

**Memorandum of Understanding between the Aeronautical Authorities of
the Republic of Cyprus and of the Russian Federation**

Delegations representing the Aeronautical Authorities of the Republic of Cyprus and the Russian Federation met in Nicosia on the 11th of March 2011 to discuss air services between their respective countries in continuation of the 6th of July 2010 meeting in Moscow. The discussions were held in a friendly and constructive atmosphere and both sides noted the excellent relations and the desire to expand the aviation market between their respective countries.

The list of the two delegations is attached here to as Annex 1.

The two delegations reached the following understandings.

1. Bilateral Air Services Agreement.

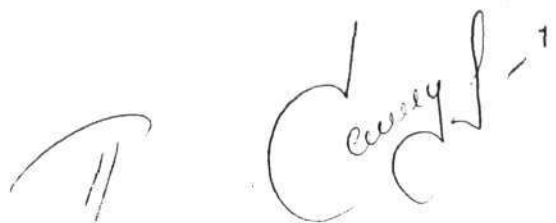
Cyprus side reiterated that EU Law has got precedence over the national Law and that the arrangement between the two countries with respect to air transport must reflect the requirements set by EU on designation and other clauses which concern the EU internal market.

Furthermore the Cyprus side informed the Russian side that there is now an ongoing infringement procedure by the EU Commission against all member states including Cyprus on this issue.

The Russian side informed that the recent understanding reached at the bilateral negotiations between Russia and Finland may be a reference document for the rest of the member states provided that the EU accepts the arrangements reached and the Russian Government takes the appropriate decision. The Russian side informed that by the aviation summit in October 2011 in St Petersburg between the EU and the Russian Federation the outstanding issues will be clarified.

Both sides acknowledged as previously that the existing Bilateral Air Services Agreement (ASA) signed on February 29, 1964 is in need of modernization in order to reflect changes in the highly competitive and the fast changing air transport environment and of the membership of Cyprus into EU.

In last year's meeting of the two sides in Moscow it was agreed that the Russian side will comment on articles submitted by the Cyprus side which concern tariffs, aviation security, safety, code-share and settlement of disputes. The comments were discussed and the said articles are presented as Annex 2. Furthermore it was agreed that these articles will be included in the new draft Air Services Agreement. The article on code-share will be part of the MOU.


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2. Designation, Route Schedule and Frequencies

2.1 The Airlines designated by the Russian side shall be entitled to operate the following agreed routes: From any point in the Russian Federation – to Larnaca and /or Paphos.

2.2 The Airlines designated by the Cyprus side shall be entitled to operate the following agreed routes: From Larnaca and /or Paphos – to Moscow, Saint-Petersburg, Yekaterinburg, Sochi, Samara, Krasnodar, Kazan, Murmansk.

2.3 Any additional destinations will be considered between the two authorities on request.

2.4 Only one airline can be designated from either side to operate scheduled flights on a given city pair. There is no restriction on the number of airlines to perform the given routes.

2.5 It is understood that the designated airlines of both sides shall have the right to combine points on the territory of the other side, provided that no cabotage is permitted.

2.6 It was agreed that the issue of the double or multiple designation can be considered in 2012 after assessing the level and performance of passenger traffic in 2011.

2.7 It was agreed that there will be no restrictions on frequencies and no capacity limitations in terms of 3rd and 4th freedom traffic rights.

The two sides will approve without any delay the timetable and frequencies according to traffic requirements on each route, in the context of fair and equal opportunity to the carriers of each side serving that route, in accordance with the provisions of the existing Bilateral Air Services Agreement.

3. Charter Flights

3.1 The two sides noted that the charter services should not jeopardize scheduled services.

3.2 The operation of the said charter services should be coordinated with the airline of the respective side designated to operate scheduled services on that route.

The Cyprus side requested that this clause be reconsidered/removed so that competition is facilitated.

3.3 The two sides agreed that the charter operations should be approved only after being agreed between the Aeronautical Authorities of both sides.

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The Russian side informed the Cyprus side that in accordance with Article 63 of the Air Code of the Russian Federation foreign airlines are not allowed to carry payload which is originating on the territory of the Russian Federation of charter flights.

4. Code – Share

The two sides agreed that designated airlines of both sides may enter into commercial arrangements such as code – sharing and block space.

5. Entry into force

This Memorandum of Understanding is applied as of today's date.

Done in Nicosia on 11th March 2011.



Dr. Leonidas Leonidou
Director
Department of Civil Aviation
For the Aeronautical Authorities of
the Republic of Cyprus



Mr. Oleg Demidov
Deputy Director
Department of State Policy in Civil
Aviation - Ministry of Transport of the
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For the Aeronautical Authorities of the
Russian Federation.

Article – Aviation Safety

1. Each Contracting Party may request consultations at any time concerning safety standards in any area relating to crew, aircraft or their operation adopted by the other Contracting Party. Such consultations shall take place within thirty (30) days of that request.

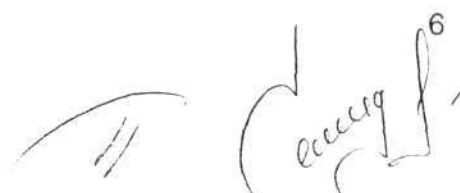
2. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards in any such area that are at least equal to the minimum standards established at that time pursuant to the Convention, the first Contracting Party shall notify the other Contracting Party of those findings and the steps considered necessary to conform with those minimum standards, and that other Contracting Party shall take appropriate corrective action. Failure by the other Contracting Party to take appropriate action within fifteen (15) days or such longer period as may be agreed shall be grounds for the application of **Article addressing revocation, suspension and variation of operating authorizations** of the present agreement.

3. Notwithstanding the obligations mentioned in Article 33 of the Convention it is agreed that any aircraft operated by the designated airlines of one Contracting Party on services to or from the territory of the other Contracting Party may, while within the territory of the other Contracting Party, be made the subject of an examination by the authorized representatives of the other Contracting Party, on board and around the aircraft to check both the validity of the aircraft documents and those of its crew and the apparent condition of the aircraft and its equipment (in this Article called "ramp inspection"), provided this does not lead to unreasonable delay.

4. If any such ramp inspection or series of ramp inspections gives rise to:

- a) serious concerns that an aircraft or the operation of an aircraft does not comply with the minimum standards established at that time pursuant to the Convention, or
- b) serious concerns that there is a lack of effective maintenance and administration of safety standards established at that time pursuant to the Convention,

the Contracting Party carrying out the inspection shall, for the purposes of Article 33 of the Convention, be free to conclude that the requirements under which the certificate or licenses in respect of that aircraft or in respect of the crew of that aircraft had been issued or rendered valid, or that the requirements under which that aircraft is operated, are not equal to or are below the minimum standards established pursuant to the Convention.

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5. In the event that access for the purpose of undertaking a ramp inspection of an aircraft operated by or on behalf of the airline or airlines of one Contracting Party in accordance with paragraph (3) above is denied by a representative of that airline or airlines, the other Contracting Party shall be free to infer that serious concerns of the type referred to in paragraph (4) above arise and draw the conclusions referred in that paragraph.



6. Each Contracting Party reserves the right to suspend or vary the operating authorization of an airline or airlines of the other Contracting Party immediately in the event the first Contracting Party concludes, whether as a result of a ramp inspection, a series of ramp inspections, a denial of access for ramp inspection, consultation or otherwise, that immediate action is essential to the safety of the airline operation.

7. Any action by one Contracting Party in accordance with paragraphs (2) or (6) above shall be discontinued once the basis for the taking of that action ceases to exist.



Article – Aviation Security

1. Each Contracting Party may request consultations at any time concerning security standards in any area relating to aircrews, aircraft or their operation adopted by the other Contracting Party. Such consultations shall take place within 30 days of that request.
2. Consistent with their rights and obligations under international law, the Contracting 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 Contracting 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, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971, the Montreal Supplementary Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, signed at Montreal on 24 February 1988, the Convention on the Marking of Plastic Explosives for the Purpose of Detection, signed at Montreal on 1 March 1991 and any aviation security agreement that becomes binding on both Contracting Parties.
3. The Contracting 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.
4. The Contracting Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organisation and designated as Annexes to the Convention to the extent that such security provisions are applicable to the Contracting Parties. Each Contracting Party shall require that airlines it has designated to operate the agreed services on the specified routes, and the operators of airports in its territory, act in conformity with such aviation security provisions.
5. Each Contracting Party agrees that its designated airline shall be required to observe the aviation security provisions referred to in paragraph (4) above required by the other Contracting Party for entry into the territory of that other Contracting Party. For departure from, or while within, the territory of the each Contracting Party designated airlines shall be required to observe aviation security provisions in conformity with the law in force of the State of each Contracting Party.
6. Each Contracting Party shall ensure that adequate measures are effectively applicable to security 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 Contracting Party shall also act favourably upon any request from the other Contracting Party for reasonable special security measures to meet a particular threat.

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7. 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 Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat thereof, to the extent practicable under the circumstances.

8. When a Contracting Party has reasonable grounds to believe that the other Contracting Party has departed from the provisions of this Article, the Aeronautical Authorities of the first Contracting Party may request immediate consultations with the Aeronautical Authorities of the other Contracting Party. Failure to reach a satisfactory agreement within 15 days from the date of such request shall constitute grounds for the application of paragraph (1) of **Article addressing revocation, suspension and variation of operating authorizations** of this Agreement. When required by an emergency, a Contracting Party may take interim action under paragraph (1) of **Article addressing revocation, suspension and variation of operating authorizations** of this Agreement prior to the expiry of 15 days. Any action taken in accordance with this paragraph shall be discontinued upon compliance by the other Contracting Party with the security provisions of this Article.

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Article – Settlement of Disputes

1. If any dispute arises between the Contracting Parties relating to the interpretation or application of the present Agreement and its Annex the Contracting Parties shall in the first place endeavor to settle it by negotiation between Aeronautical Authorities of both Contracting 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 Contracting Party may refer the dispute to an arbitral tribunal of three arbitrators, two of whom to be nominated by the Contracting Parties and one umpire nominated by the two so nominated. In case the dispute is referred to arbitration, each of the Contracting Parties shall nominate an arbitrator within a period of sixty (60) days from the date of receipt a notice in respect of reference of the dispute to arbitration and the umpire shall be appointed within a further period of sixty (60) days. If either Contracting Party fails to nominate its arbitrator within the specified period, or nominated arbitrators fail to agree on the umpire within the said period, the President of the Council of the International Civil Aviation Organization may be requested by either Contracting Party to appoint the arbitrator of failing party or the umpire as the case may require. However, the umpire shall not be a national of the State of either Contracting Parties and shall be a national of a state having diplomatic relations with the State of both Contracting Parties at the time of the appointment.
4. In the case of the appointment of the umpire by the President of the Council of International Civil Aviation Organization, if the President of the Council of International Civil Aviation Organization is prevented from carrying out the said function or if he is a citizen of either Contracting Party, the appointment shall be made by the Vice-President.
5. The rules of procedures and the place of an Arbitration shall be determined by the Contracting Parties.
6. The decisions of the arbitral tribunal shall be binding for the Contracting Parties.
7. Each Contracting Party shall bear the cost of its own member of the tribunal and its representation in the arbitral proceeding. The cost of the umpire and the remaining cost shall be born in equal part by the Contracting Parties. Any expenses incurred by the Council of International Civil Aviation Organization in connection with the appointment of the umpire and/or the arbitrator of the failing Contracting Party as referred to in paragraph (3) of this Article shall be considered to be part of the expenses of the arbitral tribunal.

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Article – Tariffs

1. The tariffs applicable between the territories of the two Contracting Parties shall be established at reasonable levels, due regard being paid to all relevant factors including the cost of operation, the interest of users, reasonable profit, class of service and when it is deemed suitable, the tariffs of other airlines operating over whole or part of the routes specified in the Routes schedule annexed to the present Agreement.

2. The tariffs referred to in this Article may be developed independently by the designated airline.

3 Where the Aeronautical Authorities of one or either of the Contracting Parties proposed to intervene in a tariff, the primary objectives of such intervention shall be:

- (a) prevention of unreasonably discriminatory tariffs;
- (b) protection of consumers from prices that are unreasonably high or restrictive because of the abuse of a dominant position;
- (c) protection of airlines from prices to the extent that they are artificially low because of direct or indirect government subsidy; and
- (d) protection of airlines from prices that are low, where evidence exists as to an intent of eliminating competition.

4 The Aeronautical Authorities of either Contracting Party may require tariffs for an agreed service to be submitted for the purposes mentioned in paragraph 3 of this article. The Aeronautical Authorities may require the information to be submitted within 30 days.



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Code Share Provisions

Any designated airline may enter into commercial and/or co-operative marketing arrangements including, but not limited to, blocked-space or code-share arrangements, with any other airline, including an airline of a third country, provide that:

1. the operating airline in such arrangements holds the appropriate operating authorization and traffic rights;
2. both, the operating and marketing airlines hold the appropriate route rights;
3. no service is held out by an airline of one country for the carriage of passengers between a point in the territory of the other country and a point in a third country, or between two points in the territory of the other country, and no such passengers are carried, unless that airline itself has traffic rights between those two points;
4. in respect of each ticket sold, the purchaser is informed at the point of sale which airline will operate each flight forming part of the service;
5. the activities mentioned are carried out in accordance with the laws and regulations applicable in each country, including those governing competition;
6. the relevant airline has secured any necessary approvals from its own authorities, for the purposes of ensuring that code share arrangements is consistent with bilateral arrangements with any relevant third country; and
7. code share agreements will be subject to approval by the Aeronautical Authorities of both sides.



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