



Air Transport

in 41 jurisdictions worldwide

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Iceland

Erlendur Gíslason

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General

1 Which bodies regulate aviation in your country, under what basic laws?

Aviation in Iceland is mainly regulated by the Civil Aviation Administration, an independent administrative body that reports to the Ministry of the Interior, and Isavia, a state-owned public limited company responsible for Air Traffic Control services and public airports' operations. The main Icelandic legislative instruments applicable to aviation are the Act on Aviation No. 60 of 10 June 1998, Act No. 100 of 13 June 2006 on the establishment of the Civil Aviation Administration and Act No. 102 of 13 June 2006 on the establishment of Flugstodir ohf (now known as Isavia ohf).

Regulation of aviation operations

2 How is air transport regulated in terms of safety?

In terms of safety, air transport legislation in Iceland is based on rules developed at international level, through the Chicago Convention and the instruments based thereon, and at European level, through several EC regulations and EC directives on safety issues, which are – to the extent necessary – implemented in national legislation in accordance with the provisions of the Agreement on the European Economic Area.

The safety standards issued by the European Aviation Safety Agency (EASA), which are derived from standards developed by the former joint aviation authorities (JAA), apply. The Act on Aviation contains basic provisions regarding safety, which are further implemented through several ministerial regulations and other implementation instruments.

3 What safety regulation is provided for air operations that do not constitute public or commercial transport, and how is the distinction made?

In general, the safety requirements that apply to commercial air transport apply also to private operations. Iceland has implemented Commission Regulation (EC) 2042/2003 of 20 November 2003 on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organisations and personnel involved in these tasks. The safety requirements laid down in this regulation apply to all aircraft registered in Iceland or subject to the Icelandic CAA's oversight, whether constituting public/commercial transport or private non-commercial operations. However, the Act on Aviation and several executive decrees and regulations make a distinction between commercial flights and non-commercial flights. Briefly put, commercial flights concern air transportation for remuneration. The instruments adopted by the former JAA and the EASA (which apply to Iceland) also make a distinction between commercial and non-commercial air transport. Under the standards developed by the former JAA (joint aviation requirements, JARs) and applied by

the EASA, commercial air transportation does not cover aerial work and corporate aviation.

4 Is access to the market for the provision of air transport services regulated, and if so how?

Yes, pursuant to chapter IX of the Act on Aviation, an air carrier requires an air operator's certificate and an operating licence from the Civil Aviation Administration in order to provide commercial air transport services. With respect to applicants falling within the scope of EC Regulation No. 1008/2008, the requirements set forth therein apply.

5 What requirements apply in the areas of financial fitness and nationality of ownership regarding control of air carriers?

Although Regulation (EC) No. 1008/2008 has not been formally implemented into Icelandic law through the EEA Agreement, the CAA by Decision No. 2/2010 nonetheless applies the substantive provisions of Regulation (EC) No. 1008/2008, including as concerns the financial fitness of air carriers. Pursuant to said Regulation, the CAA shall assess whether an air carrier (applying for the first time for an Operating Licence) can meet its actual and potential obligations for a period of 24 months from the start of operations, and its fixed and operational costs incurred by operations (as per the air carrier's business plan) for three months from the start of operations, not taking into account any income from its operations.

According to the Act on Foreign Investment in Commercial Enterprises, the aggregate shareholding of foreign entities in an Icelandic airline may not at any given time exceed 49 per cent, while individuals resident in member states of the European Economic Area or the Faroe Islands as well as legal persons domiciled in member states of the European Economic Area or the Faroe Islands are exempt from this restriction.

6 What procedures are there to obtain licences or other rights to operate particular routes?

Pursuant to Regulation 904/2005 on international air traffic through Icelandic airspace, a permit from the CAA is required to operate aircraft to, from or through Icelandic airspace with the following exceptions:

- Air carriers that have a valid operating licence from an EEA member state are in principle permitted to operate routes to, from or through Icelandic airspace without any additional permits or authorisations being required. Furthermore, bilateral agreements between the European Union (applicable to Iceland as an EEA member state) and non-EEA states (eg, the EU-US Open Skies Agreement) may determine under which conditions routes to or from such states may be operated.

- Flight operations by air carriers wishing to operate flights to and from destinations outside the EEA designated by the minister of the interior under the applicable (bilateral) air transport agreement between Iceland and the state of that particular destination. Bilateral air transport agreements typically focus on scheduled services and consequently charter flights and ad hoc operations usually fall outside the scope of the bilateral regime. Requests to operate charter flights on particular routes are considered on a case-by-case basis within the framework of the existing bilateral aero-political relationship.
- International obligations of Iceland vis-à-vis other states permit the air operation provided the foreign operator is acknowledged and designated by its home state.

An application to operate scheduled air services shall be filed 30 days in advance of the start of operations.

Non-scheduled commercial operations are subject to the CAA's approval except for entities listed above. Non-scheduled non-commercial operations as well as private operations are permitted except for entities from states not signed up to the Chicago Convention, which need to apply for the CAA's permit for flying in Icelandic airspace.

- 7** What procedures are there for hearing or deciding contested applications for licences or other rights to operate particular routes?

As a public administrative body, the CAA is subject to the Act on Administrative Procedures No. 37/1993 and must abide by the principles of full disclosure and investigation of facts, fair hearing and party contestation, proportionality and other administrative principles laid down in said Act. The rejection by the CAA of an application for licences or operation of routes can be appealed to the Ministry of the Interior. An appeal against the decision of the Ministry regarding the objection can be lodged with a district court. An appeal against the judgment of the district court can be entered with the Supreme Court of Iceland.

- 8** Is there a declared policy on airline access or competition, and if so what is it?

There is no official policy on airline access or competition. Competition matters are assessed on a case-by-case basis by the Icelandic Competition Authority with regards to the objectives of the Icelandic Competition Act No. 44/2005, which is to promote effective competition and thereby increase production efficiency.

- 9** What requirements must a foreign air carrier satisfy in order to operate to or from your country?

To operate commercial flights a foreign air carrier which has its principal place of business in an EEA member state requires an operating licence issued by the relevant member state. Air carriers from countries outside the EEA require a designation pursuant to the applicable bilateral agreement between Iceland and that other country.

Furthermore, the foreign air carrier requires an air operator's certificate (AOC) to operate the flights. While operating the flights, the applicable rules in respect of insurance, airworthiness, traffic control, etc, have to be complied with.

- 10** Are there specific rules in place to ensure aviation services are offered to remote destinations when vital for the local economy?

The Ministry of the Interior can decide to make certain domestic routes in Iceland subject to public service obligations for being considered as a part of the basic transportation net. If there are no airline companies willing to offer their services on general market conditions on each route, the government offers state aid in an open tender bid to those companies willing to provide services.

- 11** Are charter services specially regulated?

Charter services are regulated as follows:

Non-commercial charter services may be operated to and from Iceland and through Icelandic airspace by operators from member states of the Chicago Convention without specific permission, while operators from states not members to the Chicago Convention require a permit from the CAA which needs to be applied for at least 48 hours prior to the aircraft entering Icelandic airspace.

Commercial charter services may be operated to and from Iceland and through Icelandic airspace without specific permission by operators that are:

- issued with an operating licence in an EEA member state;
- designated by a contracting state pursuant to a bilateral air services agreement between Iceland and a third state; and
- where the international obligations of Iceland vis-à-vis other states permit the air operation provided the foreign operator is acknowledged and designated by its home state.

- 12** Are airfares regulated, and if so, how?

Airfares are not regulated in Iceland, neither domestically nor internationally.

Aircraft

- 13** Who is entitled to be mentioned in the aircraft register? Do requirements or limitations apply to the ownership of an aircraft listed on your country's register?

The aircraft register is a title register such that the owner of an aircraft is primarily entitled to be mentioned in the aircraft register. The aircraft operator or holder is also mentioned as such.

Ownership of an aircraft on the Icelandic nationality register is restricted to: (i) Icelandic nationals and Icelandic legal persons as well as (ii) nationals or legal persons, citizens and domiciled in states with which Iceland has entered an agreement to this effect, provided the aircraft is operated by an Icelandic air operator. The latter applies to aircraft owned by natural and legal persons from within EEA member states. Aircraft owned by entities falling outside categories (i) and (ii) may be registered with the CAA's permit provided the aircraft is subject to adequate supervision and specific reasons speak in favour of the registration, in particular that the aircraft is on the fleet of an Icelandic operator through a lease arrangement with the foreign owner.

- 14** Is there a register of aircraft mortgages or charges, and if so how does it function?

There is a register for the recording of mortgages and other rights on aircraft in Iceland (the Register of Rights in Aircraft). The Register of Rights is maintained pursuant to the 1948 Geneva Convention on the International Recognition of Rights in Aircraft and the Icelandic Implementation Act No. 21 of 1966 creating the Register of Rights. Pursuant to the Register of Rights Act 1966, an aircraft can be registered with the Register of Rights if the aircraft is registered with the Icelandic nationality register. The following rights can be registered with the Register of Rights:

- ownership rights, whether unconditional or subject to the payment of a purchase price (purchase option) or other conditions;
- mortgages and similar security interests intended to secure the payment of debt;
- rights arising from a lease agreement for a lease term of six months or more.

- 15** What rights are there to detain aircraft, in respect of unpaid airport or air navigation charges, or other unpaid debts?

According to article 136 of the Act on Aviation, the Civil Aviation Administration and an operator of an airport or air traffic control services may prevent the departure of an aircraft from an airport until charges are paid or security placed for the payment of charges with respect to the relevant aircraft or other operation of the relevant owner or operator of the aircraft.

Further, the general Icelandic rules on pre-judgment seizure of property (Act on Pre-judgment Attachment and Injunction) apply in respect of unpaid charges or other debts.

By an agreement between the Icelandic and British governments in 1974, the UK CAA bills and collects air navigation charges imposed by Iceland on the North Atlantic route. Under English legislation, it is possible for aircraft to be detained in certain UK airports for the non-payment of these Icelandic air navigation charges.

- 16** Do specific rules regulate the maintenance of aircraft?

In Iceland, there is specific legislation regarding the maintenance of aircraft. The Act on Aviation, and certain regulations implementing EU regulations in this field pursuant to the obligations of Iceland under the EEA Agreement contain provisions regarding maintenance. The standards imposed by EASA (which are based on standards developed by the former JAA) apply. The main provisions regard the responsibility of the operator to develop a maintenance programme, periodical maintenance operations, and research and notification of defects, as well as licensing requirements applicable to maintenance services providers.

Through Regulation No. 206/2007 (as subsequently amended) Iceland has implemented Commission Regulation (EC) No. 2042/2003 of 20 November 2003 (as subsequently amended) on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organisations and personnel involved in these tasks. The safety requirements laid down in this regulation apply to all aircraft registered in Iceland or subject to the Icelandic CAA's oversight, whether constituting public/commercial transport or private non-commercial operations.

Airports

- 17** Who owns the airports?

All public airports in Iceland are owned by the Icelandic state.

- 18** What system is there for the licensing of airports?

Pursuant to the Act on Aviation, anyone desiring to operate an airport for public aviation shall apply for a licence from the Civil Aviation Administration at least three months in advance of the proposed opening of the airport. Written observations from the relevant local government shall accompany the application. Upon satisfaction of the applicable requirements, the Civil Aviation Administration shall issue the operating licence. There are no further provisions on the licensing system.

- 19** Is there a system of economic regulation of airports, and, if so, how does it function?

Apart from licensing requirements as described in the preceding paragraph, which applies equally to the operation of airports and airport terminals, no further system of economic regulation exists specifically for airports. Considering competition regulation as a type of economic regulation, the general competition laws apply to airports but no specific competition regulations are tailored for airports only.

- 20** Are there laws or rules restricting or qualifying access to airports?

Apart from the specific rules governing the allocation of slots and access to ground-handling services as described below, no further rules apply as to restricting or qualifying access to airports. Furthermore, general competition rules apply in this respect, among other things on the prohibition of abuse of a dominant position.

- 21** How are slots allocated at congested airports?

Slots are allocated in accordance with Regulation No. 1050/2008 on the Allocation of Airport Slots. According to this Regulation airports can be categorised as either coordinated airports or schedule-facilitated airports, in which case a coordinator is designated for the coordination of slots allocation on the basis of the principles of independence, impartiality, clarity, transparency and equality and by safeguarding the interests of new entrants. Currently, only one airport, Keflavik International Airport, is categorised as a fully coordinated airport, with an independent Danish entity, Airport Coordination Denmark (ACD) appointed as coordinator.

- 22** Are there any laws or rules specifically relating to ground handling?

The Act on Aviation and implementing regulations govern the access to third-party ground handling and self-handling at airports open to commercial aviation. The rules provide certain threshold passenger volumes which, if exceeded, may justify the imposition of access restrictions, mandatory use of airport infrastructure and ownership and control requirements on service providers. The rules further govern the selection of service providers, invitation to tenders, restriction to certain services etc, while ensuring respect for fair competition principles.

- 23** Who provides air traffic control services? And how are they regulated?

Air traffic control services are subject to official regulation by the CAA and may be conducted by a public entity, institution or private company which is issued with a licence by the CAA for operating air traffic control services. Currently, only the state-owned public limited company Isavia provides air traffic control services. Isavia is an independent governing body existing under its constitutive legislative Act No. 102 of 13 June 2006. The Act contains provisions with respect to the statutory tasks and organisation of Isavia, its financial means and financial structure, and the tariffs to be charged by Isavia. In respect of the latter, reference is also made to Regulation No. 1020/2008 on a common tariff system for air navigation services, which implements EC Regulation on common tariffs No. 1794/2006 of 6 December 2006. Regulation No. 870/2007 on Air Traffic Services in the Single European Sky (SES) implemented into Icelandic law the four main EC Regulations of the SES on 10 March 2004, namely, the SES Framework Regulation, the Service Provision Regulation, the Airspace Regulation and the Interoperability Regulation. The substantive provisions of commission regulation (EC) No 2096/2005 of 20 December 2005 on common requirements for the provision of air navigation services apply in Iceland.

Liability and accidents

- 24** Are there any special rules in respect of death of, or injury to, passengers or loss or damage to baggage or cargo in respect of domestic carriage?

Chapter X of the Act on Aviation contains rules with respect to air carrier liability. These rules are based on and comply with the rules laid down in the Montreal Convention (in particular annex 13) and apply to domestic carriage.

In principle, air carriers are liable for damage sustained in case of death or bodily injury of a passenger only upon the condition that

the accident which caused the death or injury took place on board the aircraft or in the course of any of the operations of embarking or disembarking. With respect to checked baggage, the air carrier is liable for damage sustained by an event that took place on board the aircraft or during any period within which the checked baggage was in the charge of the carrier, unless the damage resulted from the inherent defect, quality or flaw of the baggage. With respect to unchecked baggage, fault liability applies.

The liability of the air carrier in respect of personal injury or death of passengers will be limited for each passenger to a maximum of 100,000 special drawing rights (SDR, defined by the International Monetary Fund) if the air carrier proves that such damage was not due to the negligence or other wrongful act or omission of the air carrier or its servants or agents, or such damage was solely due to the negligence or other wrongful act or omission of a third party. Air carriers cannot contractually limit their liability under the amount of 100,000 SDR. With respect to liability to loss or damage to baggage, in principle a maximum liability of 1,000 SDR applies.

25 Are there any special rules about the liability of aircraft operators for surface damage?

Chapter XI of the Act on Aviation provides for the liability of the aircraft owner or the operator as the case may be for damage caused by the use of the aircraft to individuals or property located outside of the aircraft, except within the limits of an airport. The owner and operator may exonerate themselves of liability if they prove that the injured caused the damage wilfully or by gross negligence.

26 What system and procedures are in place for the investigation of air accidents?

The investigations of civil aviation accidents and serious incidents are carried out by an independent five-member committee, the Air Accident Investigation Committee (AAIC). Upon the receipt of a notification of an accident or an investigation request, the AAIC will verify whether an investigation is required. The results of investigations by the AAIC are published in a report. Before the final report is published, the parties involved and the Civil Aviation Administration are entitled to review the draft report and submit their comments. The legislative Act on Air Accident Investigations was designed to attain the objectives of annex 13 to the Chicago Convention and the investigations by the AAIC are carried out in accordance with said annex 13.

27 Is there a mandatory accident and incident reporting system, and if so, how does it operate?

The Act on Air Accident Investigation No. 35 of 7 May 2004 as well as the ministerial implementation regulation No. 53/2006 places a universal reporting obligation on anyone who obtains knowledge of the occurrence of an air accident or serious incident. A specific reporting duty is placed on the Civil Aviation Administration, air traffic control and air navigation service providers, aircraft operators, holders of air operator's certificates as well as emergency call centres.

Notifications shall be sent to the AAIC with a copy to the Civil Aviation Administration. The AAIC decides in its discretion whether or not to open an investigation on the basis of a notification.

EC Directive 2003/42 has been implemented by Regulation No. 35/2004. Pursuant to the Regulation, certain occurrences which have or may have affected flight safety and that have not resulted in an accident or serious incident must be notified to the Civil Aviation Administration.

Competition law

28 Do sector-specific competition rules apply to aviation? If not, do the general competition law rules apply?

There are no official sector-specific competition rules that apply to aviation. The Icelandic Competition Act No 44/2005 applies to aviation. Articles 10 and 12 of the Competition Act prohibit anti-competitive agreements and concerted practices. Article 11 of the Act prohibits a dominant undertaking from abusing its position on the relevant market.

It should be noted that the Competition Authority is of the opinion that predatory pricing matters in relation to aviation should be assessed with regards to the specific cost nature of the airline industry. Instead of applying the standard average variable cost/average total cost (AVC/ATC) test, the Competition Authority uses a cost benchmark referred to as long-term fully allocated cost.

29 Is there a sector-specific regulator or are competition rules applied by the general competition authority?

There is no sector-specific regulator for aviation. General competition rules are applied by the Competition Authority in aviation matters.

30 How is the relevant market for the purposes of a competition assessment in the aviation sector defined by the competition authorities?

The relevant market is generally defined on a case-by-case basis and the Competition Authority reserves the right to define the market in each case based on the matter at hand. Markets for airlines are generally divided into markets for international flights on the one hand and domestic flights on the other hand. Each market is then divided into passenger travel and the transport of goods. The passenger market is further divided into scheduled flights and charter flights.

The Competition Authority has generally applied O&D (point of origin – point of destination) definitions in scheduled passenger flights. The Competition Authority has argued in one case that the relevant market in passenger flight should be defined with respect to the passengers' needs, namely, a market for business (time-sensitive) passengers on the one hand and leisure (non-time sensitive) passengers on the other. The Competition Appeal Committee rejected the approach and stated that the O&D market definition is the appropriate market.

31 What are the main standards for assessing the competitive effect of a transaction?

A transaction may be assessed in three separate ways depending on the nature of the agreement. When assessing whether a transaction falls foul of article 10 or 12 (anti-competitive actions of two or more companies) of the Competition Act, the Competition Authority examines whether the transaction has the object or effect of prevention, restriction or distortion of competition.

In order to assess whether a transaction constitutes an abuse of a dominant position under article 11 of the Competition Act, the Competition Authority focuses on whether the transaction has or is likely to have an exclusionary effect or exploitative effect and thereby be harmful to competition.

When a transaction involves a merger, the Competition Authority investigates the transaction in order to assess whether it results in distortion of competition by the creation or strengthening of a dominant position or whether it significantly impedes effective competition.

32 What types of remedies have been imposed to remedy concerns identified by the competition authorities?

The Competition Authority may impose structural or behavioural remedies in merger cases as well as infringement cases. Remedies in aviation matters have mainly been imposed in merger cases and are generally of a behavioural nature. Although divestiture measures have become more frequent, such remedies have not yet been imposed in airline matters.

The most common remedies in merger cases involve the requirement to appoint a board member of a target company which is not a board member or employee of the takeover company. Another common remedy is the obligation to ensure the legal and operational separation of two entities that belong to the same group of companies, in other words, a prohibition of a full merger. Other remedies that have been imposed in aviation cases are a prohibition of cooperation between the target company and takeover company in relation to any business agreements; a prohibition on sensitive information disclosure between the merging companies; a prohibition on price discrimination; a prohibition on the tying and bundling of products; an obligation to sell or offer certain amount of the supply to parties outside of the merging parties group; and an obligation to purchase certain services from a party outside of the merging parties group.

Financial support and state aid

33 Are there sector-specific rules regulating direct or indirect financial support to companies by the government or government-controlled agencies or companies (state aid) in the aviation sector? If not, do general state aid rules apply?

General state aid rules under the EEA Agreement apply to aviation in Iceland. According to paragraph 1, article 61 of the EEA Agreement, state aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods insofar as it affects trade between the states that are parties to the EEA Agreement is generally prohibited unless exemptions under paragraphs 2 and 3, article 61 of the EEA Agreement apply.

34 What are the main principles of the state aid rules applicable to the aviation sector?

See answer 33.

35 Are there exemptions from the state aid rules or situations in which they do not apply?

Yes. According to paragraph 2, article 6 of the EEA Agreement, aid that has a social character; aid that is granted to individual consumers, provided that such aid is granted without discrimination; aid related to the origin of the products concerned; and aid that is intended to make good the damage caused by natural disasters or exceptional occurrences is exempt from the state aid rules.

Furthermore, pursuant to paragraph 3, article 61 of the EEA Agreement, state aid can be considered lawful if:

- it is used to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment;
- it is used to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of an EU member state or an EFTA state;
- it is used to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest; or
- it falls within the ambit of such other categories of aid as may be specified by the EEA Joint Committee.

36 Must clearance from the competition authorities be obtained before state aid may be granted?

Yes, a clearance from the EFTA Surveillance Authority must be obtained.

37 If so, what are the main procedural steps to obtain clearance?

The state must notify the EFTA Surveillance Authority (ESA) of the state aid and the authority must within two months decide whether the state aid is compatible with the EEA Agreement. If the state aid is considered incompatible with the EEA Agreement, the ESA will commence a formal investigation procedure, offer third parties to comment on the matter before a final decision is reached. The ESA decision may be appealed to the EFTA Court.

38 If no clearance is obtained, what procedures apply to recover unlawfully granted state aid?

If no clearance is obtained the party which received the aid must repay the aid with interest. The Icelandic state is responsible for recovering the state aid from the recipient within four months from the date of the ESA decision ordering the repayment of the aid. The rate of interest is fixed by the ESA.

Miscellaneous

39 Is there any aviation-specific passenger protection legislation?

The following aviation-specific legislation on passenger protection is in force in Iceland:

Regulation No. 574/2005 implemented into Icelandic law the provisions of EC Regulation 261/2004 on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights. Thus, the same regime applies in this respect in Iceland as in European Union member states.

Flights from, to or passing through an airport within the European Economic Area operated by airlines with a licence granted by an EEA member state are subject to Regulation No. 475/2008 on the rights of disabled persons and individuals with reduced mobility travelling by air, which implemented into Icelandic law the provisions of EC Regulation 1107/2006.

Act No. 80 of 19 May 1994 on Package Tours provides protection to passengers purchasing a package comprised of at least two of the three components of travel, accommodation and another service constituting a significant part of the tour. This Act implemented the provisions of EEC Directive No. 90/314/EEC and provides consumer protection to passengers in case of cancellation and changes to package tours by either the passenger or tour operator. Further, Act No. 73 of 24 May 2005 on the Organisation of the Travel Industry provides for the obligation of comprehensive tour operators as a condition to their operating licence to place a guarantee for the repayment of passengers' instalments on package tours and repatriation from abroad in case of the tour operator's bankruptcy or cessation of operations.

A dispute resolution committee with respect to complaints by passengers is in place based on an agreement between the association of companies in the travel and tourism sector and the consumer organisation. The committee can order the payment of damages and its decisions are binding unless the relevant travel organisation refers the matter to the courts within four weeks of the decision. This complaint mechanism aims to provide passengers with a low-threshold, quick and inexpensive manner through which to resolve their conflicts with airlines and other travel organisations.

Update and trends

Through Iceland's membership to the European Economic Area the EU-US Open Skies Air Transport Agreement became applicable to Iceland with effect as of 2010 following the decision of the EU Council of Ministers.

Iceland has applied to become a member of the European Union and is currently undergoing negotiations as to the conditions of entry into the Union. Should Iceland eventually become a member, the effect in terms of air transport agreements would be that Iceland would gain the air traffic rights under all horizontal air transport agreements of the EU member states, while the consent of the relevant member states would be required for Iceland to obtain rights under their Open-Skies air transport agreements.

In 2010, a Dutch company applied to the Ministry of the Interior for permission to register its fleet of military aircraft on the Icelandic Aircraft Registry and establish a base at Keflavik International Airport for the fleet. The company was specifically created to act as a contractor for providing integrated training support for military services. The company's application and the question as to whether the Icelandic government should grant the permit has proven to be a highly controversial issue in the Icelandic political scene. At the time of writing the matter is under consideration by the minister of the interior.

40 Are there mandatory insurance requirements for the operators of aircraft?

Yes, EC Regulation 785/2004, which applies in Iceland pursuant to implementing regulation No. 78/2006 on mandatory aviation insurance, establishes minimum insurance requirements for air carriers and aircraft operators in respect of passengers, baggage, cargo and third parties.

41 What legal requirements are there with regard to aviation security?

Regulation No. 361/2005 on Aviation Security with subsequent amendments provides for rules regarding security officers, airport operators' aviation security programmes, airport access restrictions and other security measures for airports, passenger and baggage control and the control of goods and airport service providers. The Aviation Security Regulation implements into Icelandic law a number of EU regulations on aviation security as a part of Iceland's obligations under the EEA Agreement.

42 What serious crimes exist with regard to aviation?

The Act on Aviation and implementation regulations primarily contain provisions that declare non-compliance with or breach of certain rules as regulatory offences, but not as criminal offences.

On the other hand, the Icelandic General Penal Code identifies specific criminal offences related to aviation such as terrorism by way of hijacking aircraft and the causing of aircraft accidents.

Besides these provisions, Iceland is also party to certain international instruments providing for rules against the hijacking of aircraft, offences and crimes committed on board an aircraft and sabotage, such as the Tokyo Convention 1963, the Hague Convention 1970 and the Montreal Convention 1971. Offences against the Montreal Convention are subject to prosecution in Iceland regardless of where they were committed.

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