

Rules of Procedure of the Board of the Route Development Fund

Article 1

Route Development Fund

On 30 October 2015, the Icelandic Government agreed to mandate the Minister for Industry and Commerce to commence the preparatory work for setting up an Route Development Fund. This decision was based on a proposal from a committee set up by the Prime Minister to examine ways of increasing opportunities in international aviation.

The aim of the Fund is to support the development of new flight routes to Iceland, with the aim of enabling regular international flights at Akureyri Airport and Egilsstaðir Airport. This helps bring benefits to local people all over Iceland, while respecting tolerance limits and pressure management at tourist destinations, in accordance with the 'Leading in sustainable development' policy framework for Icelandic tourism until 2030.

It also contributes to better living conditions and quality of life for local people, better utilisation of State infrastructure and better operating conditions for businesses in North and East Iceland.

The Fund operates in two sections: the Route Support Division (cf. Article 6) and the Marketing Support Division (cf. Article 7). The activities and rules of the Fund are communicated by Promote Iceland and Isavia to their partners.

Article 2

Board of the Route Development Fund

The Minister for Tourism, Industry and Innovation shall appoint the Board of the Route Development Fund. The Board of the Fund shall adopt rules of procedure to be ratified by the Minister.

The Board of the Fund shall decide on grants paid from the Fund and enter into contracts with grant applicants in line with the funds available for this purpose in the budget, at any given time. Grant amounts shall be limited to the funds available.

The Board of the Fund shall discharge its duties in accordance with the rules laid down in the Administrative Procedures Act (Act No 37/1993) regarding procedure and competence. Confidentiality shall be governed by the rules laid down in Act No 70/1996 on the rights and obligations of State employees.

The Board of the Fund shall regularly monitor the situation of the Fund and the progress of projects on the basis of information provided by the Working Group of the Board (cf. Article 3).

The Board of the Fund shall take minutes of its meetings, to be signed by those attending. A representative of the Ministry of Industries and Innovation shall attend Board meetings, draft minutes and organise the Board's activities. Meeting minutes shall be approved and signed by the Board members attending a given meeting.

Article 3
Working Group of the Board

The Working Group of the Board shall be made up of representatives from Visit North Iceland, Austurbrú, Isavia and Promote Iceland. The Working Group of the Board need not be made up of the same representatives as the Board of the Fund. The Working Group of the Board shall take minutes of its meetings.

The Ministry of Industries and Innovation shall receive applications to the Fund and a representative of the Minister shall forward applications to the Head of the Working Group of the Board. The Working Group of the Board shall examine the applications received by the Fund and liaise with applicants on the subject of their applications. The Working Group of the Board shall also examine progress reports for contracts entered into with applicants (cf. Articles 6 and 7) and inform the Board of the Fund of the progress of projects, to enable it take decisions on payments from the Fund.

Article 4
Applications

Applicants may apply to the Fund for a grant to develop regular direct flights to Akureyri and Egilsstaðir. 'Regular direct flights' shall mean flights from foreign destinations, whether direct or with direct connections to other international flights at another Icelandic airport. Scheduled and charter flights focusing on selling flight seats from Iceland are not eligible for grants.

Applicants shall be submitted electronically by means of a dedicated application form to the Ministry of Industries and Innovation. The Ministry shall manage the information received by the Fund and make payments to applicants in accordance with the decisions taken by the Board of the Fund.

Article 5
Grant conditions and priorities

The Board of the Fund shall assess and handle grant applications. Grant amounts shall be limited to the funds approved by the Icelandic Parliament for the Fund.

Since the Fund has a limited budget, the Board of the Fund shall award grants to applicants in line with the following priorities:

- scheduled and charter flights from abroad;
- scheduled flights offering direct connections to other international flights at another Icelandic airport.

Applications shall be prioritised according to flight frequency and length of flight period.

Notwithstanding the first paragraph of Article 6, the Board of the Fund may award a lower grant per landing passenger if the financial situation of the Fund prevents a full grant from being awarded.

The Board of the Fund may reject any grant application meeting the conditions set in Article 7, if it considers that previously awarded grants already sufficiently support marketing of the geographical area in question.

The Board of the Fund may refuse an applicant a grant if the project in question does not appear to maximise utilisation and give added value to funds. In order to assess such, the Board of the Fund may request any necessary information.

Article 6

Projects eligible for grants from the Route Support Division

Applicants may receive grants from the Route Development Fund for each passenger landing at Akureyri and Egilsstaðir as follows:

Applicants operating at least six flights over a four-month period in accordance with Article 5, may receive a grant of €18 per landing passenger.

Applicants shall enter into a contract with the Route Development Fund for a grant from the Fund. The contract shall describe how the grant is to be paid. Applicants shall submit an overview of flights and passenger numbers to the Working Group of the Board. Once the Working Group has examined the case, it shall be referred to the Board of the Fund and a payment decision shall be taken. Payments from the Fund depend on projects progressing in line with the relevant contract.

The grant amount paid to a given applicant under this Article shall never exceed €200 000 over a three-year period. Amounts shall be converted into Icelandic kroner (ISK) using the exchange rates issued yearly by the EFTA Surveillance Authority (ESA) and published in the EEA Supplement to the Official Journal of the European Union and on the ESA website. Maximum amounts shall be calculated taking into account any other grants received by the applicant from State bodies, with the exception of specific grants received by the applicant under the grant rules approved by the ESA. Applicants shall confirm in their grant application that they meet the conditions set in this paragraph.

If an applicant does not meet the flight frequency condition set in the first paragraph above, the Route Development Fund may nevertheless award them a grant from the Route Support Division, provided that the flight in question is not one-off in nature and the Board of the Fund considers that the grant is likely to contribute to the Fund's objectives (cf. Article 1).

Article 7

Projects eligible for grants from the Marketing Support Division

If an applicant meets the flight frequency condition set in the first paragraph of Article 6, they may receive a grant from the Marketing Support Division of at least €60 000 for each route, for the purposes of promoting the destination in question.

Applicants shall enter into a contract with the Route Development Fund for conducting marketing. The contract shall describe how the grant is to be paid. The contract must also meet the following conditions:

1. The applicant must undertake to contribute a sum equal to that received from the Fund for marketing purposes.
2. The focus must be on the promoting the destination, rather than the applicant.
3. The geographical area must be promoted as a whole and promotional material must not promote one aspect of the area above others.
4. The contract must stipulate the types of project the applicant is authorised to undertake on the basis of the grant.

The Board of the Fund may require certain information channels to be used for the purposes of marketing. The Board of the Fund may also carry out an independent assessment of the estimated cost or of the applicant's estimated valuation of marketing.

Applicants shall submit reports to the Working Group of the Board on the performance of the contract before payment is made. Once the Working Group has examined these reports, they shall be referred to the Board of the Fund and a payment decision shall be taken. Payments from the Fund depend on projects progressing in line with the relevant contract.

Notwithstanding the first paragraph, the Board of the Fund may award applicants grants from the Marketing Support Division, if the flight frequency is at least half of the frequency required under the first paragraph of Article 6 and the Board of the Fund considers that the grant will support the Fund's objectives in the long term.

Article 8

Provision of information and applicant responsibility

Grants are awarded for specific projects for which contracts are entered into (cf. Articles 6 and 7). Applicants may not transfer grants or use them in respect of parties or projects other than those indicated in the relevant application.

Applicants shall inform the Fund without delay of any changes in their circumstances which may affect performance of the project. If such changes to the circumstances of an applicant impair their foreseeable ability to complete their project within the agreed timeframe, they shall cease to be entitled to a grant.

Applicants shall ensure that they have obtained all statutory permits and approvals for the projects specified in their application before the grant is paid out.

Article 9

Non-compliance

Any infringement on the part of the applicant, of the terms of the contract or other conditions for awarding the grant, shall authorise the Fund to cease payments to the applicant, cancel the grant and require full repayment of any funds paid to the applicant from the Fund, on the basis of the relevant contract. Infringements of the contract or of these rules of procedure may also affect the applicant's future possibilities for being awarded a grant.

Any disputes arising from these rules of procedure or from contracts entered into under them shall be referred to the Reykjavik District Court.

Article 10
Entry into force

These rules of procedure shall enter into force upon signature by the Minister.

Ministry of Industries and Innovation, 16 April 2021

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