

Aviation Act No 60/1998, as amended

CHAPTER I General Provisions

Article 1

This Act is effective in Icelandic territory and aboard Icelandic aircraft, wherever located, unless agreements with other states or the laws of the state through which the aircraft passes provide otherwise.

The Minister shall decide the extent to which any rules established pursuant to authorisation provided for in this Act shall apply outside Icelandic territory.

Article 2

For the purposes of this Act, aircraft means any machine capable of sustained flight through the actions of air, other than air cushion effects at the surface of the earth.

The Minister may establish rules concerning devices intended for movement through the air, which are not aircraft.

The Minister may exempt from the provisions of this Act, or establish separate rules for, any aircraft, which are not operated by a pilot on board, which are not engine-driven or which are otherwise of a specific kind.

Article 3

An aircraft may fly over Icelandic territory only if it complies with one of the following conditions:

- a. that it is of Icelandic nationality;
- b. that it is of the nationality of a state which has been granted the right by treaty to fly over Icelandic territory;
- c. that it has obtained authorisation from the Minister, or from whom the Minister assigns the authorisation, to pass through Icelandic territory.

Authorisation pursuant to Sub-section (c) of Paragraph 1 may be attached to such conditions as are considered necessary, and may be revoked without notice. The Minister may lay down further rules concerning procedures for authorisation.

Article 4

In cases of urgency, e.g. for reasons of public safety or public order, the Minister may restrict or prohibit aviation in general or in parts of Icelandic territory.

The Icelandic Transport Authority may prohibit supersonic flight within Icelandic territory.

Article 5

The Icelandic Transport Authority may prohibit flight of aircraft registered or operated from specific states and/or operators within Icelandic territorial airspace on the basis of flight safety. The Icelandic Transport Authority may disclose information on such a ban to the public, international institutions and states. Regulations shall make further provisions on such a prohibition, its conditions, execution, the lifting of the prohibition and disclosure of information.

CHAPTER II Public Aircraft

Article 6

The operation and airworthiness of aircraft not covered by the regulation of the European Aviation

Safety Agency (EASA), operating in law enforcement, customs patrol, search and rescue, fire fighting, coast guard or equivalent tasks shall be subject to the same requirements as the operation of other types of aircraft according to this Act and regulations set pursuant to it.

The Icelandic Transport Authority issues a specific certificate of airworthiness for aircraft covered by Paragraph 1, or aircraft which otherwise comply with the requirements set forth in Article 20, cf. Article 22.

Aircraft Operators, in accordance with the provisions of Paragraph 1, shall have a specific Air Operator Certificate (AOC), issued by the Icelandic Transport Authority and subject to compliance with the relevant conditions. Regular inspection is pursuant to Article 21, Article 27 and other provisions of this Act and other Acts relating to the Authority.

The Minister may set further rules, including rules on the conditions for the issue of a certificate of airworthiness, airworthiness review certificate and air operator certificate and rules on components, maintenance, certification, personnel training and other matters relating to aircraft operation and falling within the scope of this Article.

CHAPTER III

Icelandic Register of Aircraft

Article 9

The Icelandic Transport Authority shall maintain an Icelandic Register of Aircraft.

An aircraft which has been registered in accordance with the provisions of this Act shall be regarded as being of Icelandic nationality and issued a numbered certificate of nationality and registration by the Icelandic Transport Authority. The aircraft shall be regarded as being of Icelandic nationality for as long as the certificate remains valid.

Upon registration, the aircraft shall be marked with an Icelandic nationality mark and registration mark, and assigned a registration number. The aircraft shall bear the nationality and registration mark as long as its registration remains valid. Registration numbers may not be altered.

The registration of liens on aircraft is subject to separate legislation. The District Commissioner of Reykjavík is responsible for the administration of the register of liens.

The Icelandic Transport Authority shall notify all changes in the Icelandic Register of Aircraft as soon as possible to the party responsible for maintenance of the register of liens on aircraft.

The Icelandic Transport Authority may set further rules on aircraft registration, for instance rules pursuant to international obligations, among them rules on nationality, registration certificates and identification plates.

Article 9 a

The Icelandic Transport Authority may entrust a recognised party with registering aircraft of a particular type or category, in accordance with regulations set by the Minister. Deregistration, the conditions for registration and the legal effects of registration are in other respects subject to the provisions of this Act.

Article 10

Aircraft owned by Icelandic citizens domiciled in Iceland or by Icelandic legal entities domiciled in Iceland may be registered in Iceland. However, the right to register aircraft is subject to fulfilment of legal conditions regarding foreign investment in Icelandic enterprises.

Notwithstanding the above, aircraft authorised for use by Icelandic air operators in their business

activities may be registered in Iceland, if the aircraft is owned by individuals or legal entities possessing citizenship and legal residence in a state with which Iceland has reached agreement on this issue.

The Icelandic Transport Authority may permit the registration of an aircraft in Iceland despite its not fulfilling conditions of the first and second paragraphs, provided that special reasons exist for granting such an exemption and that the Icelandic Transport Authority is satisfied that the regulatory arrangements for this aircraft are adequate.

Article 11

An aircraft registered abroad may not be registered in Iceland until stricken from the foreign register.

In the event that an aircraft is subject to registered liens, which shall be regarded as effective in Iceland pursuant to an agreement with a foreign state, the aircraft may not be registered in Iceland unless the holders of the liens have been fully informed, their acceptance for the transfer has been given or the liens lifted by enforced sale of the aircraft.

Article 12

An aircraft may not be registered unless it has a type certificate issued or approved by the Icelandic Transport Authority or the European Aviation Safety Agency.

The Minister may, by a government regulation, establish special rules regarding aircraft without type certificates, e.g. home-constructed aircraft, and the registration of such aircraft.

Article 13

An aircraft shall be registered pursuant to a written application submitted by the owner. Applications shall include the reports necessary for the registration, and shall be accompanied by certificates proving the applicant's ownership of the aircraft in question and indicating when and by whom the aircraft was built and compliance with the conditions of Articles 10-12. In the event that an applicant's ownership is subject to conditions or limitations which may result in the transfer of ownership to another party, this shall be noted in the application.

Article 14

If, in the opinion of the Icelandic Transport Authority, requirements for registration are met, the Authority shall register the aircraft and assign it a registration mark and registration number. The following shall be registered:

- a. nationality mark, registration mark and registration number of the aircraft;
- b. the required report regarding other features of the aircraft, e.g. class and type of aircraft, manufacturer's number on the air frame and engines, and the year of manufacture of the aircraft;
- c. a report on the owner, owner's name and address, the date on which ownership of the aircraft was transferred to the owner and all applicable conditions and limitations, as described in Article 13 above;
- d. the party that has right of use of the aircraft, if other than the owner;
- e. the date and year of registration;
- f. other reports as decided by the Icelandic Transport Authority.

Article 15

In the event of partial or full transfer of ownership of an aircraft subsequent to its registration, if the owner of an aircraft changes citizenship or the aircraft undergoes changes affecting its identifying features, the owner shall immediately report such occurrence to the Icelandic Transport Authority and submit the necessary reports and documentation. The same shall apply when the owner of an aircraft no longer fulfils the conditions laid down in Article 10.

In the event of partial or full transfer of ownership of an aircraft by contract, the obligation to report also rests with the conveyer of title. In the event of transfer of ownership of an aircraft at enforced auction, or

as part of bankruptcy proceedings or public liquidation proceedings, the obligation rests with the conveyer of title and the buyer.

The Icelandic Transport Authority shall register such transfers and ensure compliance with the provisions of Articles 13 and 14 as necessary at each time.

Article 16

An aircraft shall be stricken from the Register under the following circumstances:

- a. the registered owner so requests;
- b. the conditions described in Article 10 above are no longer met, provided that the Icelandic Transport Authority does not authorise continued registration of the aircraft;
- c. the aircraft is demolished or has been destroyed;
- d. the aircraft is missing; an aircraft is considered missing when three months have passed since the start of its last flight and it is at that time not known whether the aircraft is still intact.

Provided that the aircraft's registered owner and/or keeper has paid accrued and due fees to the Icelandic Transport Authority for the aircraft and its regulation, these fees have been negotiated or collateral has been provided for their payment.

If any of the situations described in items b-d of Paragraph 1 of this Article should arise, such occurrences shall immediately be reported to the registration authorities, provided that they have not already been reported in accordance with the provisions of Article 15 above.

An aircraft that has not had a valid certificate of airworthiness for three years may be stricken from the Register, provided that the owner of the aircraft in question has not obtained such a certificate before the deadline set by the registration authorities.

An aircraft that is subject to a registered lien shall not be stricken from the Icelandic Register of Aircraft except with the consent of the holder of the lien. An aircraft may be stricken from the Register without the consent of the holder of the lien if the Provisions of items b, c or d of the first paragraph apply and it has been adequately confirmed that the aircraft permanently fails to comply with the requirements of airworthiness or if the value of the liens is negligible compared to the incidents and interests at stake.

Article 17

If a registered aircraft is sold on terms of instalment payment and subject to title retention, or a hire-purchase or financial lease agreement is made, such contract shall be promptly reported to the Icelandic Transport Authority. The obligation to report rests with both the owner and user.

The Icelandic Transport Authority shall register the facts in each case and obtain copies of the relevant contracts.

In the event that an aircraft registered in Iceland is placed at the disposal of a lessee or of another party for use at that party's own expense, the lessee or the party using the aircraft is required to obtain permission from the Icelandic Transport Authority before the use of the aircraft commences.

Article 18

When an aircraft is stricken from the Register, its owner, or former owner if ownership of the aircraft has passed to a foreign party, shall immediately send its certificate of nationality and registration to the Icelandic Transport Authority.

In the event that any changes of the items referred to in the certificate are entered in the Register, the owner shall promptly send the certificate to the Icelandic Transport Authority which shall enter the changes in the certificate or issue a replacement certificate.

Article 19

Any Icelandic aircraft engaged in aviation pursuant to this Act shall carry the following items:

- a. confirmation of the aircraft's registration of nationality;
- b. a valid airworthiness certificate or a valid permit to operate an aircraft, as applicable;
- c. a valid licence for each flight crew member who is required to carry a licence while working;
- d. an aviation log;
- e. a radio operator certificate;
- f. a passenger manifest, if the aircraft is transporting passengers between countries, specifying their names, the aerodrome at which they boarded the aircraft and their aerodrome of destination. A copy of the passenger manifest shall also be available at the aerodrome of departure; this applies also to domestic flights;
- g. a bill of lading and an itemised cargo manifest, if the aircraft is transporting cargo between countries.

A foreign aircraft in Icelandic territory shall carry equivalent certificates, issued by the relevant foreign state or states authorised to conduct aviation in Icelandic territory.

Any lawfully interested party shall have the right to inspect the content of logs and other aircraft documents.

Unless otherwise decreed by special laws, the Icelandic Transport Authority shall issue rules regarding logs and other aircraft documents, their storage aboard aircraft and, as necessary, their type, writing and preservation.

CHAPTER IV

Airworthiness

Article 20

Aircraft used for aviation according to this Act shall be airworthy.

An aircraft shall be considered airworthy only if it meets the following conditions:

- a. that it is designed according to appropriate standards and carries a certificate in proof of this;
- b. that it is built by a certified manufacturer; however, special rules may be applied to home-constructed aircraft, cf. Article 12 above;
- c. that maintenance and regular inspection of the aircraft conforms to rules and instructions of aviation authorities regarding maintenance control and the use of approved maintenance facilities, major inspection, repairs, alterations and installation of equipment;
- d. that the aircraft complies with government requirements regarding pollution prevention, including pollution from noise and exhaust fumes;
- e. that the aircraft, its crew and passengers are adequately insured in accordance with the provisions of this Act.

Article 21

The Icelandic Transport Authority shall monitor the airworthiness of aircraft used in aviation pursuant to this Act and conduct surveys and inspections as may be required.

The Icelandic Transport Authority may, by contract with a foreign state or other competent party, appoint and authorise that party to either partly or fully conduct inspections and audits and perform surveillance of the operation and maintenance of an aircraft registered in Iceland and located outside the European Economic Area, whether long-term or short-term, pursuant to a valid contract of operation of aircraft in that location. The contract between the Icelandic Transport Authority and the foreign state shall stipulate the terms of the arrangement of surveillance, the scope of the authorisation, the registration of the contract and other conditions in accordance with international obligations. By means of a governmental confirmation of the contract, the Icelandic Transport Authority is released from its

duties pursuant to this Act for the aircraft covered by the contract, insofar as the duties are transferred to the other contracting party. The same shall apply to a contract where the Icelandic Transport Authority or another competent party, by contract with a foreign state or other competent party, assumes the responsibility of inspections and audits and the performance of surveillance of operation and maintenance of an aircraft registered outside the European Economic Area and located in Iceland, whether long-term or short-term, pursuant to a valid contract of operation of aircraft.

Article 22

If the airworthiness of an aircraft has been verified by inspection or by other means, the Icelandic Transport Authority shall issue an airworthiness certificate for the aircraft. Certificates may be issued for a specific period of time, and may be limited to a specific class of aircraft or a specific area.

The Icelandic Transport Authority may require instructions regarding the use of the aircraft to be included in the certificate or in a separate document accompanying the certificate, in which case the aircraft shall be considered airworthy when the instructions are followed.

Article 23

An airworthiness certificate, issued or confirmed by the Icelandic Transport Authority, shall be kept aboard every Icelandic aircraft used for aviation in accordance with this Act as proof of airworthiness. A foreign aircraft flying in Icelandic territory shall carry either such a certificate or an airworthiness certificate issued or confirmed in a foreign state with which an agreement has been concluded on the recognition of such a certificate in Iceland.

Article 24

An airworthiness certificate shall be invalidated under the following circumstances:

- a. when required maintenance control or required maintenance has not been performed for the aircraft;
- b. when unauthorised alterations have been made to the aircraft or its equipment;
- c. when an aircraft or its equipment has been damaged to an extent that clearly affects its airworthiness;
- d. when insurance required by law lapses.

The Icelandic Transport Authority may require the surrender of invalidated certificates. Certificates shall remain invalid until the defects in question have been rectified.

Article 25

The provisions of Articles 22 and 24 regarding Icelandic certificates of airworthiness shall apply in a corresponding manner to the Icelandic Transport Authority's confirmation of foreign airworthiness certificates, and equally to the renewal and invalidation of such confirmation.

Article 26

The user of an aircraft, according to the Icelandic Register of Aircraft, which is used in aviation pursuant to this Act shall ensure the airworthiness of the aircraft when it is in use, and is responsible for obtaining a valid certificate of airworthiness for the aircraft.

In the event of any incident affecting the airworthiness of the aircraft, either the party registered as the user of the aircraft according to the Icelandic Register of Aircraft or the captain of the aircraft shall report the incident to the Icelandic Transport Authority as soon as possible, and provide the Authority with all information necessary for the surveillance of the aircraft.

The Authority shall be authorised to grant exemptions from the provisions of this Chapter IV and rules established according to these provisions, when it is considered necessary to test the qualities of an aircraft, or under other special circumstances.

Article 27

The Icelandic Transport Authority, and any party or authority described in Paragraph 2 of Article 21 which has been approved by the Authority, shall have access to all aircraft used for aviation pursuant to this Act. The aforesaid parties shall be authorised to conduct any investigation of the aircraft and its equipment that they regard as necessary in the course of inspection and surveillance. The same parties may for this purpose demand all necessary assistance from the party having the use of the aircraft according to the Icelandic Register of Aircraft, from its captain and crew, and from any other employees of parties required to work under licences granted by the Icelandic Transport Authority, including the employees of maintenance facilities and maintenance parties. They may require the aircraft to be made available for inspection, have it unloaded and conduct test flights and other tests. This authorisation extends also to foreign aircraft in transit in Iceland.

Inspections pursuant to this Article shall be conducted with all possible discretion.

In a manner corresponding to the provisions of Paragraphs 1 and 2 of this Article, the Icelandic Transport Authority shall have access to any establishment of any party required to work under licences granted by the Icelandic Transport Authority, including access to aircraft maintenance facilities and to documents and files relating to aircraft maintenance, access to hangars, and access to any other buildings and documents established and maintained in the interest of aviation.

Article 28

The Icelandic Transport Authority may decide that further specified maintenance, repair and alteration work on aircraft and their equipment, instruments and spare parts, shall be performed only by certified maintenance organisations.

The Icelandic Transport Authority shall certify maintenance organisations pursuant to their applications, provided that they comply with conditions set by the Minister of Communications in a regulation relating to:

- a. specification of the operation, which shall, among other things, cover organisation and quality control;
- b. the expertise and competence of responsible representatives;
- c. premises, equipment and other facilities;
- d. financial position, where secure cash flow must at all times be sufficient to cover three months' operation.

The Icelandic Transport Authority is authorised to require post holders i.e. the accountable manager, technical director, and quality control manager, to demonstrate their knowledge and competence by a special examination. Following certification by the Icelandic Transport Authority, they are required to serve as special advisors to the Authority. In the event that a post holder who has been certified is found to be deficient in knowledge or competence, or if a post holder breaches confidence with the Icelandic Transport Authority, the Authority may withdraw its certification.

The Icelandic Transport Authority may at any time conduct an audit of the establishments of maintenance operators, and for this purpose the establishment's post holders shall provide the access and assistance required by the Authority.

The Icelandic Transport Authority can issue airworthiness instructions as well as operating instructions that concern individual operating factors of maintenance operators. However, such instructions can also relate to the operation as a whole. Operating instructions can relate to prohibiting a particular operation, making it subject to limitations, or making it, in the interest of improved aviation safety, subject to compliance with certain conditions imposed by the Authority. Operating instructions shall specify the reason for their issue, their scope and term of validity, and the measures that the operator in question needs to take.

In the event that a certified maintenance operator fails to comply with any provisions of law, instructions or conditions of the operator's licence, or if the operator is shown to be unfit to conduct operations in

accordance with applicable instructions, the Icelandic Transport Authority can, according to its own assessment of the circumstances, revoke the licence either wholly or in part. A revocation in part shall pertain to more narrowly defined factors in the operation of the licensee in question, for instance in respect of a particular aircraft or particular maintenance factors. The revocation shall at first be temporary while the case is under investigation with regard to grounds for permanent revocation. Time limits shall be set for temporary revocation.

The Minister may set further regulations on airworthiness, for instance on certifying aircraft, components and equipment; on certifying maintenance facilities and the conditions for such certification; and also on the qualification requirements for personnel in this field.

Article 28 a

Those who desire to be recognised for monitoring the operation and airworthiness of a particular type or category of aircraft must apply to the Icelandic Transport Authority for certification.

Recognition shall be granted provided the conditions are met that are stipulated in this Act and regulations set pursuant to it.

Recognition may be revoked if the party does not fulfil the requirements and conditions set for such operations, or if the party's business materially breaches provisions of laws or regulations. Should the company's articles of association or the extent and nature of its operations change significantly, recognition must be applied for once more.

The Icelandic Transport Authority may temporarily revoke or partly limit its recognition of a company if the Administration considers it doubtful that the company is capable of fulfilling the requirements for its operations in a manner that can be assumed to ensure flight safety. Among other matters, the Minister may set regulations on:

- a. the Icelandic Transport Authority granting of permits and its regulating of recognised parties, along with the conditions for transferring regulation;
- b. requirements for recognition, implementation and operation, including as to company form, financing, financial position, accounting and insurance, as well as requirements for teaching, training, testing and monitoring;
- c. the education and ability of teachers and those in charge of testing and monitoring;
- d. representatives and their approval;
- e. communicating information and reporting to the Icelandic Transport Authority.

Article 28 b

If a party wishes to be certified or recognised for the practical and/or theoretical instruction, training or testing of:

- a. aircraft crew members;
- b. cabin crew;
- c. aircraft maintenance technicians;
- d. certifying staff;
- e. flight operations officers;
- f. those in the field of aviation navigation services and air traffic management, including air traffic control; and
- g. those working at aviation security or regulating or implementing it;

then the said party must apply to the Icelandic Transport Authority for certification or recognition. Such certification or recognition shall be granted, provided the conditions are met which are stipulated in this Act and regulations set pursuant to it.

Certification or recognition may be revoked if the party does not fulfil the requirements and conditions set for the operation, or if the party's operations breaches provisions of laws or regulations. The Icelandic Transport Authority may temporarily revoke or partly limit its certification or recognition if the

Administration considers it doubtful that the company is capable of fulfilling the requirements for its operations in a manner that can be assumed to ensure flight safety.

Among other matters, the Minister may set regulations on:

- a. the Icelandic Transport Authority's granting of permits and its regulating of recognised or certified parties, along with the authority to transfer regulation to independent bodies that have been recognised or certified;
- b. the EFTA Surveillance Authority (ESA) monitoring of how regulation is conducted;
- c. requirements for certification or recognition, including financing, financial position, accounting and insurance, as well as requirements for the conduct of teaching, training and testing, for performance and service level or for keeping aircraft and equipment;
- d. key managers and their approval;
- e. equipment used for training and testing and the certification thereof;
- f. the education and abilities of teachers and those in charge of testing; and
- g. communicating information and reporting to the Icelandic Transport Authority.

Article 28 c

Any party wishing to be appointed and approved as an authorised aviation medical examiner or for operating an aero medical centre shall apply to the Icelandic Transport Authority for such an appointment and approval.

The appointment and approval shall be granted, provided the conditions are met which are stipulated in this Act and regulations set pursuant to it.

The appointment or approval may be revoked if the party does not fulfil the requirements and conditions set for the operation, or if the party's business materially breaches provisions of laws or regulations.

The Icelandic Transport Authority may temporarily revoke or partly limit its appointment or approval if the Authority considers it doubtful that the party is capable of fulfilling the requirements for its operations in a manner that can be assumed to ensure flight safety.

Among other matters, the Minister may set regulations on the organisation and number of appointed authorised aviation medical examiners and aero medical centres, how health checks are performed, on the operations of aero medical centres, on the Icelandic Transport Authority's granting of permits and its regulating of authorised medical examiners and aero medical centres, on communicating information, on education in the field of aviation medicine and on the issue of medical certificates.

Article 28 d

The Icelandic Transport Authority shall monitor whether a certified or recognised party according to Article 28, a; 28, b; and 28, c, is meeting the requirements made of the operation and performing the duties undertaken. For this purpose the Authority may employ, among other means, the measures provided in Article 84.

Article 28 e

The owners and keepers of aircraft operating in civil aviation shall meet the requirements of regulations set by the Minister on safe operating conditions. These regulations may for instance provide for airworthiness, flight preparations and flight procedures, capacities and operational limits, and minimum equipment, including for air navigation.

Article 28 f

The owners and keepers of aircraft operating in aerial work, be it private aviation or commercial aerial work, shall meet the requirements of regulations set by the Minister on safe operating conditions.

These regulations may for instance provide for airworthiness, permits for varying types of aerial work, flight preparations and flight procedures, capacities and operational limits, and minimum equipment, including for air navigation.

In other respects, the conditions for commercial aerial work are subject to the provisions of Chapter IX of this Act.

CHAPTER V

Air Crew

Article 29

Any aircraft which is used in aviation pursuant to this Act shall be manned by a crew in compliance with the instructions of government authorities. The crew consists of employees who perform duties aboard the aircraft during flight and whose work is regarded as vital for the secure operation of the aircraft or passenger safety.

The user of an aircraft, as registered in the Icelandic Register of Aircraft, and the captain of the aircraft shall guarantee that the aircraft is properly manned with a crew.

Article 30

The user of an aircraft is responsible for ensuring compliance with provisions concerning the crew of the aircraft. The Icelandic Transport Authority shall monitor compliance with provisions concerning crews. The Authority may assign the monitoring to an Icelandic or foreign party, or to a foreign authority which is competent under Icelandic law.

Article 31

The Minister shall decide by regulation the qualifications required of flight crew members regarding citizenship, age, physical and mental capacity, general conduct, education and training. The Minister shall furthermore decide by regulation which crew members shall carry licences confirming their qualifications. Such personnel shall be referred to as flight crew members.

The normal maximum age limit of pilots in commercial air transport operations shall be 60 years; however, the Minister may provide in a regulation for the extension of this limit to the age of 65, subject to conditions established by the Minister.

Article 32

The Icelandic Transport Authority shall issue licences to flight crew members, provided that the individuals in question demonstrate that they are qualified for their position.

Licences may be limited to the flights of a specific type of aircraft or to flights in a specified area. Licences shall be issued in accordance with a regulation established by the Minister, provided that the bearer of such a certificate meets the statutory requirements for the position. Confirmation of foreign licences is subject to the same regulation.

The Icelandic Transport Authority may refuse to issue a licence to any person who has been convicted of a criminal offence justifying the belief that the person in question will misuse the certificate, provided always that the offence in question was punishable by imprisonment.

Article 33

As regards aviation in Icelandic territory, the Icelandic Transport Authority may refuse to acknowledge a licence issued to an Icelandic citizen by a foreign state, unless otherwise provided in international treaties.

Article 34

Any person holding a licence issued or approved by the Icelandic Transport Authority shall inform the Authority as soon as possible of any matters relevant to the evaluation of his/her compliance with the conditions for the position. Licence holders are obliged at any time to undergo any investigation or

examination, which the Authority may regard as necessary.

If it comes to the attention of a physician that a flight crew member has a health deficiency which is so serious that his/her work aboard an aircraft poses a risk, the physician shall warn the flight crew member of this fact and notify the Icelandic Transport Authority.

The Icelandic Transport Authority may at any time revoke a licence if, in the Authority's opinion, the holder no longer meets the conditions required for performing the work covered by the licence. In such cases, licences shall at first be temporarily revoked, i.e. until it has been decided whether or not it should be permanently revoked.

Article 35

In special circumstances, the Icelandic Transport Authority may authorise the use of an aircraft for training in aviation and other purposes even if the aircraft is not manned in accordance with the provisions of this Chapter V.

Article 36

Crew members shall obey the orders of their superiors in the course of their work, treat the aircraft and the people and goods aboard it with care and discharge their duties conscientiously.

Article 37

No crew member or any other employee may work aboard an aircraft, be in control of an aircraft, direct aviation traffic or provide security services in relation to aviation if he/she is unable to discharge his/his duties safely as a result of the consumption of alcohol, stimulants or sedatives, or due to illness, fatigue or any other similar reason.

In the event of an alcohol level above 0.2‰ in an individual's bloodstream, or a sufficient amount of alcohol in that individual's digestive system to bring about that blood alcohol level, the individual shall be regarded as under the influence of alcohol and unfit to discharge the duties referred to in Paragraph 1 of this Article. A belief that the alcohol level is lower is not an exonerating factor.

None of the people concerned here may consume alcohol during the eight hours preceding the start of work, nor may they do so during the time they are working. The penalty for non-compliance shall be temporary revocation of their licence for at least three months, and permanent revocation in cases of serious or repeated infractions. Furthermore, they may not consume alcohol, stimulants or sedatives for six hours after completing a work shift if there is reason to believe that their conduct at work will be subjected to an investigation. Police officers may, in cases of reasonable cause, convey a crew member to a physician for testing, including testing of blood and urine, and the crew member in question is required undergo any necessary treatment prescribed by the physician.

The Minister may set regulations on the rights and obligations of flight operators, crew members and parties recognised to perform flight instruction and training with respect to:

- a. maximum working hours, maximum flight duty periods and minimum rest periods; and
- b. the recording of flight duty, work and rest periods.

Article 38

In the event that a crew member falls ill or is injured away from home in the course of work, the employer shall pay all costs of medical aid, hospital care and transportation of the patient home.

Article 39

The Minister shall decide the extent to which the provisions of this Chapter V shall apply to foreign aircraft in Icelandic territory.

Article 40

All Icelandic aircraft, which used in aviation pursuant to this Act shall have a captain. The captain holds the supreme authority aboard an aircraft.

Article 41

The captain shall ensure that the aircraft is airworthy for each flight and properly equipped, manned and loaded, and that the flight is otherwise prepared and carried out in accordance with existing rules.

The captain shall report any facts relevant to airworthiness to the Icelandic Transport Authority, and provide necessary reports for the Authority to monitor the airworthiness of the aircraft. According to rules set by the Icelandic Transport Authority, the captain must report to the Authority on matters that are relevant for the evaluation of the competence of crew members.

Article 42

The aircraft and its crew, passengers and cargo are the responsibility of the captain.

The captain may temporarily assign different tasks to crew members than those for which they were hired, should he regard this as necessary.

Passengers are required to follow the instructions laid down by the captain and other crew members regarding good behaviour and orderly conduct aboard the aircraft.

When necessary, the captain may refuse passage on the aircraft to certain people, or order the removal of crew members, passengers, goods or baggage from the aircraft.

Article 42 a

The Icelandic Transport Authority shall establish rules concerning limits on serving alcoholic beverages to passengers, and concerning the handling of safety equipment and electronic devices aboard Icelandic aircraft at its own discretion in the interests of aviation safety.

Article 43

The captain may resort to force in order to ensure compliance, provided that this is necessary in order to maintain good behaviour and orderly conduct aboard the aircraft.

If an aircraft is in danger, or in any other kind of emergency, the captain may use any means necessary in order to restore order and obedience. Each crew member is under obligation to assist the captain, without being specifically ordered to do so.

Any injury sustained by a person who refuses to obey shall constitute grounds for damages only if harsher methods were applied than circumstances warranted.

Article 44

In the event that a serious criminal offence is committed aboard an aircraft, the captain shall take all measures possible under the circumstances in order to ensure that correct information regarding the incident is obtained which cannot be delayed without prejudice to subsequent investigation of the matter.

Under such circumstances, the captain shall ensure to the extent possible that the suspect cannot escape, and the captain is authorised to place the latter under custody, if necessary, until such time as the suspect is handed over to the Icelandic police or the competent foreign authorities.

The captain may confiscate objects which could constitute evidence until they can be handed over to the police or competent authorities.

Article 45

The captain is responsible for ensuring the presence of logs and other flight documents required by law

aboard the aircraft, as well as the recording of data in such books and documents according to law and administrative instructions.

Article 46

The captain of an aircraft which finds itself in peril shall do everything possible to rescue the aircraft and the people and goods aboard it. Should it be necessary to abandon the aircraft, the captain shall endeavour to store the flight documents securely.

Chapter V A Civil Aviation Occurrences

Article 47

Obligation to report

Any occurrences in civil aviation that may cause significant risks to aviation safety, including those to be reported to the Transportation Safety Board, cf. the Act on the Investigation of Transport Accidents, shall be reported to the Icelandic Transport Authority in accordance with the provisions of this Chapter. An occurrence refers to a safety-related occurrence or, if no action or remedial action is taken, may endanger aircraft, passengers or other persons.

The obligation to report pursuant to this provision rests with the commander or second officer on board an aircraft if the commander is unable to fulfil that duty. At the same time, the obligation to report rests with the designer and manufacturer of aircraft or equipment or any part thereof, those relating to the issue of airworthiness certification or maintenance certificate, air traffic controllers and other air navigation service personnel, maintenance personnel, those responsible for aircraft ground handling operations and other personnel in safety-related jobs.

Companies shall establish a reporting system to facilitate the collection of information on occurrences that are reportable.

The Minister may lay down further rules on the obligation to report, inter alia as regards which occurrences shall fall within the scope of the obligation to report, extending the obligation to other parties not specified in this Article, the form of processing, on safety risk categorization, analysis of occurrences and follow-up, deadlines and publication of reports based on reportings and other matters which may be relevant for the tracing of occurrence causes.

Article 47 a

Voluntary reports

Companies shall establish a reporting system for voluntary reports, inter alia, to facilitate the collection of information on non-reportable occurrences and on occurrences reported by individuals who are not obliged to report pursuant to Article 47.

The Minister may provide for a reporting system pursuant to Paragraph 1 in a regulation.

Article 47 b

The Icelandic Transport Authority database of reported occurrences, a central European database and companies' databases.

Reports and information on occurrences collected by the Icelandic Transport Authority shall be preserved in a separate database to facilitate the processing of data to promote aviation safety. It is prohibited to provide third parties with access to data or reports. This does not, however, apply to data provided to:

- foreign states, institutions or organisations, pursuant to obligations of international law, if the purpose is to promote aviation safety,
- stakeholders who are in a position to promote aviation safety.

The Icelandic Transport Authority participates in collaboration on a central European database, and the Authority shall transfer to the database all safety-related data stored in the Authority's database. Data on aircraft accidents and serious aircraft occurrences shall also be transferred to the central European database.

It is prohibited to register personal data in the Icelandic Transport Authority database and the central European database.

Companies shall preserve reports on occurrences pursuant to this Chapter in a separate database, one or more, as appropriate.

The Minister may introduce further provisions on the Icelandic Transport Authority database, access to information from the database, the central European database and companies' databases.

Article 47 c

Processing of data

Companies shall identify occurrence data in order to identify risks. On the basis of the analysis, companies, if appropriate, determine remedial actions and implement them.

A company, which, in the wake of the analysis pursuant to paragraph 1, identifies actual or potential risks related to aviation safety shall communicate to the Icelandic Transport Authority the preliminary findings of the analysis and possible actions that the company intends to take. Companies shall communicate to the Icelandic Transport Authority the final results of the analysis as soon as they are available.

Processing of personal data shall only be carried out as necessary for aviation safety.

The Icelandic Transport Authority may allow smaller companies to establish simple arrangements for collecting, processing and safeguarding information.

The Minister may issue regulations, which provide for further processing and analysis of data, the collection and processing of personal data and quality control of companies and the follow-up of implementation of actions under this Article.

Article 47 d

Just Culture

Reporting of occurrences aims at improving aviation safety in order to prevent aircraft accidents and aircraft occurrences, but not to reveal who is to blame or who is responsible. Information may not be used for other purposes than mentioned above.

Companies may not impose any penalties on staff members who report an occurrence or who are specified in the notification on the basis of the information unless in case of:

- intent,

- clear, gross and serious negligence in connection with obvious risks and absolute negligence regarding the professional responsibility not to take action that is obviously required in circumstances which are likely to harm individuals or property or seriously endanger aviation safety,
- consumption of alcohol or a stimulants or narcotic drugs.

It is also prohibited to impose sanctions on employees if they complain to the Icelandic Transport Authority for alleged infringement of a company, cf. paragraph 4.

Companies shall, in consultation with employee representatives, adopt internal rules describing how the company ensures internal principles of just culture.

If an employee considers that the provisions of paragraphs 1 to 3 of this Article and paragraph 2 of Article 141 have been violated, the affected party may lodge a complaint with the Icelandic Transport Authority and request that the case be considered. If the Icelandic Transport Authority receives such a complaint, it shall inter alia seek the opinion of the respective company about the complaint, verify the validity of the given information and attempt to settle the dispute between the parties in a quick and effective manner.

If no agreement is reached according to paragraph 4, the dispute shall be settled through a decision by the Icelandic Transport Authority. The Authority's decision cannot be appealed to other government agencies, but the parties may bring their dispute to court in the usual manner.

CHAPTER VI

Working Environment of Aircraft Crews

Article 48

The provisions of this Chapter apply to all activities performed by aircraft crew for an air operator. An air operator is any party possessing a license to engage in aviation operations in accordance with this Act.

The provisions of this Chapter VI have the intent of:

- a. ensuring a safe and healthy work environment; and
- b. ensuring that air operators and crews can work together to solve problems regarding safety and health aboard aircraft.

Article 49

Air operators shall promote a good working environment, health and safety aboard their aircraft, and ensure active surveillance of compliance of the work environment with established requirements.

Article 50

When an air operator employs one to four crew members, improvements of the working environment shall be made in close co-operation between the air operator and the crew.

Article 51

When an air operator employs five or more crew members, the members shall nominate one safety steward for each type of aircraft, or any other delimited work area, as their representative in issues regarding the work environment aboard aircraft.

The employer shall bear the expenses incurred by the work of the safety steward and shall reimburse any loss of income suffered by the steward as a consequence of this work.

Safety stewards shall enjoy the protection provided for in Article 11 of Act No. 80/1938 on trade unions and labour disputes.

Article 52

When an air operator employs five or more crew members, a Safety Committee shall be established. The Safety Committee shall be made up of two representatives of the crew, of which one shall represent the flight crew, and two representatives of the air operator.

The Safety Committee shall organise measures designed to improve the work environment aboard aircraft, and shall provide employees with education regarding such matters.

Article 53

When employees of the Icelandic Transport Authority arrive at companies for the purpose of surveillance, they shall contact the safety steward in question and Safety Committee members. All possible measures shall be taken to facilitate these parties' submission of issues to the Icelandic Transport Authority.

Article 54

The Minister stipulates further in a regulation detailed rules regarding the organisation and implementation of measures designed to improve the safety, working environment and health aboard aircraft. This includes rules concerning the establishment of co-operation groups and safety committees, their tasks and the day-to-day management of activities relating to increased safety and an improved working environment and health.

Article 55

The Icelandic Transport Authority shall appoint a Work Safety Council.

The tasks of the Council shall be the following:

- a. to advise the Director-General of the Icelandic Transport Authority in matters regarding the working environment aboard aircraft;
- b. to submit recommendations and comments concerning new rules or amendments of older rules regarding the working environment aboard aircraft;
- c. to discuss individual issues submitted by the Minister or the Director-General of the Icelandic Transport Authority, and take the initiative regarding issues that will affect the working environment of aircraft crews.

The Icelandic Transport Authority shall make arrangements for expert assistance to the Council when necessary.

The Work Safety Council shall consist of four representatives of crews and four representatives of air operators. The Icelandic Transport Authority shall appoint a Chairman without prior nomination. Alternate members shall be appointed in the same manner.

The Director-General of the Icelandic Transport Authority shall attend meetings of the Council and have the right to speak and submit motions, as shall any members of the staff of the Icelandic Transport Authority whose attendance may be required by the Director-General or requested by the Council.

The Icelandic Transport Authority shall establish more detailed rules concerning the activities of the Council.

CHAPTER VII

Aerodromes and Air Navigation

Article 56

An aerodrome is a defined area, including buildings and installations, intended to be used for the arrival, departure and movement of aircraft on the ground. Aerodromes and their equipment shall comply with the requirements established by the Minister in a regulation, or such requirements as may be laid down in international agreements to which Iceland is a party, to the extent permitted by geographical conditions. In a regulation on aerodromes they shall be classified according to their level of service, and the minimum airport service shall be specified. The Icelandic Transport Authority shall monitor the compliance of aerodromes with stated requirements.

The Authority provides for the obligations of aerodromes in compliance with international air agreements. The decision of the Authority can be appealed to the Minister.

If a party intends to start operating an aerodrome in the interest of civil aviation, its user and/or owner shall apply to the Icelandic Transport Authority for an operating licence at least three months prior to the intended opening of the aerodrome. Applications should be accompanied by the comments of the relevant municipal authorities.

If all existing requirements are met, the Icelandic Transport Authority shall issue an operating licence. The licence should state the licensee's name, the term of validity, the permitted scope of the operation, and what limitations and conditions the licensee must observe.

The Icelandic Transport Authority can revoke a licence if an aerodrome does not fulfil the requirements and conditions established for its operation, or should the licensee, during the course of operations, be in material breach of provisions of statutory law or regulations. The provisions of Article 84 shall be enforced against aerodrome operating licensees.

In the event of significant changes in the aerodrome's facilities, its use, or scope of operation, its owner or user shall apply again for a licence.

The Icelandic Transport Authority is authorised to close an aerodrome temporarily or to limit traffic going through it if the condition of the aerodrome or its operation is regarded as endangering aviation safety.

Article 57

The commercial operation of airport terminals for the transportation of passengers and cargo requires a licence from the Icelandic Transport Authority. A regulation issued by the Minister shall provide in further detail for the requirements imposed on operators, as well as any requirements made regarding airport terminal facilities and equipment.

If a party proposes to commence the operation of an airport terminal, the party responsible and/or owner shall apply to the Icelandic Transport Authority for an operating licence at least three months prior to opening. A statement on the opinion of the relevant municipal authorities should be enclosed with the application.

If all existing requirements are met, the Icelandic Transport Authority shall issue an operating licence. The operating licence should state the licensee's name, the term of validity, the permitted scope of the operation, and what limitations and conditions the licensee must observe.

The operating licence may be revoked if the airport terminal does not fulfil the requirements and conditions established for its operation, or should the licensee, during the course of operations, be in material breach of provisions of statutory law or regulations. The provisions of Article 84 shall be enforced against airport terminal operating licensees.

In the event of significant changes in the airport terminal's facilities, its use, or scope of operation, its owner or user shall apply again for a licence.

The Icelandic Transport Authority is authorised to close an airport terminal temporarily or to limit traffic going through it if the condition of the terminal or its operation is regarded as endangering aviation safety.

Article 57 a

Air navigation services and air traffic management

Air navigation services refers to air traffic and telecommunications services, navigation and surveillance services, meteorological services for air navigation and flight information services. Air traffic management refers to air traffic services, airspace management and air traffic flow management. An operator of air navigation services is any public body, institution or company which provides air navigation services for air traffic and carries out air traffic management in part or in whole.

In the case of a party desiring to commence the operation of air navigation services and air traffic management, operator and/or the owner must apply to the Icelandic Transport Authority for an operating licence at least three months prior to the commencing the services.

When the requirements and standards considered adequate by the Icelandic Transport Authority have been met, an operating licence shall be issued. The licence shall state, among other things, its term of validity and the licensee's name, together with any limitations and conditions entailed in the licence.

The tariff for the services must be confirmed by the Minister.

The Minister may appoint a legal entity to undertake defined aspects of air navigation services and air traffic management. Only those may be appointed who have a valid operating licence.

The Icelandic Transport Authority or a party approved by the Authority, shall monitor whether the party providing aviation navigation services or air traffic management meets the requirements set and performs the duties undertaken. To this end, the Authority may for instance employ the measures provided for in Article 84.

Among other matters, the Minister may set regulations on:

- a. the appointment of service providers, including the appointment procedure, maximum appointment period and other conditions;
- b. the Icelandic Transport Authority's granting of permits and its regulation of aviation navigation services and of air traffic management, including the authority to transfer regulation to recognised or certified independent parties;
- c. EFTA Surveillance Authority (ESA) regulation of how oversight is maintained in the field of aviation navigation services and air traffic management;
- d. conditions for issuing operating licences, including safety, management, financing, financial position and accounting, preparation of annual statements and also requirements concerning operations, performance and service levels;
- e. the performance and operation of aviation navigation services and air traffic management;
- f. equipment and its certification for aviation navigation services and air traffic management;
- g. the education and competence of employees providing aviation navigation services and working in air traffic management;
- h. conditions for certifying or recognising trainers in the field of aviation navigation services or air traffic management;
- i. the sharing of information on regulating aviation navigation services and air traffic management;
- j. cooperation in the field of aviation navigation services and air traffic management with foreign states and international or regional institutions;
- k. weather services for aviation navigation and flight information services, in compliance with international obligations, including the provision of weather services, appointment and operating

licence obligations of service providers, meteorologically responsible parties, competencies and skills, organisation and management, quality systems, working procedures, weather monitoring, weather forecasts, weather reports, weather charts, volcanic activity and aerodrome equipment for meteorological measurements;

- l. telecommunication services for aviation, in accordance with international obligations, including regulation, frequency usage, interference and the applications of any kind of telecommunications service, communication system or communication method and the respective operational guidelines;
- m. flight information services pursuant to international obligations, including service providers, regulation, quality control systems, data precision, flight information publication, fees and languages.

Article 57 b

Ground handling services

In aerodromes, which are open to commercial air traffic and where the number of passengers and volume of cargo exceeds further defined limits, the licensee in question may be required to guarantee equal access to ground handling services pursuant to rules established by the Minister. The rules shall specify, inter alia, minimum criteria as regards number of passengers and volume of cargo, limits on the number of service providers and their selection, instructions on own handling, tenders of services, prohibition of or limits on certain services and separation of accounts.

If an aerodrome, open to commercial air traffic lies below specified criteria regarding passenger numbers and cargo quantities, the aerodrome operator may, upon receiving Icelandic Transport Authority approval and meeting the regulations prescribed by the Minister, limit the number of parties which are allowed to provide ground services. The Minister may issue regulations providing for the monitoring of those who perform ground services.

Aerodrome operators may transfer to a third party the management of certain aerodrome structures used for ground services; moreover, the aerodrome operator can oblige those who are in charge of ground services and aerodrome users performing their own services to utilise such structures. This applies to structures which are so complex or costly or have so much environmental impact that they cannot be divided or more than one put in place, for example the management of baggage sorting, de-icing, water purification or fuel distribution. Regulations issued by the Minister shall further state the conditions for such transfers of structure management and the obligations for using these structures.

Article 57 c

Aerodrome handling capacity

Aviation authorities may consider how an aerodrome's handling capacity is organised and demand improvements, if feasible, in accordance with rules established by the Minister:

- a. if the handling capacity is inadequate for current or projected air traffic over certain periods;
- b. when new air operators encounter difficulties in obtaining time slots for services;
- c. upon a request or requests to this effect from air operators in charge of over half of the aerodrome's air traffic; or
- d. upon a request from the aerodrome management.

The rules shall stipulate, among other things, the approach to assessing capacities, allocating slots and making related changes.

The Minister may set further regulations, including on the following:

- a. the designation of aerodromes with respect to organising their handling capacities;
- b. appointments of aerodrome coordinators and their duties;
- c. appointments to the coordination committee of any designated aerodrome and the committee's tasks;
- d. flight operator duties, for instance to disclose information and undertake air operations at certain times;
- e. the overall listing of time slots; allocating and changing them;

- f. restrictions on time slot allocations due to public services on flight routes;
- g. complaints and rights of appeal;
- h. limitations to a coordination manager's damage liability; and
- i. the payment of expenses incurred for the services of a coordination manager.

Article 57 d

Without charging any special fee, an aerodrome operator shall, at one or more specified places within the aerodrome area, provide assistance for moving around to passengers who are disabled or have impaired mobility, provided that these passengers have requested assistance according to the advance notice stipulated in regulations. Aerodrome operators may collect a fee among aerodrome users in order to finance this assistance. The fee may not discriminate among aerodrome users and must be determined in accordance with each flight operator's proportion of departure and arrival passengers to the total number of aerodrome passengers. This fee shall be reasonable, based on the cost derived from providing the service, transparent and determined by the aerodrome operator in consultation with aerodrome users.

Regulations shall make further provisions on assistance from air operators and aerodrome operators, arrangements for the assistance, the rights of those who are disabled or have impaired mobility, and the duties of the air operator, its agents and travel agencies to provide information.

Article 57 e

Aviation facilitation

Among other matters, the Minister may set a regulation on aviation facilitation and the composition of an aviation facilitation plan, i.e. the arrangement of coordination of public bodies and other entities involved in the handling or service of aircraft, passengers, luggage and cargo, in accordance with international obligations. The Icelandic Transport Authority is responsible for the implementation of aviation facilitation.

The Minister shall appoint an Aviation Facilitation Council for a fixed term of three years at a time, whose purpose, amongst other, is to:

- a. be a consultation forum of public bodies and other entities on implementation, cooperation, coordination and planning in the field of aviation facilitation;
- b. propose changes to regulation or legislation for the purpose of improved coordination and efficiency in the implementation of aviation facilitation as need be;
- c. other matters assigned by the Minister.

The Minister shall appoint two representatives without prior nomination. One shall assume the role of Chairman and the other of Deputy-Chairman. Other representatives shall be appointed by the Minister from a group of public bodies and other entities involved in the handling or service of aircraft, passengers, luggage and cargo, by nomination in accordance with rules established by the Minister on the appointment and activities of the Aviation Facilitation Council.

Article 58

When it is necessary in relation to operating an aerodrome or aviation navigation equipment to obtain land, a lot or other property and no purchase can be negotiated, the Minister may, upon obtaining the opinion of the Icelandic Transport Authority, allow for property or a part thereof to be expropriated, for a remuneration to be assessed according to the act on carrying out expropriations. The Minister's approval of expropriation shall, among other things, depend on the expropriator's providing collateral for payment of the estimated expropriation compensation and assessment costs. Should it prove impossible to obtain payments of expropriation compensation from the expropriator, the State Treasury shall be liable for payment.

Article 59

The Minister may establish zoning rules for aerodromes intended for public use.

Zoning rules shall, among other things, include directions on arrangements within an aerodrome area,

operating licences, operations and traffic within the area, as well as directions on the area outside of the aerodrome, if it is appropriate to set limits on the height of structures or other objects, e.g. houses, masts and trees, and also on limitations of the use of real estate or various objects, for example pipes and wires or commercial activities, provided that such limitations are necessary in the interest of public safety. The boundaries of the area to which zoning applies must be clearly defined.

Article 60

Within a zoning area, the various height limitations of structures shall be defined in order to ensure safe landing and take-off of aircraft.

Zoning rules shall provide for specific sectors for approaching and departing aircraft. Rules may be established regarding temporary zoning.

A draft of the proposed zoning rules shall be made available for inspection at an accessible place, and this shall be advertised in the Official Gazette, and real estate owners and other concerned parties shall be encouraged to submit their comments regarding the draft within a specified period of time not shorter than four weeks.

The Icelandic Transport Authority shall take any comments which it may receive under close consideration, and give any parties concerned the opportunity to acquaint themselves with any changes before the zoning arrangements are finally decided. The final zoning arrangements shall be publicised in the same manner as the draft.

Any encumbrances to which real estate is subjected due to aerodromes shall be officially registered, provided that the relevant encumbrance is of significance.

Article 61

No deviations shall be permitted from limits on height or other limitations regarding disposal rights of property provided for in the zoning rules without the consent of the Icelandic Transport Authority.

Such consent may be granted subject to conditions, e.g. regarding alterations or markings of the structures in question.

In the event of non-compliance with limitations without the consent of the Authority, the Authority shall issue a deadline for the parties concerned to finalise matters in a lawful manner. The same applies if conditions established pursuant to Paragraph 1 hereof are not met.

In the event that the stipulated deadline expires without any remedies being made, the Authority may take any necessary action, with the intervention of the police if required, and at the expense of the party concerned.

Article 62

Any physical obstruction to aviation which is in violation of the zoning arrangements at the time when the zoning rules enter into effect shall be removed, provided that the Icelandic Transport Authority does not permit its remaining in place.

Article 63

In the event of property being subjected to encumbrances or curtailment of disposal rights as a result of the aerodrome, the owner of the property, or possessor of rights to the property, is entitled to compensation from the owner of the aerodrome, provided that the encumbrance or curtailment of disposal rights results in curtailed use of the property in proportion to its size, situation and all other circumstances, or its owner suffers financial loss for which compensation is due under the principles of law.

Compensation may also be claimed from the owner of the aerodrome when losses are suffered as a result

of the activities described in Article 62.

The government guarantees payment of damages.

Article 64

Damages shall be determined according to the rules of Act No 11/1973 on the Expropriation of Property.

The party claiming damages may request an evaluation within the time limits stipulated in the zoning rules. The time limits shall be a minimum of two years from the publication of the zoning rules. The Minister may grant an extension of six months from the end of the time limit.

Article 65

The Icelandic Transport Authority shall ensure observance of the required restrictions on the use of property and structures. Any deviations in this respect shall be promptly reported to the Authority.

Article 66

Amendments to zoning rules shall be made by the same methods as the establishment of new rules. Concessions regarding disposal restrictions may be granted without first making a draft available for inspection.

Article 67

Zoning rules shall remain in effect until such time as they are revoked by the Minister or their term of effect expires.

In the event that zoning rules are revoked, the provisions of Paragraphs 3 and 4 of Article 60 shall apply, as appropriate.

Article 68

The Icelandic Transport Authority may require the removal or marking of any obstructions which, due to their height, constitute a danger to air traffic. Property may be expropriated if necessary. Any expenses incurred, including compensation to owners or users, shall be paid out of the State Treasury.

Article 69

The Icelandic Transport Authority may prohibit the installation or use of markings, lights or sound emitters, equipment emitting radio waves or any other equipment which may pose a hazard to air traffic or, as necessary, order their removal or alteration.

Compensation is subject to the provisions of statutory law.

Article 70

Aviation security

The Icelandic Transport Authority may restrict access to aerodromes and aerodrome areas, transits and stopovers of aircraft, or prohibit passing through or staying in such areas if necessary in the opinion of the Authority for the purposes of safety.

No objects, devices or tools may be brought into security restricted areas or on board aircraft which may pose a risk or danger for aviation safety and/or passenger safety, except as needed for the operation of the aircraft or the discharge of duties aboard. The Minister shall establish a regulation on prohibited objects, circumstances in which a waiver of the prohibition is permitted, on their handling, storage and disposal, and on the dissemination of information to airline passengers and cargo owners.

A party, holding an approval regarding aviation security, shall designate an aviation security manager approved by the Icelandic Transport Authority. The aviation security manager shall provide guidance on, implement and enforce the civil aviation security programme of the party. The officer acts as a

special representative of the Icelandic Transport Authority in aviation security matters.

An individual may not enter a designated security restricted area at an airport or within an aerodrome area where access has been restricted or prohibited without a valid access permit, cf. paragraph 1.

An individual may not board an aircraft without a valid access permit, travel with or attempt to travel as a stowaway in an aircraft within or from Icelandic jurisdiction.

The Minister may provide, in a regulation, as proposed by the National Commissioner of Police in case of increased risk level on grounds of threat to public order, that the captain of an aircraft shall, before a passenger boards an aircraft, make sure that the registered passenger is the one he claims to be, that he has valid travel documents or other identity card that is recognized as a travel document and that a passenger who is required to have a valid visa to the country is a holder of a valid visa.

Article 70 a

The Icelandic Transport Authority shall monitor whether parties subject to regulation, including the operators of aerodromes and air terminals, air operators and those operating air navigation services, fulfil their duties in matters of aviation security in accordance with legislation, regulations, rules and resolutions that apply to the operations and with the national security programme that the Administration shall prepare and maintain for Iceland. Regulated parties shall present their flight security programmes to the Administration for approval. The Icelandic Transport Authority shall ensure that requirements for the secrecy and safe-keeping of security programmes and other confidential information are met.

Article 70 b

The Icelandic Transport Authority, aerodrome operators upon approval with regard to aviation security, or any party entrusted with implementing aviation security according to this Act and regulations set pursuant to it, is authorised to search people, baggage, cargo, mail, company material and other goods before its being taken on board an aircraft, into a security restricted area or any demarcated aviation security area. Anyone who undergoes manual or physical search may demand that a witness be brought. Manual and physical searches shall always be performed by an individual of the same sex. Physical searches shall only be performed by the police.

Those who refuse to undergo search shall be denied admission to demarcated aviation security areas and security restricted areas or denied departure and arrival. Search shall be performed with as much consideration as possible and must never be more extensive than necessary.

Aerodrome operators may, in consultation with the National Commissioner of Police, train and use detection dogs for the purpose of aviation security at aerodromes. The Minister may set further rules on the training and use of detection dogs for the purpose of aviation security.

Article 70 c

Before the Icelandic Transport Authority, airport operator, air navigation service operator or air carrier may grant an individual access to security restricted areas and sensitive security information or allow the individual to attend aviation security training courses providing information that is not accessible to all, a police background check, subject to the written consent of the individual concerned, shall be requested. The notification of the outcome of a police background check to the Icelandic Transport Authority shall only specify whether a person has received a positive or negative comment. The same applies to notifications to airport operators, air navigation service operators or air carriers, as applicable. A background check request shall be made on a form decided by the National Commissioner of Police in accordance with a regulation laid down by the Minister.

A request pursuant to paragraph 1 empowers the police, as applicable with the assistance of customs authorities, to obtain information on the individual concerned from:

- police records, including the police case list,
- criminal records,
- information system of the International Police or other foreign authorities,
- information systems of customs authorities,
- Registers Iceland Information System.

Authorization of the police for the acquisition of information pursuant to paragraph 2(a) is limited to the previous five years.

Background checks shall be carried out on a regular basis and not less than every five years. Background and criminal record checks may, however, never be more strict than necessary.

The police shall make a comprehensive assessment of whether it is safe to provide a positive comment after a background check pursuant to paragraph 1. Reference may be made to information from the police case list, relating individuals directly, to support a negative comment pursuant to this Article, provided that there are justified reasons for questioning an individual's competence in dealing with aviation security issues under the law. The police may summon an individual for questioning, if deemed necessary to provide details of concerns arising during inspection of files and data systems pursuant to paragraph 2.

In case information from the police case list, police's criminal record or information obtained during interviews with the individual subject to background check give reason to believe that the person in question uses drugs, the police may request that the person be subjected to a drug test at his own expense, including blood and urine test, provided that police findings of such investigation may affect the outcome of the police background check.

Before the police conclude their check with a negative comment, the individual subject to the investigator shall be able to express his/her views. Furthermore, the individual has the right to request justification by the police for a negative comment. A decision by the police with negative comment based on a negative background check may be appealed to the Minister in accordance with provisions of the Administrative Procedure Act. The same applies to withdrawal of positive comments.

In case of negative comment, the person concerned may withdraw his/her consent for the transmission of that information to the Icelandic Transportation Authority.

The background check of the police provides grounds for a decision on whether or not it is considered safe to issue an access permit to the respective individual. The final decision on whether or not an access permit is issued, is the responsibility of the Icelandic Transport Authority, a respective aerodrome operator, a respective air navigation service operator or an air carrier, where applicable, cf. however, the provisions of paragraph 11. The issuer may be allowed to revoke a granted access permit.

The Minister shall lay down further provisions in a regulation on police background checks provided for in this Article, such as requests for background checks and their implementation, scope, information gathering, forms, substantive inspection of information, assessment of security competence, impact of offences and time-limits associated with them, drug tests, negative comments, repetition of background checks, registration of police comments and surveillance of individuals in police records that have received positive comments and withdrawal of positive comments.

The Icelandic Transport Authority, airport operator or air navigation service operator may not grant an individual access to Security Restricted areas, access to information on aviation security or permission to attend an aviation security training course if a police report has given a negative comment following a background check under this Article.

An air carrier may not issue a permit to allow an individual access to security restricted areas with the issuance of a crew card and access to the aforementioned information regarding aviation security or permission to undergo aviation safety training if the decision of the police was to refuse the issue of a safety certification in accordance with this Article.

Article 70 d

Among other matters, the Minister may set regulations on:

- a. regulation and the granting of permits by the Icelandic Transport Authority in the field of aviation security, including the authority to transfer regulation to independent certifiers;
- b. the EFTA Surveillance Authority (ESA) monitoring of aviation security implementation in Iceland;
- c. risk assessments and security levels for aviation security;
- d. what parties are considered subject to regulation in the field of aviation security, including foreign parties;
- e. the contents and publication of an aviation security programme and its implementation, including restrictions on publishing material in part or in full;
- f. requirements on regulated parties, including requirements concerning the preparation of an aviation security programme for regulated parties, of quality systems and of training and contingency plans;
- g. those articles which may not be transported in hand baggage, baggage in the hold, mail and cargo in civil aviation;
- h. procedures of aviation security, including access control at aerodromes and terminals; the issue of access permits; searches on people, in the baggage, mail and cargo of motorised vehicles, industrial vehicles and equipment or in supplies for operating civil aviation or operating aerodromes and terminals; requirements on equipment to be used for aviation security operations and on measures for protecting aircraft and structures at an aerodrome; and further requirements on regulated parties that may not be published according to item f;
- i. the organisation and designation of areas within an aerodrome;
- j. qualification requirements for hiring and training those who work in aviation security, implementing aviation security and controlling of aviation security;
- k. requirements for recognising agents and known consignors;
- l. requirements for certifying or recognising those who are in charge of training in the field of aviation security;
- m. requirements on issuing licences or certificates of qualification or the training of those who work in aviation security, control aviation security and those who undertake teaching and training in the field of aviation security;
- n. background checks due to aviation security which in part result from checking information about the concerned person in police records or other official records and gathering information on the person's criminal record, as carried out by the police upon request from the Icelandic Transport Authority, the respective aerodrome operator, the respective air navigation service operator or air carrier and the general criteria for such evaluations;
- o. mutual recognition with foreign states in the field of aviation security,
- p. sharing information on aviation security;
- q. cooperation in the field of aviation security with foreign states and international and regional institutions.
- r. competence of aviation security manager, cf. paragraph, Article 70.

The Minister may reveal in full or only in part the contents of regulations according to item h of the first paragraph to those individuals who need to have knowledge of these contents due to their work, insofar as the contents of the regulations concern actual aviation security interests and security and insofar as

secrecy derives from aviation security obligations according to international law. The communication of information according to the first paragraph, item h, shall be secured in a verifiable manner.

The Icelandic Transport Authority shall establish rules on the appointment and activities of the Aviation Security Council and committees on civil aviation security.

Aerodrome operators may set rules on admission controls and the delimitation of aerodrome demarcated areas and security restricted areas.

Article 70 e

Those who work at aviation security are obligated to confidentiality regarding incidents that they gain knowledge of in their work or due to their work and that should be kept secret due to legitimate public or private interests or the interests of aviation security. This applies to information on private persons which are normally kept secret, information on achieving aviation security and measures planned for aviation security and other information which must be kept secret according to legislation, rules or the nature of the matter.

The obligation of confidentiality shall continue even though employment is discontinued.

Article 70 f

If a person who has been entrusted with confidential data according to the second paragraph of Article 70, d, reveals something that should remain secret and that this person has gained knowledge of at work or is bound to keep confidential and that concerns the attainment of aviation security, this person shall be subject to imprisonment for up to one year.

If the person did this in order to obtain an unjust benefit or if the person uses such information for that purpose, he may be subjected to imprisonment for up to 3 years.

A person who has left his/her job and afterwards discloses or misuses in the same manner knowledge obtained in his/her position that should be kept secret shall be subjected to the same Violation of a public servant's obligation of confidentiality according to the first and second paragraphs of Article 70, e, is punishable according to Article 136 of the General Penal Code.

Article 71 Fees

Aerodrome operators may collect fees to pay for aerodrome operations and for the facilities, equipment and structures that operations related to aviation transport use at the aerodrome.

The operators of air navigation services and air traffic management may collect fees to pay for operating air navigation services and air traffic management, where such services are provided, and to pay for the equipment and structures that the operations use.

A tariff shall be published in a reliable manner, which states further, among other things, the amount of the fee, itemised if applicable, as well as details of collection.

The Minister may issue regulations, which further provide for the grounds and calculations of costs, grounds and calculations of fees, the transparency of the cost basis and fee, permitted exemptions from fees, incentive schemes, regular consultation with stakeholders on fees, arrangements for setting tariffs and handling cases, arrangements for collection and controls for charging fees.

Article 71 a User committees

Operators of an aerodrome or aerodrome system where passengers exceed one million per year shall establish a user committee to serve as a venue for the operator and users to exchange opinions about aerodrome issues.

The number of user representatives and composition of the user committee shall be determined by the

size and operational scope of the aerodrome. User committee meetings shall be held no less often than once annually.

At user committee meetings, users shall be given an opportunity to present their views before important decisions are taken concerning operations, services, fees or other matters significantly impacting their interests.

If an aerodrome operator wants to submit a proposal to decide on:

- a. increasing a fee;
- b. changing a fee;
- c. adding a fee; or
- d. other significant measures directly affecting user interests;

then such a proposal must be submitted along with grounds at least four months before the planned date of the decision's taking effect. Users shall be provided with adequate information emphasising transparency, so they will be able to take an informed stand on the changes or novelties intended.

While the user committee must attempt to reach an agreement on intended decisions, the aerodrome operator shall not be bound by the views of aerodrome users if no agreement is reached.

If disagreement has occurred in the user committee and the aerodrome or aerodrome system operator has decided on a fee, the users can demand further grounds and another meeting for more discussion.

If committee differences cannot be settled in this discussion and the operator has made a final decision on the fee, the parties may appeal their dispute to the Icelandic Transport Authority. The Authority's decision regarding this Article shall be final at this administrative level. The party appealing a dispute to the Authority shall pay the cost ensuing from the appeal unless the conclusion is in that party's favour, in which case the opposing party must pay the cost. The basis of the cost shall be in accordance with provisions on fees in the Icelandic Transport Authority Act.

The aerodrome operator shall announce its decision according to the third paragraph with at least a two-month notice before the decision's taking effect.

The Minister may issue further regulations on aerodrome user committees, providing among other things for committee appointments, the term of committee members, its purpose, the convening of meetings and the handling of disputes as well as the obligation to provide information to the Icelandic Transport Authority.

Article 71 b Transparency of fees

At least once a year, the operator of an aerodrome or aerodrome system shall present detailed expense accounts to be used as a basis for fees. The itemisation shall give attention to at least the following:

- a. the service and infrastructure for which a fee is charged;
- b. the method of calculating the fee;
- c. the overall cost structure at the aerodrome or within the aerodrome system;
- d. the income from different fees and the total cost behind the fees charged;
- e. contributions from the state, municipalities or other public bodies to the services for which a fee is charged;
- f. a forecast of developments at the respective aerodrome/aerodromes concerning fees and air traffic. If infrastructure investments make up part of the cost base used to decide fees, then estimates regarding infrastructure must also be itemised;
- g. use of basic infrastructure and equipment over a particular period; and
- h. estimates of the contribution margin of individual planned investments and their effect on aerodrome capacity and service quality.

Individual cost items used as a basis for fees shall be kept separate in accounts.

Air operators using aerodrome facilities in Iceland must regularly inform the aerodrome operator of their

plans, for instance concerning flight frequencies on each route, the number of passengers, the composition of their aircraft fleet, intended projects at the aerodrome and requirements for facilities there. The aerodrome operator shall treat the information provided according to this Article as confidential.

Among other matters, the Minister may set further regulations on the itemisation of fees, which fees to itemise and the disclosure of information and method of presentation about fees.

Article 72

Aerodromes and other civil aviation facilities may be used by foreign aircraft on the same conditions as Icelandic aircraft on comparable international routes, provided that an agreement exists between Iceland and the foreign state concerned. However, border stations must be used for arrivals in or departures from Iceland.

Article 73

The Minister may establish conditions to be met by persons working in air traffic control, aerodromes or air navigation facilities, or engaging in other work outside aircraft, which is important to aviation safety. The Minister may furthermore establish rules regarding certification for work of this kind.

Article 74

The provisions of Articles 34 and 37 shall apply, as appropriate, to air traffic controllers and persons responsible for aircraft and aviation surveillance, or engaged in technical work on aircraft or other work which is important to aviation safety, as further provided by the Minister in a regulation.

CHAPTER VIII

Air Traffic and Air Traffic Control

Article 75

Aircraft shall be provided with air traffic service in order to ensure aviation safety.

Those who provide aviation navigation services shall be authorised to make recordings of air traffic telecommunications of any kind and to keep records of notifications received in relation to air traffic. The details of the arrangements of recording, preservation, playing, and registration of use shall be provided for in further detail in a regulation issued by the Minister in consultation with the Data Protection Authority.

The Icelandic Transport Authority shall have access to these data for its monitoring of parties subject to regulation.

Unauthorised parties shall not be granted access to these data except by specific legal authorisation or court decision.

The Minister shall establish rules regarding air traffic service and its implementation.

Article 76

The Icelandic Transport Authority may subject aviation/traffic on specified routes or over specified areas to specific arrangements. A permit by the Icelandic Transport Authority is required for any air show, instructional flying or parachute jumping at a show or gathering.

The Minister may establish rules regarding the routes of aircraft into and through Icelandic territory, and also regarding which aerodromes may be used in international flights.

Among other matters, the Minister may set regulations on:

- a. Security precautions to be taken in order to prevent aircraft collisions, other aviation accidents, hazards and inconveniences due to aviation;
- b. Flight shows, including application for an air show license, responsible manager of an air show, pilot of an aircraft participating in an air show, flight safety rules, control, obligation to provide information, authorisation to revoke a license and more;
- c. Parachute jumping, including recognised parachute clubs, flights with parachute jumpers, the execution of parachute jumps, minimum flight safety rules, equipment, certificates, rights, parachute jumping at shows or gatherings, applications for parachute jumping permits, jump managers, regulation, obligations to provide information and so on.

Article 77

The Icelandic Transport Authority and air navigation service providers may order an aircraft to land, provided that such action is designed to maintain public order and security. Should this occur, the aircraft concerned shall land as soon as possible. Unless otherwise instructed, the aircraft shall land on the nearest available Icelandic aerodrome intended for civil aviation.

In the event that an aircraft flies into an area where aviation is prohibited, the aircraft shall immediately leave the area and report the incident to the relevant authority.

Should the pilot of an aircraft fail to comply with the instructions of this Article 77, the relevant authority may take appropriate measures to prevent the continued flight of the aircraft.

Article 78

Military supplies and armed guards

Military supplies shall not be transported aboard aircraft without authorisation from the Minister or such authority as the Minister may entrust with the issue of such authorisation pursuant to applicable rules. This prohibition shall not apply to aircraft of the Icelandic Coast Guard or Icelandic police authorities. The Minister shall issue instructions as to what constitutes military supplies and grant general exemption from the provisions of this Article.

Firearms and munitions are military supplies for the purposes of this Article. The National Commissioner of Police, in consultation with the Minister, shall establish rules concerning their handling on board Icelandic aircraft and aircraft in Icelandic airspace, inter alia regarding who is permitted to carry them and in what circumstances, and any other arrangements.

The Minister may decide that armed guards should be deployed aboard Icelandic aircraft in civil aviation provided that there are urgent reasons, and the approval of the Minister responsible for matters of defence has been obtained.

The Minister may set regulations on the competence and training of armed guards as well as on the arrangements for bearing arms, procedures, the approval of these procedures and regulation.

The Minister may prohibit, or establish rules on, the transportation of goods other than military supplies for the purposes of maintaining public order and security.

Article 79

The Icelandic Transport Authority, the police authorities and customs authorities may conduct inspections of aircraft and verify the documents that the aircraft and its crew members are required to carry.

CHAPTER IX

Air Operator Licences

Article 80

Commercial aviation over Icelandic territory is subject to licensing by the Icelandic Transport Authority. The Minister may issue a regulation concerning the licensing of other non-commercial aviation in the interest of public security.

Article 81

The issue of an Air Operator Licence is subject to the fulfilment of the provision of this Act and regulations issued in accordance with this Act.

Article 82

The conditions for the issue of an air operator's licence are the following:

- a. the applicant must satisfy the provisions of Article 10 of this Act on aircraft registration;
- b. the applicant must satisfy the conditions laid down by the Minister relating to the financing of the operation;
- c. the applicant must hold an Air Operator Certificate granted by the Icelandic Transport Authority in accordance with regulations in force.

Article 83

Licenses shall be granted and tied to such conditions as may be deemed necessary in accordance with other legislation or international treaties, in addition to conditions pursuant to Article 82 above. The air operator licence shall be rendered invalid if any of the aforesaid conditions are no longer met.

The Icelandic Transport Authority has the authority to require the appointed air operator's post holders to demonstrate their knowledge and ability by undergoing an examination or by means of another certified method of the Authority's choosing. Following certification by the Icelandic Transport Authority, they are required to serve as special consultants in the service of the Authority. In the event that a post holder who has been certified is found to be deficient in his or her knowledge or competence, or if a post holder breaches the confidence of the Icelandic Transport Authority, the Authority may withdraw its certification.

Article 84

The Icelandic Transport Authority can issue operating instructions regarding individual aspects of air operators' operations and those of any other party, which is required to operate according to a licence issued by the Authority. However, such instructions can also relate to the operation as a whole.

Operating instructions can relate to prohibiting a particular operation, making it subject to limitations, or making it subject to compliance with certain conditions imposed by the Administration in the interest of improved aviation safety. Operating instructions shall specify the reason for their issue, their scope and term of validity, and the measures that the operator in question needs to take.

In the event that a licensee fails to comply with any provisions of law, instructions or licence conditions, or if the licensee is shown to be unfit to conduct operations in accordance with applicable instructions, the Icelandic Transport Authority can, according to its own assessment of the circumstances, revoke the licence either wholly or in part. A revocation in part shall pertain to more narrowly defined factors in the operation of the licensee in question, for instance a particular aircraft or a particular maintenance facility. The revocation shall at first be temporary while the case is under investigation with regard to grounds for permanent revocation. Time limits shall be set for temporary revocation.

Article 85

The Icelandic Transport Authority may decide that foreign aircraft operated by an Icelandic national for commercial purposes shall be subject to this Act and regulations issued in accordance herewith relating to Icelandic aircraft.

When the conditions of Paragraph 1 are met, the aircraft shall be regarded as an Icelandic aircraft in the understanding of Section 4.2 of the Penal Code No 19/1940.

Article 85 a

The Minister may issue further rules to supplement the provisions of this Chapter laying down the conditions of air operation, including financial requirements for air operators. Furthermore, the Minister may decide to what extent the requirements made of operators in commercial air transport operations should apply to other commercial aviation activities.

CHAPTER X Air Carriage

Article 86

Scope

The provisions of this Chapter apply to all carriage by aircraft of passengers, luggage and cargo for remuneration. The Chapter applies also to free carriage, provided the carriage is assigned to a carrier. The provisions of this Chapter apply to domestic aviation in Iceland pursuant to Paragraph 1, whoever the carrier, and other aviation pursuant to Paragraph 1 performed by carriers holding an Icelandic Air Operator Licence, wherever the aviation takes place.

The provisions of this Chapter apply also to carriage performed by the State of Iceland, State agencies or other public entities when engaging in aviation pursuant to Paragraph 1.

Article 87

Further on scope

The provisions of Articles 89 – 94 concerning documents of carriage shall not apply to carriage performed under unusual circumstances and falling outside the scope of normal aviation operations.

No provision of this Act shall prevent a carrier from refusing to conclude a contract of carriage. If a carrier has promised rights in excess of those provided for by the provisions of this Chapter, such rights shall not be curtailed by these provisions. The provisions of the Chapter provide for minimum rights.

The scope of Articles 125 and 126 is laid down specifically in the provisions themselves.

Article 88

Carriage of postal consignments

The provisions of this Chapter shall not apply to postal carriage.

In the carriage of letters and parcels, the carrier is liable only to the postal service in question pursuant to the rules applicable to relations between carriers and postal services.

Article 89

Passenger tickets and baggage checks

When passengers are transported, the carrier shall issue a ticket or a joint ticket for more than one passenger stating:

- a. place of departure and destination;
- b. at least one agreed stopping place en route, provided that the places of departure and destination are in the same state and one or more stopping places are agreed in another state.

Instead of issuing a ticket as provided in Paragraph 1, the carrier may preserve the information specified in Paragraph 1 by other means. If this authorisation is exercised, the carrier shall offer the passenger a written declaration of the information preserved.

When checked-in baggage is received for transport, the carrier shall issue a baggage check for each checked part of the baggage.

In the absence of evidence to the contrary, a passenger ticket or declaration, if the authorisation pursuant to Paragraph 2 is exercised, constitutes proof of a carriage contract and carriage terms. Passengers shall be delivered written notice that that carriage is subject to the provisions of the Montreal Convention or corresponding legislation and that the Convention may limit the carrier's liability for loss of life or bodily injury, loss or damage to baggage and cargo and for delays, subject to the limitations laid down in this Act.

Notwithstanding non-compliance with this Article, a contract of carriage shall be valid, including provisions concerning limitation of liability.

The Minister may provide further for electronic booking, issue of tickets and notification by the carrier pursuant to Paragraph 5 by a government regulation.

Article 90

Waybills

When cargo is carried a waybill shall be issued.

In lieu of issuing a waybill, a carrier may preserve records concerning the carriage by other means. If this authorisation is exercised the carrier shall, at the request of the consignor, provide the consignor with a receipt which enables identification of the cargo and includes the information preserved concerning the carriage.

In the event that a waybill is not issued, or the substance of a waybill is not as provided, or the waybill has been lost, the contract of carriage shall remain valid and subject to the provisions of this Chapter, including the provisions concerning limitation of liability.

Article 91

Contents of waybills

A waybill or cargo receipt shall include:

- a. place of departure and destination;
- b. at least one agreed stopping place en route, provided that the places of departure and destination are in the same state and one or more stopping places are agreed in another state;
- c. the weight of the consignment.

Where there is more than one piece of cargo:

- a. the carrier of the cargo has the right to require the consignor to make out a separate waybill for each piece;
- b. the consignor has the right to require the carrier of the cargo to issue separate receipts when the arrangements referred to in Paragraph 2 of Article 90 are used.

Article 92

Document describing the nature of the cargo

The consignor may be required, at the request of the police, customs authorities or other authorities, to deliver a document indicating the nature of the cargo. The provisions of this Article impose no duties or liability on the carrier.

Article 93

Issue of waybills

The consignor shall issue a waybill in three original parts. The first part shall be marked "for the carrier" and signed by the consignor. The second part shall be marked "for the consignee" and signed by the consignor and carrier. The third part shall be signed by the carrier, who shall hand it to the consignor after the cargo has been accepted.

The signatures of the carrier and consignor may be printed or stamped.

If a carrier has issued a waybill at the request of the consignor the waybill shall be deemed to have been issued on the authority of the consignor in the absence of proof to the contrary.

Article 94

Responsibility for contents of waybill

The consignor is responsible for the correctness of the information concerning the cargo and the correctness of any declaration inserted by the consignor or by others on behalf of the consignor in the waybill, or based on records furnished by the consignor to the carrier for insertion by the carrier in the cargo receipt or for insertion in records when the authorisation pursuant to Paragraph 2 of Article 90 is exercised. The same rule of responsibility shall apply when the party acting for the consignor is also the agent of the carrier.

The consignor shall be liable for any damage suffered by the carrier, or by any other party to whom the carrier may be liable, resulting from any inaccuracy, incompleteness or incorrectness of information supplied by the consignor.

Subject to the provisions of Paragraphs 1 and 2, the carrier shall be liable for any damage suffered by the consignor, or other party to whom the consignor may be liable, resulting from any inaccuracy, incompleteness or incorrectness of any information inserted by the carrier or any party on the carrier's behalf in the cargo receipt or recorded pursuant to Paragraph 2 of Article 90.

Article 95

Evidentiary value of documentation

The air waybill constitutes prima facie evidence of the conclusion of a contract of carriage, acceptance of goods and terms of carriage.

Information in a waybill or cargo receipt concerning the weight, dimensions and packing of cargo, as well as number of pieces, shall be regarded as accurate in the absence of evidence to the contrary. However, other information relating to quantity, volume and condition do not constitute evidence against the carrier except in so far as it is revealed in the waybill or cargo receipt that the carrier, in the presence of the consignor, verified its accuracy or the information relates to the apparent condition of the cargo.

Article 96

Right to disposition of cargo

Subject to the consignor's obligation to fulfil all undertakings pursuant to the contract of carriage, the consignor has the disposal right of the cargo, of withdrawing it at the place of departure or destination, of stopping it in the course of the journey on any landing, of calling for it to be delivered at the place of destination or in the course of the journey to a person other than the consignee designated in the waybill, or requiring the cargo to be returned to the place of departure. However, such measures can be taken by the consignor only if they do not cause damage to the carrier or other consignors and only by paying the cost resulting from the exercise of the right.

The carrier must immediately inform the consignor if the instructions of the consignor cannot be carried out.

If the carrier carries out the instructions of the consignor concerning the disposal of a consignment without requiring the production of the consignor's part of the air waybill or cargo receipt the carrier shall be liable. However, the carrier shall retain the right to claim compensation from the consignor for any damage suffered by the party holding the consignor's part of the waybill or cargo receipt.

The right of the consignor shall cease at the moment that the right of the consignee pursuant to Article 97 begins. If the consignee declines to take delivery of goods or cannot be contacted the consignor may

retain the rights of disposal.

Article 97

Delivery of cargo

With the exception provided for in Article 96, the consignee may, on the arrival of the cargo at its place of destination, require the carrier to surrender the waybill and cargo against payment of any charges due on the cargo, provided that the consignee complies with all the conditions of carriage provided for in the contract of carriage.

Unless otherwise agreed the carrier is under obligation to notify the consignee without delay of the arrival of cargo.

If the carrier admits that cargo has been lost or that cargo has not arrived within seven days from the date on which its arrival had been scheduled, the consignee is entitled to exercise against the carrier the rights provided for in the carriage contract.

Article 98

The rights of consignor and consignee

The consignor and consignee can respectively exercise the rights to which they are entitled pursuant to Articles 96 and 97 provided that they fulfil the obligations imposed by the contract of carriage. This applies whether they represent their own interests or those of others.

Article 99

Relations of consignor and consignee or their joint relations with third parties

The provisions of Articles 96, 97 and 98 do not affect either the relations between consignor and consignee nor their joint relations with any third party deriving rights from either of them.

The provisions of Articles 96, 97 and 98 may only be varied by express provision in the waybill or cargo receipt.

Article 100

Obligation of the consignor to supply information

The consignor is under obligation to supply such information and produce such documents as may be necessary to meet the formalities of customs and police authorities or other authorities before the cargo is delivered to the consignee. The consignor is liable to the carrier for any damage which may result from the absence, incompleteness or incorrectness of such information or documents unless the damage is due to the fault of the carrier or the carrier's employees.

The carrier is under no obligation to investigate whether the information or documents are correct or adequate.

Article 101

Arbitration

The parties to a carriage contract may stipulate in the contract that any dispute which may arise relating to the liability of the carrier pursuant to this Act and the Montreal Convention shall be submitted to settlement by arbitration. Such agreement shall be in writing.

The arbitration shall, at the option of the claimant, take place within one of the jurisdictions referred to in Article 115. The arbitration tribunal shall apply the provisions of the Montreal Convention.

The substance of Paragraph 2 shall form a part of any arbitration agreement and any agreement or agreement terms deviating from the substance of these paragraphs shall be null and void.

Article 102

Liability of carrier in the event of death or injury

The carrier shall be liable in the event of death, bodily injury or damage to health suffered by a passenger aboard an aircraft or in the course of embarking or disembarking.

The carrier shall carry no-fault liability for the damage of each passenger corresponding to an amount of 113,100 SDR or less.

However, the carrier shall be freed from liability pursuant to Paragraph 1 for amounts in excess of 113,100 SDR if it is proved that:

- the damage was not due to the negligence, omission or other wrongful conduct of the carrier, the carrier's employees or agents; or
- such damage was solely due to the negligence, omission or other wrongful conduct of a third party.

Compensation in incidents of damage causing disability or death shall be determined pursuant to legislation on liability in tort.

Interest shall be calculated pursuant to the provisions of Chapter IV of the Act on Interest and Price-level Indexation No. 38/2001.

Article 103

Advance payment

The carrier shall without delay, and in any event not later than 15 days after the identity of the injured or deceased person has been established, make such advance payments as may be required to meet immediate economic needs on basis of circumstances. This payment shall not be less than the equivalent in ISK of 16,000 SDR per passenger in the event of death.

This advance payment shall not constitute recognition of liability and may be offset on the final settlement of compensation for the accident. It is not returnable, however, except in the cases referred to in Article 107, i.e. when the carrier proves that the passenger caused or contributed to the accident, and in the event that the recipient of the amount paid proves not to have been entitled to it by law.

Article 104

Carrier's liability for baggage

The carrier is liable for damage sustained in the case of loss, damage or destruction of checked baggage if the event of the damage took place on board the aircraft or while the checked baggage was in the custody of the carrier, carrier's employees or agents. The carrier is not liable if, and to the extent that, the damage to the baggage can be attributed to inherent defects or condition of the baggage.

The carrier is liable for damage to unchecked baggage, including personal items, if the damage can be traced to a fault of the carrier, carrier's staff or agents.

If the carrier admits to the loss of checked baggage, or if checked baggage has not arrived within 21 days of its scheduled arrival at the destination, a passenger may exercise the rights inherent in the contract of carriage.

Unless otherwise specified in this Act, "baggage" means both checked and unchecked baggage.

Article 105

Carrier's liability for cargo

The carrier is liable for damage sustained in the event that cargo is destroyed, lost or damaged during carriage by air.

The carrier shall be freed from liability in part or in full if the carrier can prove that damage to cargo pursuant to Paragraph 1 was caused by one or more of the following:

- a. inherent defects of the cargo;
- b. defective packing of cargo performed by a person other than the carrier and carrier's employees or agents;
- c. an act of war or armed conflict;
- d. an act of public authority carried out in connection with the cargo on its departure, arrival or transit.

The rule of liability pursuant to Paragraph 1 does not extend to any carriage by land, by sea or by inland waterways outside an airport. However, if such carriage takes place pursuant to a contract for carriage for the purpose of loading, delivery or transshipment, the event of damage shall be presumed, in the absence of proof to the contrary, to have occurred in the course of carriage by air. If a carrier, as a result of cancellation but without the consent of the consignor, transports cargo by means other than by aircraft for part of the carriage or the entire carriage pursuant to a contract on air carriage, such carriage shall nevertheless be deemed to be air carriage.

Article 106

Carrier's liability in the event of delay or rescheduling of carriage to an earlier date

The carrier is liable for damage resulting from delays in the carriage of passengers, baggage and cargo or rescheduling of carriage to an earlier date. However, the carrier shall not be liable for damage due to these reasons if the carrier can prove that the carrier and carrier's employees and agents took all measures that could reasonably be required or that it was impossible to take such measures.

Carriers flying to or from Iceland or within Iceland are obliged to pay compensation to passengers or to owners of baggage or cargo, as the case may be, provided losses have occurred due to delays in transport.

Carriers are not required to pay damages to passengers for reasons pursuant to Paragraph 1 of this Article if they are travelling free of charge or at a reduced fare not available to the public.

The Minister may set further regulations on compensation for reasons pursuant to Paragraph 1 of this Article, such as the arrangements for compensation, travel arrangements, amount of compensation and other resources for the passengers or owners of baggage or cargo, and the Icelandic Transport Authority regulatory powers, such as to gather information, make on-site inspections, stop violations and demand that violations cease. Regulations may also be issued on the Icelandic Transport Authority's permission to hand over to the authorities of other states within the EEA any necessary information and data that has been collected on the basis of this Article.

Article 107

Fault of the injured person

If the carrier proves that the person who suffered the damage was himself/herself a cause of or contributor to the damage, the carrier may be exonerated partly or wholly from liability.

Article 108

Limitations on carrier's liability

The carrier's liability for damage caused by delays in the carriage of passengers or as a result of a rescheduling of carriage to an earlier date pursuant to Article 106 shall be limited to 4,700 SDR in respect of each passenger.

In the carriage of baggage, the liability of the carrier in the case of destruction, loss, damage or delay is limited to 1,150 SDR for each passenger, unless the passenger has, at the time of checking in the baggage, specifically declared the interests relating to the delivery of the baggage at its destination and paid the required supplementary charge, in which case the declared value shall apply as the maximum liability of the carrier, unless the carrier can prove that the actual interests of the passenger were less.

The liability of the carrier in the case of destruction, loss, damage or delay is limited to a sum of 19 SDR per kilogramme, unless the consignor has specifically declared the interests relating to the delivery of the baggage at its destination and paid the required supplementary charge. In such an event the declared value shall apply as the maximum liability of the carrier, unless the carrier can prove that the actual interests of the consignor were less.

In the case of destruction, loss, damage or delay of all or part of the cargo, only the weight of the cargo destroyed, lost, damaged or delayed shall be taken into consideration in determining the carrier's maximum liability. In the event of the loss, damage or delay of a part of the cargo which reduces the value of other parts of the cargo covered by the same air waybill or cargo receipt, or if such documents were not issued on the grounds of the authorisation in Paragraph 2 of Article 90, the total weight of the part of the cargo which diminishes in value shall also be taken into consideration in determining maximum liability.

The provisions of Paragraphs 1 and 2 of this Article shall not apply if it is proved that the damage resulted from a deliberate act or gross negligence of the carrier, the carrier's employees or agents, acting in the course of their work, in the knowledge that damage would probably result.

Limits on liability shall not prevent a court of law from awarding to a plaintiff the payment of court costs. This foregoing provision shall not apply, however, if, within a period of six months from the date of the occurrence causing the damage, or before the commencement of the action for damages, the carrier has offered in writing damages, which are not lower than the amount of the damages awarded, excluding Court costs.

Article 109

Time limits and time-barring

When delivery is taken of checked baggage or cargo without reservation on the part of a consignee, it shall be assumed that the baggage or cargo were undamaged and consistent with the waybill, or receipt in the exercise of the authorisation in Paragraph 2 of Article 89 and Paragraph 2 of Article 90, until otherwise proven.

In the event of damage, the consignee shall notify the carrier immediately on the discovery of the damage, and, at the latest, within seven days from the date of receipt in the case of checked baggage and fourteen days from the date of receipt in the case of cargo. In the case of delay, the notification must have been delivered at the latest within twenty-one days from the date on which the baggage or cargo should have been delivered. A day means a calendar day.

Each notification must be made in writing and by verifiable means within the said time limits. Failing notification of damage within the time limits specified in Paragraph 2, no action shall lie against the carrier, save in the case of fraud on the carrier's part.

The right to damages pursuant to this Chapter shall be extinguished if an action is not brought within a period of two years, reckoned from the date of arrival at the destination, or from the date on which the aircraft ought to have arrived, or from the date on which the carriage stopped.

Article 110

Conversion of Special Drawing Right (SDR)

SDR means special drawing right as defined by the International Monetary Fund and the rate of exchange posted by the Central Bank of Iceland at the time of sale. Conversion into ISK shall be based on the date of judgment or on the date of settlement if an issue is settled without adjudication.

Article 111

Limits of liability, invalidity of contractual provisions and freedom to contract

A carrier may stipulate that the contract of carriage shall be subject to higher limits of liability than those provided for in this Act or to no limits of liability whatsoever.

Any provision tending to relieve the carrier of liability or to fix a lower limit than that which is laid down in the Montreal Convention and this Act shall be null and void. Reservations made in a contract of carriage and all agreements entered into before the damage occurred by which the parties deviate from the provisions on the Montreal Convention or this Act, including provisions on venue, shall be null and void. Such provisions shall be null and void, but the nullity of any such provision does not involve the nullity of the whole contract, which shall remain subject to the provisions of the Montreal Convention and this Act.

Article 112

Employees and agents

In the event that action for damages is brought against any employee or agent of a carrier for damage falling within the scope of the Montreal Convention or this Act, they shall, if they prove that they acted within the scope of their employment, be entitled to avail themselves of the conditions and limits of liability which are applicable under the Montreal Convention and this Act.

The aggregate amount of damages to be paid by the employees and agents of a carrier shall not exceed the applicable limits of liability.

With the exception of damage to cargo, the provisions of Paragraphs 1 and 2 shall not be exercised if it is proven that the damage occurred as a result of intent or gross negligence on the part of the employees or agents of the carrier.

Article 113

Basis of claims for compensation

In any action for damages brought against a carrier for losses suffered as a result of the carriage of passengers, baggage or cargo falling within the scope of this Chapter, the grounds of the action, legal argument and court decision may only be based on the provisions of this Chapter and the Montreal Convention.

Article 114

Right of recourse against third parties

Nothing in the Montreal Convention nor in this Act shall preclude the right of recourse of the person liable for damages against any other person

Article 115

Venue

An action for damages pursuant to this Act may only be brought before an Icelandic court of law or the court of law of a State Party to the Montreal Convention.

Actions for damages shall, at the option of the plaintiff, be brought:

- a. before a court of the legal domicile of the carrier or the carrier's principal place of business or branch;
- b. where the contract of carriage was made; or
- c. at the place of destination.

In the case of the death, injury or damage to the health of a passenger, an action may be brought in one of the venues referred to in Paragraph 2 or before a court in a State Party to the Montreal Convention in which, at the time of the accident, the passenger had his or her principal or permanent residence.

However, this is subject to the further conditions that the carrier operates services for the carriage of passengers by air to or from that state, either on the carrier's own aircraft, or on another carrier's aircraft pursuant to a commercial agreement, and that such carrier engages in the carriage of passengers by air to or from that state either from premises owned by the carrier or leased from another carrier by a commercial agreement.

The following definitions shall apply:

- a. commercial agreement: means an agreement, other than an agency agreement, made between carriers and relating to the provision of their joint services for carriage of passengers by air;
- b. principal or permanent residence: means one fixed and permanent abode of the passenger at the time of an accident; the nationality of the passenger shall not be the determining factor in this regard.

Questions of procedure shall be governed by the law of the state where the action is initiated.

Article 116

Successive carriage

In the case of carriage to be performed by more than one successive carriers and falling within the provisions of this Chapter, each carrier shall observe the provisions of the Chapter when accepting passengers, baggage or cargo. Each such carrier shall be deemed to be one of the parties to the contract of carriage insofar as the contract deals with that part of the carriage which the carrier has undertaken. In the circumstances described in Paragraph 1, a passenger or any person deriving rights from such passenger, can direct claims against the carrier which performed the part of the carriage during which the damage or the delay occurred, save in the case where, by express agreement, the first carrier has assumed liability beyond that carrier's own part of the carriage.

However, as regards damage in the course of carriage of baggage or cargo, a passenger or consignor is always entitled to direct claims against the first carrier, and the person who is entitled to delivery of baggage or cargo is always entitled to direct claims against the last carrier. In addition, each may direct claims against the carrier which performed the carriage during which the damage occurred. These carriers will be jointly and severally liable to the passenger or to the consignor or consignee.

Article 117

Combined carriage

In the case of carriage performed partly by air and partly by any other mode of carriage, the provisions of this Convention shall apply only to the carriage by air.

Conditions relating to other modes of carriage may be included among the provisions of a contract on air carriage.

Article 118

Carriage performed by a person other than the contracting carrier

Both a carrier who has entered into a contract on carriage ("the contracting carrier") and a carrier who performs the carriage in part or in full ("the actual carrier") shall be deemed to be carriers pursuant to the provisions of this Chapter, provided that the actual carrier in fact performs the carriage by virtue of authority from the contracting carrier. Such authority shall be presumed in the absence of proof to the contrary.

If an actual carrier performs the whole or part of the carriage pursuant to a contract of carriage between the contracting carrier and a party or parties, both carriers, the contracting carrier and the actual carrier, shall be deemed to be carriers pursuant to the provisions of this Chapter. The contracting carrier shall be regarded as the carrier in the whole of the air carriage while the actual carrier shall be regarded as the carrier in the air carriage actually performed by such carrier.

Article 119

Mutual liability

The acts and omissions of an actual carrier and of such carrier's employees and agents acting within the scope of their employment shall, in relation to the carriage performed by the actual carrier, be deemed to be also those of the contracting carrier.

The acts and omissions of a contracting carrier and of its employees and agents acting within the scope

of their employment shall, in relation to the carriage performed by the actual carrier, be deemed to be also those of the actual carrier. Nevertheless, the actual carrier shall not be subject to liability exceeding the rules relating to such acts or omission referred to in Articles 102, 108 and 110. Any special agreement under which a contracting carrier assumes liabilities in excess of those imposed by this Act or any waiver by the contracting carrier of rights or defences conferred by this Act or any special declaration by the contracting carrier of interest in delivery at destination contemplated in Paragraphs 2 or 3 of Article 108 shall not affect the actual carrier unless specifically agreed to by such carrier.

Article 120

Complaints and instructions

Any complaint made or instruction given under the provisions of this Chapter to the carrier shall have the same effect whether addressed to the contracting carrier or to the actual carrier. Nevertheless, instructions referred to in Article 96 shall only be effective if addressed to the contracting carrier.

Article 121

Liability of employees and agents

In relation to the carriage performed by the actual carrier, any employee or agent of that carrier and of the contracting carrier shall, if they prove that they acted within the scope of their employment, be entitled to avail themselves of the defences which are available to such carrier, unless it is proved that they acted in a manner that prevents the limits of liability from being invoked in accordance with this Act.

In relation to carriage performed by the actual carrier, the aggregate of the compensation recoverable from that carrier and the contracting carrier, and from their employees and agents shall not exceed the highest amount which could be awarded against each carrier under this Act. Each liable person shall only be liable for a sum up to the limit applicable to that person.

Article 122

Rules of litigation

In relation to carriage performed by the actual carrier, an action for damages may be brought, at the option of the plaintiff, against that carrier or the contracting carrier, or against both together or separately.

If the action is brought against only one of those carriers, that carrier shall have the right to require the other carrier to be joined in the proceedings, provided such right is exercised no later than at the first hearing of the case. In such an event the additional action or actions shall be initiated within one month from the time that the claim for joinder was submitted, subject to dismissal of the principal action.

Any action for damages pursuant to Paragraphs 1 and 2 shall be brought, at the option of the plaintiff, in the territory of one of the States Parties to the Montreal Convention, either before a court in which an action may be brought against the contracting carrier as provided in Article 115, or before the court having jurisdiction at the place where the actual carrier has its legal domicile or its principal place of business.

Article 123

Conditions or reservations concerning liability

Any provision or reservation tending to relieve the contracting carrier or actual carrier of liability or to fix a lower limit than that which is laid down in the Montreal Convention and this Act shall be null and void.

No provisions of Articles 118 – 122 shall affect the rights and obligations of carriers between themselves, including the rights of recourse or indemnification.

Article 124

Supplementary charge

The supplementary charge, which the carrier may require pursuant to Paragraphs 2 and 3 of Article 108, when a passenger or consignor has specifically declared the importance of having the baggage or cargo delivered at its destination, shall be determined pursuant to a tariff. The tariff shall be based on the extra cost of transporting and insuring the baggage or cargo in question in excess of the limits on liability in the cited provisions. The tariff shall be accessible to passengers and consignors.

Article 125

Obligation to provide information

All carriers who sell or engage in air carriage in Iceland or to and from Iceland shall make available to passengers in writing at all points of sale, including telephone sale and Internet sale, information concerning:

- a. the principal provisions applicable to liability for passengers and their baggage, including the limits of liability for loss of life or bodily injury, loss or damage to baggage and cargo and for delays or rescheduling of carriage to an earlier date;
- b. time limits for claiming damages; and
- c. the option of making a special declaration concerning baggage at all points of sale.

As regards carriers with air operator licences issued outside the EEA and EFTA this provision applies only to air carriage to and from and within Iceland.

In the event that a carrier offers to passengers liability in excess of the liability provided for in this Act, the increased liability shall be described.

Travel and contract conditions shall be available at all times to passengers in a simple and clear format on the websites and at the sales offices of carriers, their agents, travel agencies and at departure check-in counters.

An air operator, carrier, travel agency or agent of these parties shall ensure that the total price of transport or a trip always includes government duties and taxes. During the sales process, the total price shall at all times be apparent to the buyer, with duties and taxes indicated separately from other fees, expenses and commissions to the operator. Optional additional costs shall always be apparent at the beginning of the sales process.

With regard to providing information or access to travel tickets and ticket prices, discrimination between customers is prohibited on the basis of nationality, residence or seller location.

The Minister may issue further regulations on the disclosure of information as concerns the cost of travel tickets or transport.

The Minister may provide in greater detail for the information requirements of carriers by a government regulation.

Article 125 a

Upon booking, regardless of the method of booking, the contracting carrier shall inform the passenger of the name of the actual carrier. If who the actual carrier is or will be is unclear at the time of booking, the contracting carrier shall ensure that the passenger is informed of the name or names of those carriers that may potentially undertake the air transport. In such instances, it must be made certain that the passenger is informed of the actual carrier as soon as the carrier has been confirmed.

If there are changes to the actual carrier after booking, the contracting carrier shall take all necessary measures to inform the passenger of the change as soon as possible. The passenger shall in all instances be informed upon check-in or upon entering the aircraft, in cases where no check-in is required for a

connecting flight.

The flight operator or travel agency, as the case may be, shall ensure that the contracting carrier is informed of the name of the actual carrier or carriers as soon as possible, especially if the name of the actual carrier is changed.

If a seller has not received information on the name of the actual carrier, this seller shall not be held liable according to the first three paragraphs of this article.

The obligations of a contracting carrier shall be indicated in the travel terms of the carriage agreement.

Article 126

Compensation for overbooking and cancellations of flights

Carriers operating flights to or from Iceland or inside Iceland shall be obliged to pay damages to passengers who are turned away because of overbooking and cancellation of flights, provided they have a fully valid ticket, a confirmed reservation for the flight in question, and have presented themselves for check-in at the required time.

Carriers shall not be required to pay damages to passengers turned away if they are travelling free of charge or at a reduced fare not available to the public.

Further provisions shall be made concerning overbooking and cancellations of flights and turning away of passengers, arrangements for compensation, travel arrangements, amounts of compensation and other recourses for passengers in a government regulation.

Regulations shall also state the Icelandic Transport Authority authorisations for ensuring that such rules are enforced, for instance in order to gather information, make on-site inspections, have permission to stop violations and demand the cessation of violations, as well as to publish such decisions as applicable. Provisions shall also be included in regulations on the Icelandic Transport Authority's authorisation to hand over necessary information and data to authorities in other states within the EEA.

Article 126 a

If transport by air commences

- a. from a place of departure in Iceland; or
- b. from a place of departure in a third state to Iceland; or
- c. from a place of departure in a third state to a place of destination in a third state;

a passenger shall be entitled to repayment from the contracting carrier or to alteration of the flight route if the actual transporter who is to operate the flight has not been authorised to operate aircraft within the European Economic Area, provided that the passenger chooses not to use his/her ticket and the flight has not been cancelled.

Article 126 b

On the grounds of disability or impaired mobility, no air operator, its agent or any travel agency may deny a passenger:

- a. booking on a flight to or from an aerodrome in Iceland;
- b. entrance to an aircraft at an aerodrome in Iceland, provided the passenger has a valid booking and ticket.

Notwithstanding the first paragraph, the flight operator, its agents or the travel agency may refuse to book a flight or to permit a passenger to board an aircraft on the grounds of disability or impaired mobility;

- a. where required by flight safety;
- b. when this is precluded by the size of the aircraft or its door while entering the aircraft or during transport.

When a passenger must be denied transport on the grounds of item a or b of the second paragraph, the flight operator, its agent or the travel agency shall take the necessary measures to provide the passenger with a satisfactory option for transport.

Regulations shall provide in detail for the rights of passengers denied transport on grounds of disability or impaired mobility, for passenger escort requirements on grounds of flight security and for the disclosure of information to passengers.

This provision applies also to flight operators with an air operating licence issued in Iceland when an aircraft is departing from a third state to a state within the EEA.

Article 126 c

If the consumer of a flight service or any other interested party considers an air operator, transporter, travel agency or agent of these parties to breach their obligations according to this Act or regulations based on it, the party in question can direct a complaint to the Icelandic Transport Authority for it to address the issue.

If the Icelandic Transport Authority receives such a complaint, it shall for one thing seek the opinion of the respective service provider about the complaint, verify the validity of the given information and also attempt to settle the dispute between the parties in a quick and effective manner.

If no agreement is reached according to the second paragraph, the dispute shall be settled through an Icelandic Transport Authority decision. The Authority's decision may be appealed to the Minister, according to the general rules of the Administrative Procedures Act. The Icelandic Transport Authority may enforce decisions according to this Article, in accordance with Article 136.

If an air operator, transporter, travel agency or an agent of these parties is found guilty of repeated offences against consumers, the Icelandic Transport Authority may, in addition to the remedies indicated in Article 136, revoke the respective party's operating licence in accordance with the provisions of this Act.

The Icelandic Transport Authority may publish its decisions based on this provision in a public manner and name the flight service providers involved.

On the basis of this Article, Articles 104-106 and Articles 123-126, the Icelandic Transport Authority may collect a fee for the cost of consumer complaints. The Authority may collect the fee directly from the respective service provider in proportion to the number of decisions directly resulted from the complaints. The fee and its cost basis is pursuant to provisions of the Icelandic Transport Authority Act.

Article 127

Applicable law

For the purposes of this Chapter carriage shall be deemed to be international carriage pursuant to a contract of carriage when the place of departure and place of destination are within the territories of two States Parties to the Montreal Convention, regardless of whether there is a break in the carriage or a change of aircraft. If the place of departure and place of destination are within the territories of the same State Party the carriage shall be deemed to be between countries if a landing needs to be made in another country en route, even if that state is not a party to the Montreal Convention. Carriage without such a stopping place shall not be regarded as international carriage.

Carriage performed by several successive carriers shall be deemed for the purposes of this Act to be one undivided carriage if it has been regarded by the parties as a single carriage, whether it has been agreed upon under the form of a single contract or more contracts, and it does not change the status of the carriage contract if one or more parts of the carriage were carried out entirely within the territory of the same state.

The Montreal Convention in this Act refers to the convention on international air carriage concluded in Montreal on 28 May 1999. The provisions of the Montreal Convention and this Act shall in all respect supersede the following rules applicable to international air carriage between countries to which the States Parties to the Montreal Convention are parties:

- a. the Warsaw Convention for the Unification of Certain Rules for International Carriage by Air, concluded in Warsaw on 12 October 1929;
- b. the protocol signed in the Hague on 28 September 1955;
- c. the Supplementary Convention for the Unification of Certain Rules Relating to International Carriage by Air Performed by a Person Other than the Contracting Carrier, signed at Guadalajara on 18 September 1961;
- d. the protocol amending the Warsaw Convention of 1929 and the Hague protocol of 1955, signed in Guatemala on 8 March 1971;
- e. additional Protocols Nos. 1 – 3 and 4 signed at Montreal on 25 September 1975; or
- f. within the territory of a State Party to the Montreal Convention which is a party to one or more of the instruments referred to in items a – e above.

If the place of departure or destination is in a state which is not a party to the Warsaw Convention of 1929 the provisions of the Chapter shall be applied to such air carriage.

CHAPTER XI

Compensation for Damage and Insurance

Article 128

If damage to persons or objects outside an aircraft occurs as a result of the operation of the aircraft, the owner or the persons on whose account the aircraft is operated shall be liable for compensation for the damage.

There shall be no liability to pay damages in case of proof that the person who suffered the injury is guilty of causing the injury by a wilful act or gross negligence.

Article 129

In claims involving damage to persons or objects within the boundaries of an approved aerodrome, the provisions of Paragraph 1 of Article 128 shall not apply.

If damage to aircraft or cargo results from a collision of aircraft, the provisions of the Navigation Act relating to the collision of ships shall apply.

In the event of damage resulting from a collision of two or more aircraft, for which each person for whose account the aircraft is operated is liable pursuant to Paragraph 1 of Article 128, they shall all be jointly liable. The extent of liability of each party to the other persons who are jointly liable shall be determined by a court of law based on the circumstances in each case.

Article 130

The provisions of Articles 128 and 129 hereof shall not in any way prejudice the right to damages pursuant to the general rules of law.

Article 131

The user of an aircraft used for aviation in accordance with this Act shall take out and maintain secure insurance for indemnification against claims which may arise against him or the user of the aircraft in matters involving damage to persons or objects outside the aircraft resulting from the use of the aircraft. When a person outside an aircraft suffers injury, it is not permitted to curtail such person's right to compensation by reference to conditions of insurance that concern the insured's own risk or own fault, or by referring to exemption from liability, and such provisions shall therefore be considered null and void. This insurance shall, among other things, cover payment of expenses incurred by clearing of accident

sites and the removal of wreckage. The approval of the Icelandic Transport Authority shall be obtained for the insurance company and the terms of insurance.

If the term of insurance coverage has expired, the liability of the insurance company to a third party for damages, according to the substance of the policy, shall continue for a period of two months following the date on which the company informed the Icelandic Transport Authority of the expiry of the policy, unless in the meantime the aircraft has been stricken from the Register or unless the permission granted under Section 3(c) has been revoked.

Air operators shall take out insurance against damage to persons or objects on board an aircraft or in the course of any of the operations of embarking or disembarking or loading and offloading from the aircraft and against damage to checked-in baggage and goods while the carrier is liable for them according to Chapter X. The insurance amounts shall secure compensation pursuant to the provisions of this Chapter.

The Minister may issue a government regulation with further rules concerning the insurance provided for herein, including insurance amounts and the consequences of not maintaining liability insurance or other insurance policies in effect.

CHAPTER XII

Assistance and Rescue

Article 132

The Minister may issue rules concerning search and rescue arrangements in cases of missing, damaged or lost aircraft, including rules on the assistance that individuals and enterprises are required to render in search and rescue work and compensation for such assistance.

The Minister shall prescribe the management of search operations until the site of the accident has been found, at which time police authorities take over and become responsible for on-site management. The Minister may conclude agreements with independent organisations or companies to arrange for search activities, whether partially or completely. The Icelandic Transportation Safety Board shall supervise on-site investigations, and the police commissioner must render the Board all possible assistance.

The cost incurred by the State Treasury as a result of a search for a missing aircraft can be imposed in part or in full by the Icelandic Transport Authority on the user of the aircraft registered in the Icelandic Register of Aircraft or the owner, if foreign, provided that this is reasonable and not contrary to international agreements. The same shall apply to rescue costs insofar as they are not covered by salvage.

The registered owner of an aircraft may be required to undertake the removal of wreckage and clearing the accident site.

Article 133

A person who salvages, or contributes to the salvage of, an aircraft wrecked or in danger, the baggage or goods aboard the aircraft or any part of such aircraft, baggage or goods, shall be entitled to salvage money in accordance with the rules on salvage of ships and goods aboard, whether the salvage is carried out at sea, on land or in the air. Any person who rescues, or contributes to the rescue of, a life in the danger situation which led to salvage shall have a claim to a share of the salvage.

Any person who has incurred extraordinary expenses which were necessary for the preservation of an aircraft or goods from the aircraft shall be entitled to reimbursement of such expenses unless such action was contrary to an explicit and reasonable prohibition of the captain concerned.

A claim to salvage or reimbursement of extraordinary expenses shall not exceed the value of the property salvaged, including the aircraft and freight charge for baggage, goods and passengers.

Article 134

The owner of salvaged goods shall be liable only for the value of the salvaged goods. A claim to salvage shall be secured by a lien on the aircraft, baggage and goods with priority over all other liens. Claims based on a later event shall have priority over those based on earlier events.

The lien shall lapse when the baggage or goods are delivered. The lien on the aircraft shall lapse after three months, unless the lien is officially registered and its amount approved, or a lawsuit is initiated for the confirmation of the lien. The lawsuit may be initiated at the place where the salvage work was completed or where the aircraft and goods are located.

CHAPTER XII A

Access of foreign state aircraft to Icelandic territory

Article 134 a

Scope

The provisions of this Chapter apply to all foreign state aircraft. The Minister responsible for foreign affairs is responsible for the implementation of this Chapter.

Article 134 b

Access of foreign state aircraft

A foreign state aircraft may only enter Icelandic territory if official authorisation has been granted.

The Minister determines the transit locations available for a foreign aircraft and all permitted routes within the territory of Iceland.

The Minister may at any time revoke the authorisation of the arrival of a foreign state aircraft or passage through Icelandic territory as well as deciding that a foreign state aircraft shall leave Icelandic territory without notice.

The Minister issues further regulations on arrivals and the passage of foreign state aircraft, e.g. concerning application deadlines, authorised equipment, permissible operations and mandatory reporting, along with crew arrival and stay and the passengers of state aircraft.

CHAPTER XIII

Miscellaneous Provisions

Article 135

If there is reason to suspect that an aircraft preparing for take-off is not airworthy or is not properly manned, or that it will be used in a manner contrary to the provisions of this Act or regulations issued pursuant to this Act, the Icelandic Transport Authority may prohibit the flight of the aircraft and, if necessary, prevent the aircraft from taking off from the aerodrome until improvements are made. The Icelandic Transport Authority may call upon the assistance of police authorities for maintaining such prohibition, and such assistance shall be provided.

Article 136

The Icelandic Transport Authority and providers of aerodrome or aviation services may prevent an aircraft from taking off until such time as all fees for the aircraft in question or other operations of the owner or user of the aircraft have been paid or security has been posted for such payment. An aerodrome operator shall comply with a request from the Environment Agency to prevent an aircraft from taking off until such time as all statutory fees for the aircraft in question regarding greenhouse gas emissions have been paid or security has been posted for such payment.

In the event that a party subject to mandatory inspection does not supply required information to the Icelandic Transport Authority within the deadline set by the Authority, or does not respond to requirements for improvements regarded as necessary by the Authority, within a reasonable deadline, the Icelandic Transport Authority may subject such party to the payment of a daily fine. The daily fine shall then be paid until the requirements of the Icelandic Transport Authority have been met. The daily fine may range from ISK 10,000 to ISK 1,000,000 per day. In determining the amount of the daily fine, account may be taken of both the nature of the omission or violation and the financial strength of the party subject to inspection.

The Icelandic Transport Authority may impose daily fines or penalty payments on a party which has contravened a decision made by the Administration, including any decision made according to the provisions of Articles 28, 84, and 140. Whereas the amounts of daily fines are subject to the second paragraph, penalty payments may total up to ISK 10 million for each violation.

If periodical penalty payments or daily fines pursuant to this Article are not paid within one month from the decision of the Icelandic Transport Authority, penalty interest shall be paid. The determination and calculation of interest on overdue payment is governed by the Act on Interest and Indexation.

Decisions on periodic penalty payments or daily fines may be appealed to the Minister within seven days from the date on which the party concerned was notified of the decision, which notification shall be made out in writing to the party against whom the decision is directed and in a verifiable manner. Should the party concerned appeal the decision on daily fines or periodic penalty payments, collection of payment is not permitted until after the Minister has returned a decision in the case. Uncollected daily fines and periodic penalty payments are not extinguished even if the party subject to inspection subsequently meets the requirements being enforced.

Claims of daily fines and periodic penalty payments are enforceable by law. An appeal to the Minister of Communications will postpone enforcement, but the Minister's decisions are enforceable. On enforcement, the respondent shall be summoned before the District Court, and court proceedings shall be conducted in accordance with the provisions of the Act on Enforcement Procedure. Collected fines are transferred to the Treasury, minus the cost of collection.

Further provisions on the decision and collection of administrative penalties may be provided for in a regulation.

Article 136 a

The EFTA Surveillance Authority may, by proposal of the European Aviation Safety Agency, subject companies with certificates issued by the European Aviation Safety Agency to the payment of a fine for intentional or negligent violations of European Aviation Safety Agency regulations, provided that the activity that provides basis for the fine violates the provisions of this Act or regulations issued pursuant to this Act.

Article 137

For the enhancement of aviation safety the Minister may establish rules concerning the handling, storage and delivery of fuel and other necessities for the equipment of aircraft, and also regarding monitoring compliance with such rules.

Article 138

The registered user of an aircraft, parties subject to regulation, and parties conducting operations in accordance with a licence, authorisation, certificate, or recognition pursuant to this Act, rules established pursuant to this Act, or the Icelandic Transport Authority Act are obligated to provide any information the Icelandic Transport Authority requires.

Article 140

The Icelandic Transport Authority may take decisions related to the scope of its operation that are taken based on this Act or regulations established pursuant to it. The Authority's decisions apply in general but can also be applied specifically if they are aimed at certain groups or single party. The Icelandic Transport Authority's decisions are binding for the parties concerned and shall be published in the Aeronautical Information Publication or on the Authority's webpage as applicable.

The Icelandic Transport Authority shall publish aeronautical information circular and an Aeronautical Information Publication. All holders of air operator certificates and flight instructor licenses issued by the Icelandic Transport Authority, and also those who provide an aerodrome or aviation navigation services in Iceland, shall subscribe to these publications. The Icelandic Transport Authority may entrust a party with publication of the aeronautical information circular.

Decisions of the Icelandic Transport Authority shall be in Icelandic or English as applicable.

The Minister may provide further regarding these publications by issuing a government regulation.

Article 141

Violations of this Act or regulations, rules or instructions established or given pursuant to this Act, are punishable by fine or imprisonment for up to five years. Attempted violations and aiding and abetting are punishable in accordance with Chapter III of the General Penal Code.

A party reporting pursuant to Chapter V A within 72 hours of occurrences which have not led to an accident or a serious incident, as well as parties mentioned in the report will not be punished or subjected to sanctions even in the event of violation of the provisions of this Act or rules grounded in this Act, except in the case of intent, gross negligence or use of alcohol, stimulants or depressants.

Occurrence reporting which do not give rise to sanctions, as provided in Paragraph 2, shall not be used as evidence in public proceedings or used in a case that may result in administrative penalties.

Article 142

The holder of a licence shall be deprived of the rights conferred by the licence to engage in the activities covered by the licence if the holder is found guilty of gross violation of this Act or rules established pursuant to this Act, or if it is reasonable to assume, in light of the nature of the violation or other conduct of the licence holder as such, that the holder's exercise of rights pursuant to the licence poses a risk.

Licences shall be revoked for a specified period of time, no less than three months, or permanently in cases of extreme or repeated violations.

Article 143

If the Icelandic Transport Authority is of the opinion that there are grounds for the revocation of licence rights, the Authority shall temporarily revoke the rights conferred by the licence of the party in question as soon as possible. Time limits shall be set for such temporary revocation. The decision of the Icelandic Transport Authority may be referred to a court of law in accordance with rules on public procedure, and the Authority shall advise the party in question of this right.

The period of revocation pursuant to Paragraph 1 of this Article shall be deducted from any final period of revocation as decided by a court decision.

Article 144

The appeal of a judgment providing for the revocation of rights does not postpone its taking effect in that respect. However, in special circumstances a judge may rule that an appeal will postpone the enforcement of revocation.

Article 145

The Minister may issue regulations for the enforcement and clarification of this Act.

Article 146

The Icelandic Transport Authority will participate in the work of the European Aviation Safety Agency (EASA) with the aim, inter alia, of improving aviation safety, reducing pollution from aircraft and presenting the viewpoints of the Icelandic government in the work of the Agency.

The Minister shall, with reference to Paragraph 1, issue a government regulation effecting the incorporation of Regulations of the European Parliament and the Council relating to the establishment of the European Aviation Safety Agency, into the Icelandic legal order.

The Minister may issue a regulation effecting the transposition of EEA Acts concerning tasks in the field of the European Aviation Safety Agency (EASA) which have been delegated to the Agency on the basis of the Acts establishing EASA, in accordance with Paragraph 2.

Article 146 a

Support for scheduled air services

The Minister may establish rules on economic support for scheduled air services to marginal regions or on routes to aerodromes with limited air traffic. Further provisions shall be made concerning needs assessment, air fares, tendering of the service and other terms. Financial allocations are subject to the Budget of the Ministry and the State Budget.

Article 146 b

Government authorisation for negotiations

The Government is authorised to make air transport agreements and other agreements with the governments of other states and international and regional institutions on mutual recognition of rights, certificates, authorisations, operating permits, certification and audits in the field of aviation, including the field of aviation security.

The Icelandic Transport Authority allocates rights and issues authorisation pursuant to Paragraph 1. The Authority may set necessary binding conditions on the utilization of rights and authorisations, in accordance with regulations set by the Minister pursuant to Paragraph 3, amongst other to ensure equality on the basis of mutual recognition for those parties that benefit from the agreement pursuant to Paragraph 1 or other agreements on the optimisation of mutual rights.

The Minister may provide in a regulation for the terms of the application process, the conditions for allocation and the publication of the summary of rights in accordance with agreements. When the rights in question are partial, a regulation shall provide for the considerations that form the grounds of the allocation, among others concerning the interests of consumers, competition, positive development of cargo operations, service, frequency, time period, type of traffic, accessibility, pricing, connecting flights and environmental impact.

Article 146 c

Computer reservation systems

A computer reservation system is a system that includes among other things, flight operator's information on schedules, seating availability, air fares and other related services, either with or without equipment for reservation or issuing of travel permits, to the extent that the subscribers to the system have access to that service in part or in full. The Minister may set a regulation among other things, on the operation of such systems, access, dependability and sorting of information, terms, ban of discrimination, surveillance of the operation of computer reservation systems, measures to protect equal conditions of competition and the protection of personal information.

Article 146 d

In air and ground operations, international standards and recognised execution of units of measurement

shall be used.

The Icelandic Transport Authority may establish rules concerning the use of units of measurements in air and ground operations in compliance with international obligations, including scope, the general use of units of measurements, instructions, variables, coordination and publication.

Article 146 e

The Icelandic Transport Authority may lay down further rules on technical approach for general requirements on aeronautical charts, operation of aircrafts, their registration and airworthiness and environmental protection.

Article 147

This Act shall enter into force immediately.