm that their obligation to protect, in their mutual relationship, the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement.

B. The parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of aircraft and other unlawful acts against the safety of passengers, crew, aircraft, airports, and air navigation facilities and any other threat to aviation security.

C. The Parties shall act in conformity with the provisions of the Convention on Offenses and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on September 14, 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on December 16, 1970, and the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation, signed at Montreal on September 23, 1971, or any other multilateral convention affecting civil aviation security or amendment of the current conventions whenever they are accepted by both Parties.

D. The Parties shall, in their mutual relations, act in conformity with the aviation security standards and, so far as they are applied by the Parties, with the recommended practices established by the International Civil Aviation Organization and

designated as Annexes to the Convention on International Civil Aviation. The Parties shall require that operators of aircraft who have their principal place of business or permanent residence in their territory, and operators of airports situated in their territory act in accordance with the above-mentioned aviation security provisions. In this paragraph, reference to aviation security standards includes any difference notified by the concerned Party. Each Party shall inform the other Party in advance of its intention to notify any difference.

E. Each Party agrees, in accordance with Article 5 of the Agreement, to observe the security provisions required by the other Party for entry into the territory of that other Party and to take adequate measures to protect aircraft and to inspect passengers, crew, their carry-on items, as well as cargo and aircraft stores prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for reasonable special security measures to meet a particular threat.

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

G. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the Aeronautical Authorities of the Party may notify the Aeronautical Authorities of the other Party and request immediate consultations. Failure to reach a satisfactory agreement within 60 days from the date of such notification will constitute grounds to withhold, revoke, limit, or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party. Such action may be carried out beforehand if required to respond to an immediate and extraordinary threat to the safety of passengers, crew, or aircraft. Either Party may request consultations after emergency action has been taken. Any action taken in accordance with this paragraph shall be discontinued upon compliance by the other Party with the provisions of this Article. In exercising the rights under this paragraph, the parties shall have due regard for the considerations stated in the side letter on aviation security.

ARTICLE 7

[Customs Duties and Charges]

In order to prevent discriminatory practices and to assure equality of treatment, both parties agree further to observe the following principles:

(a) Each of the parties may impose or permit to be imposed just and reasonable charges for the use of public airports and other facilities under its control. Each of the parties agrees, however, that these charges shall not be higher than would be paid for the use of such airports and facilities by its national aircraft engaged in similar international services.

(b) Fuel, lubricating oils, consumable technical supplies, spare parts, regular equipment, and stores introduced into the territory of one party by the other party or its nationals, and intended solely for use by aircraft of such party shall be exempt on a basis of reciprocity from customs duties, inspection fees and other national duties or charges.

(c) Fuel, lubricating oils, other consumable technical supplies, spare parts, regular equipment, and stores retained on board aircraft of the airlines of one party authorized to operate the routes and services provided for in this Agreement shall, upon arriving in or leaving the territory of the other party, be exempt on a basis of reciprocity from customs duties, inspection fees and other national duties or charges, even though such supplies be used or consumed by such aircraft on flights in that territory.

(d) Fuel, lubricating oils, other consumable technical supplies, spare parts, regular equipment, and stores taken on board aircraft of the airlines of one party in the territory of the other and use in international services shall be exempt on a basis of reciprocity from customs duties, excise taxes, inspection fees and other national duties or charges.

(e) Airline schedules, travel brochures and pamphlets, travel posters, and other printed matter directed at promoting and/or facilitating international travel or tourism, and imported by the airlines of one Party into the territory of the other Party for use and distribution therein shall be exempt on a basis of reciprocity from customs duties, excise taxes, inspection fees and other national duties or charges.

ARTICLE 8

[Opportunity to Compete]

There shall be a fair and equal opportunity for the airlines of each party to operate on any route listed in this Agreement.

ARTICLE 9

[Due Consideration]

In the operation by the airlines of either party of the trunk services described in this Agreement, the interest of the airlines of the other party shall be taken into consideration so as not to affect unduly the services which the latter provides on all or part of the same routes.

ARTICLE 10

[Capacity]

The air services made available to the public by the airlines operating under this Agreement shall bear close relationship to the requirements of the public for such services.

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

(a) to traffic requirements between the country of origin and the countries of ultimate destination of the traffic;

(b) to the requirements of through airline operation; and,

(c) to the traffic requirements of the area through which the airline passes after taking account of local and regional services.

Both parties agree to recognize that the fifth freedom traffic is complementary to the traffic requirements on the routes between

the territories of the parties, and at the same time is subsidiary in relation to the traffic requirements of the third and fourth freedom between the territory of the other party and a country on the route.

In this connection both parties recognize that the development of local and regional services is a legitimate right of each of their countries. They agree therefore to consult periodically on the manner in which the standards mentioned in this Article are being complied with by their respective airlines, in order to assure that their respective interests in the local and regional services as well as through services are not being prejudiced.

Every change of gauge justifiable for reasons of economy of operation, shall be permitted at any stop on the specified routes. Nevertheless, no change of gauge may be made in the territory of one or the other party when it modifies the characteristics of the operation of a through airline service or if it is incompatible with the principles enunciated in the present Agreement.

When one of the parties, after a period of observation of not less than one hundred and eighty (180) days, considers that an increase in capacity or frequency offered by an airline of the other party is unjustified or prejudicial to the services of its respective airline, it shall notify the other party of its objection to the end that consultation is initiated between the appropriate aeronautical authorities and decision on the objections is made by mutual agreement within a period which may not be more than sixty (60) days beginning on the date of such notification. For this purpose, the operating companies shall supply all traffic statistics that may be necessary and required of them.

ARTICLE 11

[Pricing]

(1) All rates to be charged by an airline of one Contracting Party to or from points in the territory of the other Contracting Party shall be established at reasonable levels, due regard being paid to all relevant factors, such as costs of operation, reasonable profit, and the rates charged by any other carriers, as well as the characteristics of each service. Such rates shall be subject to the approval of the aeronautical authorities of the Parties, who shall act in accordance with their obligations under this Agreement, within the limits of their legal powers.

(2) Any rate proposed to be charged by an airline of either Contracting Party for carriage to or from the territory of the other

Contracting Party shall, if so required, be filed by such airline with the aeronautical authorities of the other Contracting Party at least forty five (45) days before the proposed date of introduction unless the Contracting Party with whom the filing is to be made permits filing on shorter notice. The aeronautical authorities of each Contracting Party shall use their best efforts to ensure that the rates charged and collected conform to the rates filed with either Contracting Party, and that no carrier rebates any portion of such rates, by any means, directly or indirectly, including the payment of excessive sales commissions to agents or the use of unrealistic currency conversion rates.

(3) It is recognized by both Contracting Parties that during any period for which either Contracting Party has approved the traffic conference procedures of the International Air Transport Association, or other associations of international air carriers, any rate agreements concluded through these procedures and involving airlines of that Contracting Party will be subject to the approval of that Contracting Party.

(4) If a Contracting Party, on receipt of the notification referred to in paragraph 2 above, is dissatisfied with the rate proposed, it shall so inform the other Contracting Party at least thirty (30) days prior to the date that such rate would otherwise become effective, and the Contracting Parties shall endeavor to reach agreement on the appropriate rate.

(5) If a Contracting Party upon review of an existing rate charged for carriage to or from its territory by an airline of the other Contracting Party is dissatisfied with that rate, it shall so notify the other Contracting Party and the Contracting Parties shall endeavor to reach agreement on the appropriate rate.

(6) In the event that an agreement is reached pursuant to the provisions of paragraphs 4 or 5, each Contracting Party will exercise its best efforts to put such rate into effect.

(7) (a) If under the circumstances set forth in paragraph 4 no agreement can be reached prior to the date that such rate would otherwise become effective, or

(b) If under the circumstances set forth in paragraph 5 no agreement can be reached prior to the expiry of sixty (60) days from the date of notification: then the Contracting Party raising the objection to the rate may take such steps as it may consider necessary to prevent the inauguration or the continuation of the service in question at the rate complained of, provided, however,

that the Contracting Party raising the objection shall not require the charging of a rate higher than the lowest rate charged by its own airline or airlines for comparable service between the same pair of points.

(8) When in any case under paragraphs 4 and 5 of this Article the aeronautical authorities of the two Contracting Parties cannot agree within a reasonable time upon the appropriate rate after consultations initiated by the complaint of one Contracting Party concerning the proposed rate or an existing rate of the airline or airlines of the other Contracting Party, upon the request of either, the terms of Article XII of the Agreement shall apply. In rendering its advisory opinion, the arbitral tribunal shall be guided by the principles laid down in this Article.

(9) Unless otherwise agreed between the Parties, each Contracting Party undertakes to use its best efforts to ensure that any rate specified in terms of the national currency of one of the Parties will be established in an amount which reflects the effective exchange rate (including all exchange fees or other charges) at which the airlines of both Parties can convert and remit the revenues from their transport operations into the national currency of the other party.

Exchange of Letters [1988]

Pursuant to the talks which took place in Mexico City during January 26-29, 1988, both delegations have agreed to conclude the following agreement on reduced air fares:

Both governments undertake to increase opportunities for the transportation of passengers and cargo of the airlines designated by the Parties. They will therefore encourage the designated airlines of both countries to:

1. Offer services at the lowest possible fares and rates, and

2. Propose, implement and apply innovative reduced passengers and cargo fares and rates which are reasonably related to the individual carrier's cost of providing the services, a reasonable level of profits, and the characteristics of each type of service, so long as the fares and rates do not result in predatory and/or ruinous competition and provided that the procedures set forth in Article 11 are followed.

ARTICLE 12

[Consultations]

Consultation between the competent authorities of both parties may be requested at any time by either party for the purpose of discussing the interpretation, application, or amendment of this Agreement. Such consultation shall begin within sixty (60) days from the date of the receipt of the request by the Department of State of the United States of America or the Ministry of Foreign Relations of the United Mexican States as the case may be. Should agreement be reached on amendment of the Agreement, such amendment will come into effect upon confirmation by a further exchange of diplomatic notes.

ARTICLE 13

[Settlement of Disputes]

Except as otherwise provided, any dispute between the parties relative to the interpretation or application of this Agreement which cannot be settled through consultation shall be submitted for an advisory report to a tribunal of three arbitrators, one to be named by each party, and the third to be agreed upon by the two arbitrators so chosen, provided that such third arbitrator shall not be a national of either party. Each of the parties shall designate an arbitrator within two months of the date of delivery by either party to the other party of a diplomatic note requesting arbitration of a dispute; and the third arbitrator shall be agreed upon within one month after such period of two months.

If either of the parties fails to designate its own arbitrator within two months, or if the third arbitrator is not agreed upon within the time limit indicated, either party may request the President of the International Court of Justice to make the necessary appointment or appointments by choosing the arbitrator or arbitrators.

The parties will use their best efforts under the powers available to them to put into effect the opinion expressed in any such advisory report. A moiety of the expenses of the arbitral tribunal shall be borne by each party.

ARTICLE 14

[Registration with ICAO]

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

ARTICLE 15

[Multilateral Agreement]

If a general multilateral air transport Convention accepted by both parties enters into force, the present Agreement shall be amended so as to conform with the provision of such Convention.

ARTICLE 16

[Termination}

Each Party may at any time notify the other party of its intention to terminate the present Agreement in writing through diplomatic channels. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate one year after the date on which the notice of termination is received by the other Party, unless the notice is withdrawn before the end of this period by agreement between the Parties. If the Party receiving such notice does not acknowledge the receipt thereof, the notice shall be deemed to have been received fifteen (15) days after its receipt at the headquarters of the International Civil Aviation Organization.

ARTICLE 17

[Confirmation]

Upon entry into effect of the present Agreement the aeronautical authorities of the two parties must communicate to each other as soon as possible the information relating to authorizations given to the airline or airlines designated by them to operate the routes set forth in the Route Schedule.

ARTICLE 18

[Duration]

This agreement shall be of unlimited duration, subject to the termination provisions of Article 16.

ANNEX I

SCHEDULED SERVICES

A. Route Schedule: Combination Service (Persons, Cargo and/or Mail)

1. The airline or airlines designated by the Government of the United States of America shall be entitled to operate air services on each of the air routes specified, in both directions, and to make scheduled stops in Mexico at the points specified in this paragraph:

a. From a point or points in the United States to a point or points in Mexico.[1]

b. From Dallas/Fort Worth and San Antonio to Mexico City/ Toluca and Acapulco, and beyond to points in Panama and beyond.

c. From New York, Washington/Baltimore, Los Angeles, and Houston to Mexico City/Toluca and beyond to a point or points in Central and/or South America.

2. The airline or airlines designated by the Government of the United Mexican States shall be entitled to operate air services on each of the air routes specified, in both directions, and to make scheduled stops in the United States at the points specified in this paragraph:

a. From a point or points in Mexico to a point or points in the United States.[1]

b. From Acapulco, Hermosillo, Mexico City/Toluca, Monterrey, Oaxaca, Puerto Escondido, Tampico, Veracruz, Villahermosa, and Zihuatanejo to Chicago, Kansas City, Minneapolis/St. Paul and St. Louis, and beyond to Canada.

c. From Acapulco, Chihuahua, Guadalajara, Guaymas, Hermosillo, Huatulco, La Paz, Loreto, Manzanillo, Mazatlan, Mexico City/Toluca, Monterrey, Puerto Escondido, Puerto Vallarta, San Jose del Cabo, and Zihuataneio to Cleveland, Detroit, Philadelphia and Washington/Baltimore, and beyond to Canada.

d. From Acapulco, Guadalajara, Huatulco, Loreto, Manzanillo, Mazatlan, Mexico City/Toluca, Monterrey, Puerto Vallarta, San Jose del Cabo, and Zihuataneio to Boston and New York and beyond to Europe.

e. From Cancun Cozumel, Guadalajara, Merida, Mexico City/Toluca, and Monterrey to Houston and New Orleans, and beyond to Canada and Europe.

f. From Guadalajara, Huatulco, Merida, Mexico City/Toluca, and Oaxaca, to Miami, and beyond.

B. Operating Conditions: Combination Service (Persons, Cargo and/or Mail)

1. For all services authorized under Paragraph A, each of the designated airlines is permitted: (a) to omit points on any or all flights, in one or both directions, provided at least one point in the

homeland of the airline is served on each flight; (b) combine points in any order on the authorized routes; and (c) to operate fewer flights in one direction than in the other.

2. Neither Party shall impose unilateral restrictions on an airline or airlines of the other Party with respect to capacity, frequencies or type of aircraft employed in any service authorized in Paragraph A of this Annex.

3. At any time after a Party has designated an airline for service between particular points, that Party may cancel that airline's designation and designate another airline, pursuant to its domestic law and regulations.

4. *Either of the Parties shall be entitled to designate up to two airlines to provide scheduled combination services on any city pair between the two territories that may be served under the Agreement. Such designations shall be notified to the other Party in writing.*

5. The designated airlines of each Party may provide air cargo service in conjunction with surface transportation at a single through price for the air and surface transportation combined. Such service may only be provided if arrangements are entered into with operators of intermodal services, authorized in accordance with each country's laws.

6. To the extent allowed by its legislation, each Party may choose to give priority consideration to the request(s) of its small aircraft or regional operators for designation between points that have remained unserved for a twelve-month period by the carrier authorized to serve them. Each Party may establish internally its own standards to define what constitutes a small aircraft or regional operator and to determine when such points are unserved.

7. A Contracting Party may remove a city-pair segment or segments from any route for which it has not yet designated a carrier and incorporate it into its Route Schedule as a new route, provided no more than one airline is designated over each city-pair segment of each route.

NOTES:

[1] A list of airports in the United States that have the necessary facilities to accommodate international traffic is published and periodically updated by the Federal Aviation Administration in Aeronautical Information Publication - United States, which has been provided to the Mexican authorities for this purpose. The Government of the United Mexican States has provided a comparable list of airports in Mexico to the Government of the United States, which will be updated periodically.

C. Route Schedule: All-Cargo Service (Cargo and/or Mail)

1. The airline or airlines designated by the Government of the United States of America shall be entitled to operate all-cargo air services on each of the air routes specified, in both directions, and to make scheduled stops in Mexico at the points specified in this paragraph.

From a point or points in the United States to a point or points in Mexico.[4]

2. The airline or airlines designated by the Government of the United Mexican States shall be entitled to operate all-cargo air services on each of the air routes specified, in both directions, and to make scheduled stops in the United States at the points specified in this paragraph.

From a point or points in Mexico to a point or points in the United States.[4]

D. Operating Conditions: All-Cargo Service (Cargo and/or Mail)

1. Either Party may designate up to five airlines over its routes provided no more than one carrier is authorized on any city-pair segment, unless otherwise agree pursuant to Paragraph D(5) of this Annex.

2. For all services set forth in Paragraph C of this Annex, each of the designated airlines is permitted to: (a) omit points on any or all flights, in one or both directions, provided at least one point in the homeland of the airline is served on each flight; (b) combine points in any order on the authorized routes; and (c) operate fewer flights in one direction than the other.

3. Neither Party shall impose unilateral restrictions on an airline or airlines of the other Party with respect to capacity, frequencies or type of aircraft employed in any service authorized in Paragraph C of this Annex.

4. At any time after a Party has designated an airline for service between particular points, that Party may cancel that airline's designation and designate another airline, pursuant to its domestic law and regulations.

5. Either Party may designate more than one airline on the same city pair when this has been mutually agreed by the Parties.[5] Either Party may request additional designations at any time.

6. The right of a designated airline of one Party to serve a city pair or pairs, to operate its services from one or more points or to serve one or more points in the territory of the other Party does not constitute cabotage or confer the right to engage in cabotage.

7. The aeronautical authorities of a Party will allow an airline or airlines designated by the other Party to serve points beyond its territory without the right to pick up or discharge cargo from or to that Party's territory and to or from the beyond point or points.

8. Airlines designated in accordance with Paragraph C of this Annex shall be subject to the laws and regulations of each Party that relate to the transportation of cargo.

9. The designated airlines of each Party may provide air cargo service in conjunction with surface transportation at a single through price for the air and surface transportation combined. Such service may only be provided if arrangements are entered into with operators of intermodal services, authorized in accordance with each country's laws.

10. When operating at Toluca Airport, an airline may hold out transportation to Mexico City on appropriate documents.

NOTES: [Footnotes 2 and 3 deleted by Exchange of Notes, December 4, 1997]

[4] A list of airports in the Unites States that have the necessary facilities to accommodate international traffic is published and periodically updated by the Federal Aviation Administration in Aeronautical Information Publication - United States, which has been provided to the Mexican authorities for this purpose. The Government of the United Mexican States has provided a comparable list of airports in Mexico to the Government of the United States, which will be updated periodically.

[5] [Through numerous unpublished exchanges of notes following the amendment of November 21, 1991, the two sides have agreed on a growing list of city pairs for which all-cargo double designations by both sides are permitted. As of January 21 1999, the list includes:

Chicago - Mexico City/Toluca
Dallas/Ft Worth - Guadalajara
Dallas/Ft Worth - Mexico City/Toluca
Dallas/Ft Worth - Monterrey
Dayton - Mexico City/Toluca
Detroit - Mexico City
El Paso - Chihuahua
El Paso - Torreon
Houston - Guadalajara
Houston - Mexico City/Toluca
Laredo - Guadalajara
Laredo - Mexico City/Toluca
Los Angeles - Guadalajara
Los Angeles - Mexico City/Toluca
Miami - Cancun
Miami - Guadalajara
Miami - Merida
Miami - Mexico City/Toluca
New York - Mexico City/Toluca
San Francisco - Guadalajara
San Francisco - Mexico City/Toluca

The Parties have agreed to permit triple designation of U.S. and Mexican carriers on the Los Angeles - Mexico City/Toluca city pair.]

ANNEX II

CHARTER SERVICES

1. Scheduled and charter airlines may operate charter flights (including combination and all cargo services) between the territories of the Parties upon completion of the following requirements:

a. An interested carrier must apply for registration as a charter air carrier, and must have permission from its government to perform charter air transportation.

b. Scheduled airlines designated under this Agreement are exempt from the foregoing requirement, and may also operate charter services.

c. In the case of individual charter flights and charter flight programs or series of flights, each Party's airlines that are in possession of the corresponding permits issued by the Government of Mexico and the Government of the United States, that have all of their documents in order, and that have complied with all of the established requirements, may perform charter flights of passengers or of cargo between both territories, presenting a flight notification form: (1) at least 24 hours in advance of an individual charter or in advance of the first flight in a charter flight program or series of flights involving fewer than ten flights; or (2) at least five working days in advance of the first flight in a charter flight program or series of flights involving ten or more flights. Notifications may be submitted within a shorter period of time at the discretion of the receiving Party. Each Party shall make its best efforts to facilitate the authorization of a charter flight program or series of flights for which notice was not timely filed.

d. The applications for charter operations must comply with the provisions of Article 11 of the Agreement and the September 23, 1988 exchange of letters on reduced air fares. However, neither Party shall require the notification or filing by airlines of the other party of prices charged by charterers to the public.

e. If requested, charter operators shall present to the tariff authorities of the country of destination the corresponding tariffs, for government use.

2. *Except as provided in subparagraph f of paragraph* 1, all *requests* shall be attended to immediately and, if properly filed, will be approved in a period no longer than fifteen (15) working days, in conformity with the official calendar of each Party. Applications filed five and fifteen working days in advance, pursuant to Paragraph 1 (c) above, shall be approved, respectively, within three and five working days, in conformity with the official calendar of each Party.

3. *Except as provided in subparagraph f of paragraph* 1, in no case may an operator begin or perform a charter flight without the proper authorization of the competent aeronautical authority.

4. Passenger charter flights shall be operated in accordance with the rules of the country of the origin of the traffic.

5. The authorization for the transport of each type of cargo shall be subject to the terms and conditions stated in the laws and regulations of each country. Cargo from a single shipper or several shippers may be transported on the same flight.

6. In the case of operations with two or more points of destination, the carriers shall not have the right to cabotage, stopover or other forms of this type of operations.

7. The aeronautical authorities of the country of destination shall not subject charter services to more burdensome conditions of procedures than those imposed on scheduled services.

8. The equipment and capacity of an operator may only be limited as required for conformity with the operational, technical, and security characteristics of the international airport at the point of destination.

9. Cargo passengers may be carried in combination on charter services.

[Editorial Note: (added April 15, 2005) The Charter Annex was amended to the 1960 Agreement in 1991. In a 1997 exchange of Notes subparagraphs f and g were added to paragraph 1 and a reference to subparagraph f of paragraph 1 was added to paragraphs 2 and 3. In 1999 subparagraph c of paragraph 1 was changed (as you see reflected above) and subparagraphs f and g of paragraph 1 were deleted. There was no instruction made in the February 15, 1999 Agreement signed at Merida amending Annex II to change the references to subparagraph f in paragraphs 2 and 3 to read subparagraph c, nor was there any instruction to delete the phrases in paragraphs 2 and 3 referring to subparagraph f of paragraph 1.

Subparagraph c of Paragraph 1 has been corrected as of April 15, 2005 so that "(1)" reads correctly. The earlier versions used text from the MOC signed January 26, 1999 and a phrase was inadvertently left out of this section of subparagraph c. But this has been corrected with the text from the Agreement signed at Merida on February 15, 1999 which was slightly changed from the MOC and superseded the MOC.]

Annex III

Cooperative Marketing 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 with an airline or airlines of either Party, *provided* that all airlines in such arrangements: (1) hold the appropriate authority; and (2) meet the requirements normally applied to such arrangements.

2. In addition to designations provided for in paragraph 4, Section B, of Annex I of the Agreement, either Party shall have the right to authorize its airlines to exercise the rights in paragraph 1, above, to hold out scheduled services on any or all segments of the routes in Section A (Route Schedule: Combination Service) or Section C (Route Schedule: All-Cargo Service), of Annex I of the Agreement, as applicable, by placing the airline's code on services of an airline or airlines designated under paragraph 4 of Section B of Annex I. With respect to services on each non-stop gateway city pair segment between the territories of the Parties, each Party shall have the right to grant such authorization to no more than four of its airlines for each non-stop gateway city pair segment. Each authorizing Party shall notify the other Party in writing of its airlines so authorized and the non-stop gateway city-pair segments for which code-share authority has been given.