

SUBJECT: ESTABLISHMENT OF A ROUTE FACILITY CHARGES BILLING AND COLLECTION SYSTEM ON BEHALF OF THE STATE OF IRAQ AS REPRESENTED BY THE COALITION PROVISIONAL AUTHORITY, CIVIL AVIATION

CONTRACT

BETWEEN THE INTERNATIONAL AIR TRANSPORT ASSOCIATION, HAVING AN OFFICE AT 33 ROUTE DE L'AEROPORT, CH-1215 GENEVA 15 AIRPORT, SWITZERLAND, AND DESIGNATED HEREAFTER AS IATA

on the one hand

THE CIVIL AVIATION AUTHORITY OF THE STATE OF IRAQ HAVING AN OFFICE AT BAGHDAD INTERNATIONAL AIRPORT, BAGHDAD, IRAQ AND DESIGNATED HEREAFTER AS CAA.

on the other hand,

IT HAS BEEN AGREED AS FOLLOWS

AA

AS

- 2 -

PREAMBLE

HAVING regard to the objectives of IATA to promote safe, regular and economical air transport for the benefit of the peoples of the world, and to provide means for collaboration among air transport enterprises engaged directly or indirectly in international air transport services and to cooperate with the International Civil Aviation Organization (ICAO) and other international and national organisations;

HAVING regard to the desire of the CAA to assist in improving the distribution of air traffic over the Air Traffic Services (ATS) system by enhancing the ATS in the State of Iraq;

WHEREAS the task of providing the route facilities and services on the routes in the Baghdad Flight Information Region (FIR), (Areas of responsibility of Kirkuk ACC, Tallil ACC & Baghdad ACC) is the responsibility of the CAA and currently orchestrated by the Coalition Forces, Air Component Command (CFACC);

WHEREAS the the Coalition Provisional Authority of Irak has delegated the authority to execute this Contract to the CAA in accordance with the terms of the letter set out in Annex 5 to this Contract;

WHEREAS the CAA wishes to delegate the task of the operation of a Route Facility Charges Billing and Collection System to IATA for the services provided by CFACC in the Baghdad FIR, (Tallil ACC, Kirkuk ACC & Baghdad ACC)

WHEREAS certain international commercial airlines and other operators (collectively "the Operators") have been granted the right to fly in the Iraqi airspace, subject to compliance with the required Air Traffic Services Procedures; and,

WHEREAS the CAA has instructed the Operators concerned to pay the route facility charges for the services provided on the routes prescribed in the Iraqi Aeronautical Information Publication (AIP to IATA acting as its Agent;

THE PARTIES HAVE AGREED AS FOLLOWS:**ARTICLE 1 - OBJECTIVE OF THE CONTRACT**

The objective of this Contract is the establishment and operation of a Route Facility Charges Billing and Collection System by IATA for the services provided by the CAA on the international air routes prescribed in the Iraqi AIP.

The route facility charge less the administrative fee provided hereunder collected by IATA on behalf of the CAA shall be used for Air Traffic Control (ATC) services and equipment in the State of Iraq.

ARTICLE 2 - CONTRACTUAL DOCUMENTS

The following documents are attached to and are an integral part of this Contract:

- 3 -

- Annex 1:** Notice to Airmen (NOTAM) by which Operators are instructed to pay overflight charges to IATA;
- Annex 2:** Rate of Administrative Fees;
- Annex 3:** Modalities of Performance; and
- Annex 4:** List of Operators Flying on the International Air Routes in Conformity with the AIP Published by the CAA.

ARTICLE 3 - MODALITIES OF PERFORMANCE

The modalities of performance are as detailed in Annex 3 to this Contract.

The route facility charges due from Operators to the CAA may be paid to IATA through the IATA Clearing House under the IATA Clearing House Rules and Regulations or may be paid to IATA directly by cheque or bank transfer at the discretion of the concerned Operator.

IATA has the exclusive right to establish and operate the Route Facility Charges Billing and Collection System until this Contract is terminated by either party pursuant to Article 4 of this Contract.

The costs of the operation of the Route Facility Charges Billing and Collection System, including the remuneration of all personnel of IATA concerned with the performance of this Contract, are the responsibility of IATA.

ARTICLE 4 - TERM

Performance of all terms and conditions of this Contract will commence from the date on which this Contract comes into effect, as defined under Article 14 below, and will continue in force for a period of one year and will continue thereafter for consecutive terms of one year unless and until terminated in writing by either party giving six calendar months advance notice, effective from the first of the month following the date of notice.

ARTICLE 5 - OBLIGATION OF CONFIDENTIALITY

Both parties undertake to keep confidential all information, communications and documents of whatever nature concerning the performance of this Contract.

The obligation under this Article 5 shall survive the termination of the Contract, irrespective of the reasons for the termination.

ARTICLE 6 - OBLIGATIONS OF the CAA

The CAA will take all necessary measures to facilitate the satisfactory performance of services to be provided by IATA and specifically agrees, at its own expense, to perform the following:

- A. Provide the route facilities and services on the routes prescribed in the Iraqi AIP to the required International Civil Aviation Organization standards;
- B. Provide IATA with the information and documentation as set forth in Annex 3 to this Contract;

Handwritten signature/initials

Handwritten signature/initials

- 4 -

- C. Instruct the Operators as listed in Annex 4 and operating on the international air routes prescribed in the AIP published by the CAA that the task of operating a Route Facility Charges Billing and Collection System has been delegated to IATA to whom they are to pay their route facility charges according to the provisions communicated by IATA;
- D. Ensure that any increase of the route facility charge level against the existing one at the effective date of this Contract, as defined under Article 14, is to be established pursuant to resolutions and recommendations of ICAO; and,
- E. Assist the personnel of IATA charged with the operation of the Route Facility Charges Billing and Collection System in obtaining all authorisations, permits and visas required by the appropriate authorities of the State of Iraq.

ARTICLE 7 - INVOICING AND METHOD OF PAYMENT

7.1 Invoicing.

Under the terms and conditions of Annex 3, the CAA will provide IATA with information concerning the route facility charges of each month for the flights on the air routes prescribed in the AIP published by the CAA. Based upon this information, IATA will invoice the Operators concerned for the applicable route facility charges. Each Operator will be able to verify the invoices concerned according to its own internal procedures based upon the data provided by the CAA to IATA.

IATA shall not be responsible for any omission in the billing of the route facility charges occasioned by the errors in the delivery or non-delivery or late delivery of the required flight information to be provided by the CAA by the dates stipulated in Annex 3, for whatever reason, or for any act resulting therefrom which may affect the performance of this Contract.

If, during the term of this Contract, an Operator wishes to query or dispute the route facility charges invoiced to it during the relevant billing period, the CAA will use its best efforts to reconcile any such differences, provided however, that in no case shall IATA be held liable to the CAA for any loss of income or delay in payment which may result from such circumstance.

In the event that CAA requests IATA to pursue the recovery of the route facility charges from the Operators that are the subject of bankruptcy proceedings the CAA shall reimburse and indemnify IATA against all costs and related expenses incurred pursuant to such a request.

The currency of invoicing is the United States Dollar. The relevant invoices to be provided to the concerned Operators by IATA will be raised in one original and one copy drawn up under the name of the International Air Transport Association (IATA) Geneva.

7.2 Remittance of charges to the CAA

IATA will remit to the CAA the route facility charges collected on the CAA's behalf, less the agreed administrative fees as detailed in Annex 2 to this Contract, only upon and to the extent of IATA's receipt of payment of the concerned charges. Such remittance will be executed in accordance with the schedule set out in Annex 3.

Unless otherwise instructed by the CAA in writing, the route facility charges collected by IATA, less the administrative fees as detailed in Annex 2 to this Contract, shall be transferred to the following CAA bank account:

Handwritten signature/initials

Handwritten signature/initials

- 5 -

The Federal Reserve Bank of New York
 33 Liberty Street
 New York, New York 10045
 United States of America

Beneficiary: Central Bank of Iraq-Development Fund for Iraq
 Message: For the benefit of Air Navigation Services for the benefit of Iraq
 Account Number: [REDACTED]

In the event that the CAA instructs IATA to transfer funds by means of a facsimile communication (fax), the CAA accepts full liability for any errors that could result from the reduced control associated with such fax communication and IATA shall not be liable to the CAA for transferring funds on the basis of unauthorised or fraudulent faxes.

7.3 Financial Control of IATA performed activities

In the performance of this Contract, IATA will establish financial control procedures of its activity, including all relevant accounting and budgeting procedures, in accordance with acceptable international accounting practice and the internal regulations of IATA.

A copy of a report for each month of services rendered by IATA in connection with this Contract shall be made available by IATA to the CAA by the end of the following month.

ARTICLE 8 - ADDITIONAL SERVICES

If, during the term of this Contract, the CAA requires from IATA and IATA desires to provide to the CAA services additional to those provided for hereunder ("additional services"), the parties will agree upon the specific terms and conditions for the provision of such additional services by means of an attachment or modification to this Contract.

ARTICLE 9 - FEES, BONDING, DUTIES AND TAXES

It is understood that this Contract shall not give rise or be subject to any registration fees, statistical levy or any other levy, tax, impost or duty in the State of Iraq and that IATA shall not be required to deposit or pay any bond covering any personnel of IATA seconded for the purposes of the performance of this Contract.

In the event that any registration fees, statistical levy, or any other levy, tax, impost or duty is imposed on IATA in connection with this Contract, the CAA shall reimburse IATA for all amounts actually paid therefore by IATA.

ARTICLE 10 - FORCE MAJEURE

It is understood that Force Majeure means any event outside the control of either party which is reasonably unforeseeable or which is foreseen as unavoidable and which occurs after the effective date of this Contract and which prevents the performance in whole or in part of the obligations arising from this Contract.

In the event of non-performance of this Contract resulting from Force Majeure, IATA shall be reimbursed by the CAA of the administrative fees accruing at the date of the commencement of the non-performance. Any such reimbursement shall be made on presentation of an activity report and supporting documentation.

[Handwritten signature]

[Handwritten initials]

ARTICLE 11 - GOVERNING LAW AND JURISDICTION

The present Contract shall be governed by and construed in accordance with the laws of Switzerland, excluding conflict of laws provisions and the parties agree to submit to the exclusive jurisdiction of the courts of Switzerland.

ARTICLE 12 - RULING LANGUAGE

The language in which this Contract was stipulated and is to be construed is English.

ARTICLE 13 - MODIFICATIONS OF CONTRACT

No changes, modifications or amendments of this Contract or of any of the provisions hereof shall be binding upon either party hereto unless made in writing and duly executed by authorised officers of both parties hereto.

ARTICLE 14 - EFFECTIVE DATE

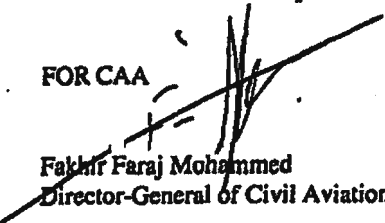
This Contract will become effective as of the effective date provided for in the NOTAM referenced in Article 2 hereunder.

FOR IATA



Tom Windmuller
Senior Vice President
Member & Government Relations

FOR CAA



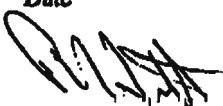
Fakhir Faraj Mohammed
Director-General of Civil Aviation

9 February 2004

Date

3 March 2004

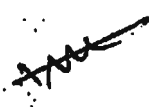
Date



Robert Hutt
Senior Vice President and Chief
Financial Officer

9/2/04

Date



ANNEX 1

(Copy of NOTAM instructing operators
to pay IATA for air navigation charges)

DRAFT NOTAM

(A007/01 NOTAM)

Q) 7777/QXXXX/M/ / /

A) 7777

B) 0077770000

C) PERM

E) UNDER THE AUTHORITY OF THE DIRECTOR GENERAL OF CIVIL AVIATION,
EFFECTIVE (DATE), ALL AIR NAVIGATION CHARGES OF IRAQ WILL BE BILLED AND
COLLECTED BY THE INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA) ON
BEHALF OF THE CAA of the STATE OF IRAQ:

INTERNATIONAL AIR TRANSPORT ASSOCIATION
ROUTE DE L'AEROPORT 33
P.O. BOX 416
CH-1215 GENEVA 15 AIRPORT
SWITZERLAND

FAX: +41 (22) 770-2654
AFTN: LSGGIATA
SITA: GVALDXB
E-MAIL: ATCE&F@IATA.ORG

[Handwritten signature]

[Handwritten mark]

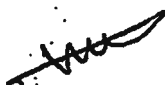
ANNEX 2

RATE OF ADMINISTRATIVE FEES

During the first year of this Contract, the administrative fee to be charged by IATA to the CAA shall be at the rate of three percent (3%) of the gross amount received from Operators as route facility charges for flying on the air routes prescribed in the Iraqi AIP.

During the second year of this Contract, the administrative fee to be charged by IATA to the CAA shall be at the rate of two percent (2%) of the gross amount received from Operators as route facility charges for flying on the air routes prescribed in the Iraqi AIP.

Following the second year of this Contract, the administrative fee to be charged by IATA to the CAA shall be at the rate of one and sixty-five one-hundredths percent (1.65%) of the gross amount received from Operators as route facility charges for flying on the air routes prescribed in the Iraqi AIP.



ANNEX 3

MODALITIES OF PERFORMANCE

1.1 Bases of Information

The information to be provided to IATA by the CAA with respect to Operators to be charged for operating in the Baghdad FIR (Areas of responsibilities of Kirkuk ACC, Tallil ACC and Baghdad ACC), (hereinafter the "flight information") shall be based upon the flight plans filed by Operators with the CAA and/or flight information records (e.g. flight strips) maintained by air traffic controllers of the CAA.

1.2 Means of Transmitting Information

The CAA shall transmit the flight information to IATA by electronic mail in a machine-readable form, or by such other means or forms agreed by both Parties .

1.3 Deadline for Supplying Information

The CAA shall provide to IATA the flight information by no later than ten (10) days after the end of each calendar month.

1.4 Form of Information from the CAA

- A. The flight information provided to IATA shall be clear and legible and in the English language.
- B. The flight information shall be segregated according to each individual Operator for each calendar month. Furthermore, the monthly information for each Operator shall identify each flight thereof separately.
- C. The form by which the CAA shall provide flight information to IATA shall be similar to the form attached as an Attachment to this Annex 3 and shall provide the following information:

1.4

1.4

- 2 -

1. The calendar month for which it is reporting;
2. Name of the Operator for which it applies;
3. The date (day - month - year) of the overflight of each flight to be charged;
4. Identification (IDENT) of each flight to be charged according to the ICAO Code for Designators for Aircraft Operations Agencies and Flight Numbers, Doc 8585;
5. Aircraft type of each flight to be charged according to the ICAO Code for Aircraft Type Designators, Doc 8643;
6. The previous location from where each flight to be charged came and the next location to where said flight is going (i.e. from - to) according to the ICAO Code for Location Indicators, Doc 7910;
7. The route identified by a 4-letter code according to the ICAO Code for Location Indicators, Doc 7910, data constructed on the basis of the routes shown on aeronautical charts or distance and route data from flight plans provided by Operators, or a distance catalogue published by the CAA;
8. Distance in kilometres (km) [under the currently applicable flat rate charging structure established by the CAA for overflights as of 22 August 2003, data need not be entered in this field at present];
9. Maximum Take Off Weight (MTOW) according to airline fleet information [under the currently applicable flat rate charging structure established by the CAA for overflights as of 22 August 2003, data need not be entered in this field at present];
10. Amount to be charged for each flight in United States Dollars (USD);
11. The unit rate in United States Dollars (USD) which is to be imposed on each flight to be charged or rate formula for each flight [under the currently applicable flat rate charging structure established by the CAA for overflights as of 22 August 2003, data need not be entered in this field at present].

1.5 Timing of Billing, Collection and Payment Procedures

The CAA and IATA shall use their best efforts to execute the terms and provisions of this Contract within the following number of days from the last day of each previous calendar month:

~~1.5~~

1.5

- 3 -

Number of days
following last day
of previous month:

Action

5 to 10 days:	The CAA to provide flight information to IATA concerning Operators to be charged for operations during the previous month.
6 to 12 days:	Preparation of flight information from the CAA by IATA and the preparation and mailing of individual invoices by IATA to Operators. Said invoices will indicate that payment is due to IATA within 30 days.
14 to 25 days:	Receipt by Operators of invoices from IATA. Verification of flight information of the CAA by Operators.
15 to 30 days:	Operators send notices to IATA to debit their respective accounts or send cheques to IATA.
15 to 45 days:	IATA receives debit notices or cheques from Operators.
30 to 60 days:	IATA debits the accounts of the Operators or deposits cheques received from Operators.
45 to 75 days:	Operator funds are transferred to the account of IATA.
45 to 75 days:	Pursuant to instructions received from the CAA, IATA transfers route facility charges collected from Operators, less administrative fees, to the CAA.

1.6 Categories of Aircraft Subject to and Exempt from Route Facility Charges

- A. All aircraft flying wholly or partly under Instrument Flight Rules (IFR) will normally be subject to route facility charges.
- B. The CAA may, in respect of the Flight Information Region(s) falling within its competence, exempt from payment of route facility charges on the international air routes prescribed in the AIP published by the CAA at its sole discretion government flights of any State.

~~1.6~~

AS

ANNEX 4

**LIST OF OPERATORS FLYING ON THE INTERNATIONAL AIR ROUTES
IN CONFORMITY WITH THE AIP PUBLISHED BY
THE CAA**

**AIR ATLANTA
ANTONOV AIRLINES
AVIOSTART
KLM
KUWAIT AIRWAYS
LUFTHANSA
LUXOR AIR
POLET CARGO AIRLINES
ROMANIAN AIR FORCE .
ROMAVIA
UNHAS
VOLGA DNEPR AIRLINES**

Any other Operator which subsequently operates on the international air routes prescribed in the AIP published by the CAA shall be deemed to be added to the foregoing list.

100

4

SIDE LETTER AGREEMENT

This side letter agreement ("Side Letter") is made this _____ day of _____, 2004

By and between

(1) The International Air Transport Association, with an office at 33 Route de L'Aeroport, CH-1215 Geneva 15 Airport, Switzerland ("IATA")

and

(2) The Civil Aviation Authority of the State of Iraq with an office at Baghdad International Airport, Baghdad, Iraq ("CAA")

WHEREAS IATA and the CAA have entered into an agreement of even date for the establishment of a route facility charges billing and collection system on behalf of the State of Iraq, represented by the Coalition Provisional Authority, Civil Aviation ("the Agreement"); and

WHEREAS the CAA wishes to further delegate to IATA the task of collecting and invoicing route facility charges accruing prior to the Agreement;

NOW THEREFORE, the Parties hereby agree as follows:


1. In connection with the terms of the Agreement, the CAA further delegates to IATA the task of collecting and invoicing any and all route facility charges, as that term is used in the Agreement, which may be accruing and owing to the CAA as of the 22nd day of August 2003 and notified by the CAA to IATA ("Accrued Charges").
2. Except with respect to Article 4 of the Agreement, the performance of the obligations under this Side Letter shall be in accordance with all the terms of the Agreement as if the terms thereof shall have been incorporated into this Side Letter.
3. This Side Letter shall automatically terminate upon the confirmation by IATA that the Accrued Charges have been invoiced, collected and transmitted to the CAA.
4. This Side Letter supersedes any previous understandings, commitments, or representations whatsoever, whether oral or written, related to the specific subject matter of this Side Letter.

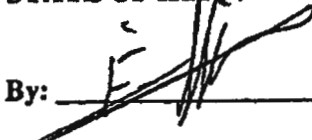
Agreed and Accepted,

Agreed and Accepted,

**THE INTERNATIONAL
AIR TRANSPORT ASSOCIATION**

**CIVIL AVIATION AUTHORITY
STATE OF IRAQ**

By: 
Its: *Senior Vice President
member of Council Relchov*

By: 
Its: *3 March 2004*

By: 
Its: **Mr. R. Hutt
Chief Financial Officer
IATA**

