

Protocols of the Board of Directors of the Icelandic Route Support Fund

Art. 1

Route Support Fund

On 30 October 2015 the Government resolved to entrust the Minister of Industry and Commerce to begin preparations for the establishment of a Route Support Fund. This resolution was based on proposals from a committee appointed by the Prime Minister on new opportunities for international flights.

The objective of the Fund is to support the development of new flight routes to Iceland, to enable regular international flights through the international airports at Akureyri and Egilsstaðir. This encourages better distribution of travellers throughout Iceland, in accordance with the *Road Map for Tourism*, improves utilisation of public infrastructure, and enhances the living conditions and quality of life for local residents as well as the business environment in North and East Iceland.

The Fund operates in two divisions, a Route Support Division, cf. Art. 5, and a Marketing Support Division, cf. Art. 6.

Art. 2.

Board of Directors of the Route Support Fund

The Board of Directors of the Route Support Fund (Hereinafter referred to as *The Board*) was established by a letter of appointment from the Minister of Industry and Commerce on 19 May 2016. The Board adopts its own protocols, which are approved by the Minister.

The Board makes decisions on grants from the Fund and concludes agreements with applicants for grants in accordance with yearly budget allocations; grant amounts shall be limited by these allocations.

The Fund's Board shall comply with the rules of the Public Administration Act, No. 37/1993 on procedure and eligibility. The rules of Act No. 70/1996 on the Rights and Duties of Public Employees shall apply concerning confidentiality obligations.

The Fund's Board shall regularly monitor the status of the Fund and the progress of projects based on information from the Board's working group, cf. Art. 3.

The Board of Directors shall keep minutes of its meetings which must be signed by those attending.

Art. 3.

Working group of the Board of Directors

Visit North Iceland, Austurbrú, Isavia and Promote Iceland shall have representatives in the Board's working group. The working group shall divide the responsibilities of convening the group and directing its meetings between its members. The Board's working group need not consist of the same representatives as the Fund's Board.

The working group reviews the applications received by the Fund and communicates with applicants regarding their applications. Furthermore, the working group shall monitor the progress of agreements concluded with applicants, cf. Articles 5 and 6, and report to the Board on the progress of projects so that it can make decisions on disbursements from the Fund.

Art. 4.

Applications

[An applicant can apply to the Fund for a grant in connection with development of regular direct flights to Akureyri or Egilsstaðir. Regular direct flights shall mean flights arriving directly from abroad, i.e. directly from a foreign destination, or with a direct connection to another international flight at another airport in Iceland. Scheduled or charter flights emphasising the sale of airline seats from Iceland are not eligible for grants.]¹

The Fund's Board shall decide on the timing of advertisements for grants based on the Fund's financial status. Advertisements shall be published in the mass media and on the website of the Ministry of Industries and Innovation. Promote Iceland and Isavia will in addition promote the Fund's activities and draw it to the attention of their contacts when the Board announces applications for grants to be open.

It is permitted to advertise specifically for one division, in such case stating this in the advertisement.

Applications must be submitted electronically, using the appropriate application forms, to the Ministry of Industries and Innovation, which will handle the documentation received by the Fund together with payments to applicants in accordance with decisions by the Board.

Art. 5.

Premises and prioritisation of grants

The Board shall assess applications and process correspondence from applicants. The Fund's Board is not permitted to make disbursements from the Fund exceeding the budget allocations approved by the Icelandic Parliament *Althingi*.

¹ Adv. No. 76/2017, Art. 1 a).

[As the Fund's finances are limited, its Board shall allocate grants to applicants based on the following prioritisation:

1. First priority is given to scheduled flights by flight operators offering individual seats for sale in regular scheduled flights, which are in general distribution on the market.
2. Second priority is given to regular flights where an applicant offers travel packages for sale on scheduled flights over a longer period, in addition to offering individual seats for sale on the general market.
3. Third priority is given to scheduled flights by flight operators offering a direct connection with another international flight at another airport in Iceland.
4. Fourth priority is given to regular charter flights, i.e. services which are offered by an applicant, e.g. travel packages, but where individual airline seats cannot be purchased on the market.]²

Grants may be allocated from the Fund for flights after 1 June 2016.

Notwithstanding the provisions of the first and second paragraphs of Art. 6, the Fund's Board is permitted to grant lower amounts per each passenger landed if full grants cannot be made, due to the Fund's financial position.

The Fund's Board may reject applications for grants from applicants who satisfy the requirements of Art. 7 if the Board is of the opinion that marketing of the region concerned or the flight route has been sufficiently supported by previous grants.

The Fund's Board may refuse to make a grant to an applicant if it appears demonstrated that the project will not maximise the utilisation and value-added of the funding. To assess this, the Fund's Board may request the necessary documentation.

Art. 6.

Projects eligible for support from the Route Support Division

An applicant may receive a grant from the Route Support Division for each passenger landed at Akureyri or Egilsstaðir as follows:

1. Winter (October-April): If the applicant flies at least 12 flights during the period it can obtain EUR 15 in support for each landed passenger.
2. Spring/Autumn (May and/or September): If the applicant flies at least 8 flights during the period in addition to 12 flights during the summer or winter period, cf. Points 1 and 3 of the first paragraph, it can obtain EUR 12 for each landed passenger.
3. Summer (June-August): If the applicant flies at least once a week and at least 12 flights during the period it can obtain EUR 10 in support for each landed passenger.

² Adv. No. 76/2017, Art. 1 b).

If an applicant flies [twice]³ a week and/or operates flights for more than three months continuously it can obtain EUR 3 in support for each landed passenger in addition to support pursuant to the first paragraph. The supplementary grant shall not, however, exceed ISK 50 million annually.

In assessing applications for support from the Route Support Division flights as referred to in Point 1 of the first paragraph shall have first priority, flights as referred to in Point 2 of the first paragraph shall have second priority and flights as referred to in Point 3 of the first paragraph third priority.

The applicant shall conclude an agreement with the Board concerning the grants. The applicant must submit a summary of flights and passenger numbers to the Board's working group. Following a review by the working group the case will go before the Board which makes decisions on payments. The first payment shall be made three months following the signing of an agreement, after which payments shall be made at the end of each month. Payments from the Fund shall be made on the premise that the progress of the project corresponds with the respective agreements.

Grants to each applicant pursuant to this Article may never exceed the equivalent of EUR 200,000 over a three-year period. Conversion of amounts to ISK shall be based on the exchange rates published by the EFTA Surveillance Authority (ESA) each year in the EEA Supplement to the Official Journal of the European Union and on the Authority's website. Calculations of maximum amounts shall include other grants which the applicant has received from public bodies. In this context, however, special grants which an applicant may have received in accordance with rules on support approved by ESA are exempt. The applicant must confirm in its application for grants from the Fund that it satisfies the requirements of this paragraph.

Art. 7.

Projects eligible for support from the Marketing Support Division

If the applicant fulfils the requirements of the first paragraph of Art. 6 concerning the frequency of flights it can receive a grant from the Marketing Support Division of a minimum of ISK 10 million for each flight route to promote the destination in question.

The applicant shall conclude an agreement with the Board concerning the marketing arrangements. The agreement must fulfil the following conditions:

1. The applicant must contribute an equivalent amount for marketing as it receives from the Fund.
2. Emphasis is placed on promoting the destination and not the applicant itself.
3. The region is promoted as a whole and promotional materials do not feature one product in the region above others.

³ Adv. No. 913/2016, Art. 1.

4. Provision is made for what types of projects the applicant may undertake based on the grant.

The Fund's Board is permitted to require that certain forms of communication are used for marketing. The Fund's Board may also make an independent assessment of budget estimates or the applicant's estimated value of the marketing.

The applicant must submit a report to the Board's working group on the implementation of the agreement before payment can be made. Following a review by the working group the report will go before the Board which makes decisions on payments. The first payment shall be made three months following the signing of an agreement, after which payments shall be made at the end of each month. Payments from the Fund shall be made on the assumption that the progress of the project corresponds with the respective agreements.

Notwithstanding the provisions of the first paragraph, the Fund's Board may allocate an applicant a grant from the Marketing Support Fund if the frequency of airline flights is at least half of the frequency required in the first paragraph of Art. 6, and the Board is of the opinion that this will contribute to achieving the Fund's objectives in the longer term.

In assessing applications from the Marketing Support Division applicants who satisfy the requirements of Point 1 of the first paragraph of Art. 6 shall have first priority, those satisfying the requirements of Point 2 of the first paragraph of Art. 6 shall have second priority, those satisfying the requirements of Point 3 of the first paragraph of Art. 6 shall have third priority, and those satisfying the requirements in the fifth paragraph of this Art. shall have fourth priority.

Art. 8.

Information disclosure and applicants' responsibility

Grants are provided for the specific projects for which agreements are concluded, as referred to in Articles 5 and 6. The applicant may not transfer the grant or dispose of it to other parties or for other projects than those described in its application.

The applicant must inform the Fund without delay of any changes which may occur to its situation which could affect the implementation of the project. If legal transfer or changes in the applicant's situation foreseeably reduce its possibilities to conclude the project at the specified time, its entitlement to a grant shall be cancelled.

The applicant is responsible for obtaining all statutory authorisations and approvals for the project described in its application before the grant is disbursed.

Art. 9.

Non-fulfilment

Violation by an applicant of an agreement or other requirements for allocation of grants authorises the Fund to suspend payments to the applicant, cancel grants and demand full reimbursement of any funds received by the applicant from the Fund based on an agreement. Violations of an agreement or these protocols can also affect the applicant's possibilities of being awarded further grants.

Any disputes which may arise concerning these protocols or agreements concluded on their basis shall be brought before the Reykjavík District Court.

Art. 10

Entry into force

These rules shall enter into force once signed by the Minister.

Ministry of Industries and Innovation, 14 July 2016