

Agreed Minutes
meeting between Iceland and Brunei Darussalam

ON AIR SERVICES BETWEEN
THE GOVERNMENT OF ICELAND
AND THE GOVERNMENT OF HIS MAJESTY THE SULTAN AND
YANG DI-PERTUAN OF BRUNEI DARUSSALAM

1. Delegations representing the Government of Iceland and the Government His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam met in Jeddah, Saudi Arabia, on the 9 of December 2012 in order to assess their bilateral air transport relations and to negotiate an Air Services Agreement. A list of members of the two Delegations is attached as Annex 1.
2. The discussions were conducted in a friendly and positive atmosphere and both Delegations stressed their interest in expanding mutual relations in the field of air transport. The Delegations discussed extensively the substance of a draft agreement and agreed on the text of an Air Services Agreement (ASA) between their respective Governments. The text is attached as Annex 2.
3. The Delegations discussed a revised draft ASA which has been commented on in correspondence. The Parties agreed to add provision from Article 7 (7) on related to regulatory control of third State operator. They agreed as well to add provisions from the Icelandic ASA draft art. 14(3) on routes wholly within the European Economic Area.
4. The Icelandic delegation explained that, as a member of the European Economic Area (EEA), it is obliged to include certain standard provisions, in particular on Environmental Tax ETS if such tax would be realised in Europe. The Provisions would be added to the revised draft ASA.
5. The Delegations agreed that an article relating to the Avoidance of Double Taxation, attached as Annex 3, already authorised by the relevant Icelandic authorities, might be inserted into the ASA as Article 12, prior to its signature, upon authorisation from the appropriate authorities of the Government of His Majesty The Sultan and Yang Di-Pertuan Brunei Darussalam. Such an article is envisioned to cease effect in the event that an Agreement on the Avoidance of Double Taxation enters into force between the Government of Iceland and the Government of His Majesty The Sultan and Yang Di-Pertuan Brunei Darussalam.
6. Both Delegations confirmed that, in addition to full unrestricted third and fourth freedom traffic rights, the Designated Airlines of each Contracting Party are entitled to exercise fifth freedom traffic rights at all points (whether intermediate or beyond points) of their own choice while operating any type of services (passenger and/or cargo, separately or in combination). Additionally, the Designated Airlines of both Contracting parties are entitled to exercise, in all-cargo services only, full seventh freedom traffic rights.
7. The Contracting Parties agreed that the Agreement, initialled only in the English language, shall be signed in the English and Icelandic languages.
8. Delegations agreed to expedite the signing of the ASA as soon as possible. The venue and date of signing of the ASA will be agreed upon through diplomatic channels.

Signed in Jeddah, Saudi Arabia on 9th December 2012



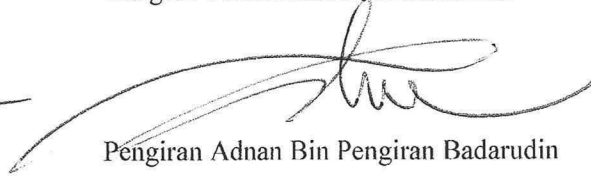
Signed in Jeddah, Saudi Arabia on 9th December 2012

For the delegation of the
Government of the Republic of Iceland

A handwritten signature in dark ink, appearing to read 'Kristján A. Stefánsson', with a stylized, flowing script.

Kristján Andri Stefánsson

For the delegation of the
Government of His Majesty The Sultan and
Yang Di-Pertuan Brunei Darussalam

A handwritten signature in dark ink, appearing to read 'Pengiran Adnan Bin Pengiran Badarudin', with a stylized, flowing script.

Pengiran Adnan Bin Pengiran Badarudin

AIR SERVICES AGREEMENT

BETWEEN

THE GOVERNMENT OF ICELAND

AND

THE GOVERNMENT OF HIS MAJESTY THE
SULTAN AND YANG DI-PERTUAN OF BRUNEI
DARUSSALAM

Place, date and year



**AIR SERVICES AGREEMENT BETWEEN THE GOVERNMENT OF HIS
MAJESTY THE SULTAN AND YANG DI-PERTUAN OF BRUNEI DARUSSALAM
AND
THE GOVERNMENT OF ICELAND**

The Government of His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam and the Government of the Republic of Iceland (hereinafter referred to as "the Parties");

Being Contracting States to the Convention on International Civil Aviation opened for signature at Chicago on 7 December 1944;

Desiring to promote their mutual relations in the field of civil aviation and to conclude an agreement for the purpose of establishing air services between and beyond their respective territories;

Desiring to promote an international aviation system based on competition among airlines in the marketplace with minimum government interference and regulation;

Desiring to facilitate the expansion of international air service opportunities;

Desiring to ensure the highest degree of safety and security in international air services and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air services and undermine public confidence in the safety of civil aviation;

Have agreed as follows:

Article 1
Definitions

For the purposes of this Agreement, unless otherwise stated, the term:

1. "Aeronautical authorities" means in the case of Brunei Darussalam, the Minister of Communications and any person or body authorized to perform any functions at present exercisable by him or similar functions, and in the case of the Iceland, the Ministry of the Interior and any person or agency authorized to perform the functions exercised by him or similar functions.
2. "Agreement" means this Agreement, its Annexes, and any amendments thereto;
3. "Convention" means the Convention on International Civil Aviation, opened for Signature at Chicago on December 7, 1944, and includes :
 - a. any amendment that has entered into force under Article 94(a) of the Convention and has been ratified by both Parties, and
 - b. any Annex or any amendment thereto adopted under Article 90 of the Convention, in so far as such Annex or amendment is at any given time effective for both Parties;



4. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;

5. "European Economic Area" means the enhanced free trade area established by the Agreement on the European Economic Area, done at Oporto on 2 May 1992, between the European Community and its Member States on the one hand and the EFTA States with the exclusion of Switzerland on the other hand. EFTA is an abbreviation for the European Free Trade Association of which Iceland is a Member State;

6. "Full cost" means the cost of providing service plus a reasonable charge for administrative overhead;

7. "International air service" means an air service that passes through the airspace over the territory of more than one State;

8. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air service charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;

9. "Stop for non-traffic purposes", "airline", "air service" and "territory" have the meaning specified in Articles 2 and 96 of the Convention; and

10. "User charges" means a charge/charges imposed on airlines for the provision of airport, air navigation or aviation security facilities or services including related services and facilities.

Article 2

Grant of Rights

1. Each Party grants the other Party's designated airlines the following rights for the conduct of international air services:

- a) the right to fly across its territory without landing;
- b) the right to make stops in its territory for non-traffic purposes; and
- c) the rights otherwise specified in this Agreement.

2. Nothing in this Article shall be deemed to confer to the designated airline or airlines of one Party the right to take on board, in the territory of the other Party, passengers, their baggage, cargo, or mail carried for remuneration and destined for another point in the territory of that other Party.

Article 3

Designation and Authorization

1. Each Party shall have the right to designate an airline or airlines for the purpose of operating the agreed services on each of the routes specified in the Annexes and to withdraw or alter such designations. Such designations shall be made in writing and transmitted to the other Party through diplomatic channels.



2. Upon receipt of such a designation and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical permissions, the other Party shall grant the appropriate authorizations and permissions with minimum procedural delay, provided:

a) in the case of an airline designated by Iceland:

- (i) it is established in the territory of Iceland in accordance with the Agreement on the European Economic Area, and has a valid Operating License in accordance with national law adopted in accordance with the Agreement on the European Economic Area; and
- (ii) effective regulatory control of the airline is exercised and maintained by Member State of the European Economic Area responsible for issuing its Air Operator's Certificate, and the relevant aeronautical authority is clearly identified in the designation; and
- (iii) it is owned and shall continue to be owned directly or through majority ownership by Member States of the European Economic Area and/or nationals of the European Economic Area and shall at all times be effectively controlled by such states and/or nationals.

b) in the case of an airline designated by Brunei Darussalam:-

- (i) it is established in the territory of Brunei Darussalam and is licensed in accordance with the applicable law of Brunei Darussalam; and
- (ii) Brunei Darussalam has and maintains effective regulatory control of the airline and the aeronautical authority is clearly identified in the designation;
- (iii) it is owned and shall continue to be owned directly or through majority ownership by Brunei Darussalam and / or nationals of Brunei Darussalam and shall at all times be effectively controlled by Brunei Darussalam and/or its nationals.

c) the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air services by the Party considering the application or applications; and

d) the provisions set forth in Article 7 (Safety) and Article 8 (Security) are being maintained and administered.

When an airline has been so designated and authorized, it may begin to operate air services on the specified routes provided that the airline complies with all applicable provisions of this Agreement.

Article 4

Revocation of Authorization

1. Either Party may revoke, suspend or limit the operating authorization or technical permissions of an airline designated by the other Party where:

a) in the case of an airline designated by Iceland:

- (i) it is not established in the territory of Iceland under the Treaty on the functioning of the European Union or under the Agreement on the European Economic Area, or does not have a valid Operating Licence in accordance with European Union law or in accordance with national law



- adopted in accordance with the Agreement on the European Economic Area; or
- (ii) effective regulatory control of the airline is not exercised or not maintained by the European Union Member State or the EEA EFTA State responsible for issuing its Air Operator's Certificate, or the relevant aeronautical authority is not clearly identified in the designation; or
 - (iii) it is not owned, directly or through majority ownership by, or it is not effectively controlled by a Member State of the European Economic Area and/or nationals of Member States of the European Economic Area; or
 - (iv) the airline has failed to comply with the laws and regulations of Brunei Darussalam

b) in the case of an airline designated by Brunei Darussalam:-

- (i) it is not established in the territory of Brunei Darussalam or is not licensed in accordance with the applicable law of Brunei Darussalam; or
- (ii) Brunei Darussalam- is not maintaining effective regulatory control of the airline; or
- (iii) it is not owned, directly or through majority ownership, or it is not effectively controlled by Brunei Darussalam and / or its nationals; or
- (iv) the airline has failed to comply with the laws and regulations of Iceland.

2. Unless immediate revocation or suspension of the operating authorization mentioned in paragraph 1 of this Article, or imposition of the conditions therein, is essential to prevent further infringements of laws and regulations, such right shall be exercised only after consultations with the other Party.

3. This Article does not limit the rights of either Party to withhold, revoke, limit or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party in accordance with the provisions of Article 7 (Safety) and Article 8 (Security).

Article 5

Application of Laws

1. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the other Party's airlines.

2. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the admission to or departure from its territory of passengers, crew or cargo on aircraft (including regulations relating to entry, clearance, aviation security, immigration, passports, customs and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of, such passengers, crew or cargo of the other Party's airlines.



3. Neither Party shall give preference to its own or any other airline over a designated airline of the other Party engaged in similar international air services in the application of its immigration, customs, quarantine and similar regulations.

Article 6 *Safety*

1. Each Party shall recognize as valid, for the purpose of operating the air services provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the State responsible for the regulatory control of a designated airline and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards that may be established pursuant to the Convention.

2. Each Party reserves the right, however, to refuse to recognize as valid, for the purpose of flight above or landing within its own territory, certificates of competency and licenses granted to or validated for its own nationals by the other Party.

3. Either Party may request consultations concerning the safety standards maintained in respect of an airline designated by the other Party relating to aeronautical facilities, aircrews, aircraft, and operation of the designated airlines.

4. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1 of this Article that meet the standards established at that time pursuant to the Convention, the other Party shall be informed of such findings and of the steps considered necessary to conform with the said standards. The other Party shall then take appropriate corrective action within an agreed time period.

5. Pursuant to Article 16 of the Convention, it is further agreed that any aircraft operated by, or on behalf of, an airline of one Party, on service to or from the territory of the other Party, may, while within the territory of the other Party, be the subject of a search by the authorized representatives of the other Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Convention, the purpose of this search is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the standards established at that time pursuant to the Convention.

6. When urgent action is essential to ensure the safety of an airline operation, each Party reserves the right to immediately withhold, revoke or limit the operating authorization or technical permission of an airline or airlines of the other Party.

7. Any action by one Party in accordance with this Article shall be discontinued once the basis of the taking of that action ceases to exist.

8. With reference to paragraph 4 of this Article, if it is determined that one Party remains in non-compliance with the said standards when the agreed time period has

lapsed, the Secretary-General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.

9. Where one Party has designated an airline whose regulatory control is exercised and maintained by a third State, the rights of the other Party under this Article shall apply equally in respect of the adoption, exercise or maintenance of safety standards by that third State and in respect of the operating authorization of that airline.

Article 7

Aviation Security

1. In accordance with their rights and obligations under international law, the Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Parties shall in particular act in conformity with the provisions of the *Convention on Offences and Certain Other Acts Committed on Board Aircraft*, done at Tokyo on 14 September 1963, the *Convention for the Suppression of Unlawful Seizure of Aircraft*, done at The Hague on 16 December 1970, the *Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation*, done at Montreal on 23 September 1971, and the *Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation*, done at Montreal on 24 February 1988, and the *Convention on the Marking of Plastic Explosives for the Purpose of Detection*, done at Montreal on 1 March 1991, and any other convention on civil aviation security to which both Parties become parties.

2. Upon request the Parties shall provide each other with all necessary assistance to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, of their passengers and crew, and of airports and air navigation facilities, and address any other threat to the security of civil air navigation.

3. The Parties shall, in their mutual relations, act in conformity with all aviation security standards and appropriate recommended practices established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their registry, operators of aircraft which have their principal place of business or permanent residence in their territory and operators of airports in their territory act in conformity with such aviation security provisions.

4. Each Party agrees to observe the security provisions required by the other Party for entry into the territory of that other Party and to take adequate measures to protect aircraft and to inspect passengers, crew, and their baggage and carry-on items, as well as cargo and aircraft stores, prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for special security measures to meet a particular threat.

5. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports or air navigation



facilities occurs, the Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat.

6. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with the aeronautical authorities of the other Party. Failure to reach a satisfactory agreement within fifteen (15) days from the date of such request shall constitute grounds to withhold, revoke, limit, or impose conditions on the operating authorization and technical permissions of an airline or airlines of that other Party. When required by an emergency, a Party may take interim action prior to the expiry of fifteen (15) days.

Article 8

Commercial Opportunities

1. The airlines of each Party shall have the right to establish offices in the territory of the other Party for the promotion and sale of air services.

2. The designated airlines of each Party shall be entitled, in accordance with the laws and regulations of the other Party relating to entry, residence and employment, to bring in and maintain in the territory of the other Party managerial, sales, technical, operational and other specialist staff required for the provision of air services.

3. Each designated airline shall have the right to perform its own ground-handling in the territory of the other Party ("self-handling") or, at its option, select among competing agents for such services in whole or in part. The rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services as if self-handling were possible.

4. Any airline of each Party may engage in the sale of air services in the territory of the other Party directly and, at the airline's discretion, through its agents, except as may be specifically provided by the charter regulations of the country in which the charter originates that relate to the protection of passenger funds, passenger cancellation and refund rights. Each airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely convertible currencies.

5. Each airline shall have the right to convert and remit to its country, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof at the rate of exchange applicable to current transactions and remittance on the date the carrier makes the initial application for remittance.

6. The airlines of each Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their



discretion, the airlines of each Party may pay for such expenses in the territory of the other Party in freely convertible currencies according to local currency regulation.

7. In operating or holding out the authorized services on the agreed routes, any designated airline of one Party may enter into co-operative marketing arrangements such as blocked-space, code-sharing or leasing arrangements, with

a) an airline or airlines of either Party; and

b) an airline or airlines of a third country,

provided that such a third country authorizes or allows comparable arrangements between the airlines of the other Party and other airlines on services to, from and via such a third country; provided that all airlines in such arrangements 1) hold the appropriate authority and 2) meet the requirements normally applied to such arrangements.

Article 9

Customs Duties and Charges

1. On arriving in the territory of one Party, aircraft operated in international air transportation by the designated airlines of the other Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale to or use by passengers in limited quantities during flight), and other items intended for or used solely in connection with the operation or servicing of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes and capital levies, customs duties excise taxes, and similar fees and charges that are (1) imposed by the national authorities, and (2) not based on the cost of services provided, provided that such equipment and supplies remain on board the aircraft.

2 There shall also be exempt, on the basis of reciprocity, from the taxes, levies, duties, fees and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided:

- a. aircraft stores introduced into or supplied in the territory of a Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation even when these stores are to be used on a part of the journey performed over the territory of the Party in which they are taken on board;
- b. ground equipment and spare parts (including engines) introduced into the territory of a Party for the servicing, maintenance or repair of aircraft of an airline of the other Party used in international air transportation;
- c. fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Party for use in an aircraft of an airline of the other Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the territory of the Party in which they are taken on board; and
- d. promotional and advertising materials introduced into or supplied in the territory of one Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the territory of the Party in which they are taken on board.



3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.

4. The exemptions, provided by this Article shall be available where the designated airlines of one Party have contracted with another airline, which similarly enjoys such exemptions from the other Party, for the loan or transfer in the territory of the other Party of the items specified in paragraphs 1 and 2 of this Article.

5. Nothing in this Agreement shall prevent either Party from imposing, on a non-discriminatory basis, taxes, levies, duties, fees or charges on fuel supplied in its territory for use in an aircraft of a designated air carrier of the other Party that operates between a point or points in the territory of the first Party and another point in the territory of that Party or a point in the territory of another European Union Member State or EEA EFTA State.

Article 10 *User Charges*

1. User charges that may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other Party shall be just, reasonable, not unjustly discriminatory, and equitably apportioned among categories of users. In any event, any such user charges shall be assessed on the airlines of the other Party on terms not less favourable than the most favourable terms available to any other airline at the time the charges are assessed.

2. User charges imposed on the airlines of the other Party may reflect, but shall not exceed, the full cost to the competent charging authorities or bodies of providing the appropriate airport, airport environmental, air navigation and aviation security facilities and services at the airport or within the airport system. Such full cost may include a reasonable return on assets, after depreciation. Facilities and services for which charges are made shall be provided on an efficient and economic basis.

3. Each Party shall encourage consultations between the competent charging authorities or bodies in its territory and the airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges in accordance with the principles of paragraphs 1 and 2 of this Article. Each Party shall encourage the competent charging authorities to provide users with reasonable notice of any proposal for changes in user charges to enable users to express their views before changes are made.

4. Neither party shall be held, in dispute resolution procedures pursuant to Article 16 of this Agreement, to be in breach of a provision of this Article, unless a) it fails to undertake a review of the charge or practice that is the subject of complaint by the other Party within a reasonable amount of time; or b) following such a review it fails to take all steps within its power to remedy any charge or practice that is inconsistent with this Article.



Article 11
Fair Competition

1. Each Party shall allow a fair and equal opportunity for the designated airlines of both Parties to compete in providing the international air services governed by this Agreement.

2. Each Party shall allow each designated airline to determine the frequency and capacity of the international air services it offers based upon commercial considerations in the marketplace. Consistent with this right, neither Party shall unilaterally limit the volume of traffic, frequency or regularity of service, or the aircraft type or types operated by the designated airlines of the other Party, except as may be required for customs, technical, operational, or environmental reasons under uniform conditions consistent with Article 15 of the Convention.

3. Neither Party shall impose on the other Party's designated airlines a first-refusal requirement, uplift ratio, no-objection fee, or any other requirement with respect to capacity, frequency or traffic that would be inconsistent with the purposes of this Agreement.

4. Neither Party shall require the filing of schedules, programs for charter flights, or operational plans by airlines of the other Party for approval, except as may be required on a non-discriminatory basis to enforce the uniform conditions foreseen by paragraph 2 of this Article or as may be specifically authorized in an Annex to this Agreement. If a Party requires filings for information purposes, it shall minimize the administrative burdens of filing requirements and procedures on air services' intermediaries and on designated airlines of the other Party.

Article 12
Pricing

1. Each Party shall allow prices for air services to be decided by each designated airline based on commercial considerations in the marketplace. Intervention by the Parties shall be limited to:

- a) prevention of unreasonably discriminatory prices or practices;
- b) protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
- c) protection of airlines from prices that are artificially low due to direct or indirect governmental subsidy or support.

2. Each Party may require notification or filing with its aeronautical authorities of prices to be charged to or from its territory by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than thirty (30) days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Neither Party shall require the notification or filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a non-discriminatory basis for information purposes.

3. Notwithstanding paragraphs 1 and 2 of this Article, the prices to be charged by the designated airline of Brunei Darussalam for carriage wholly within the European Economic Area shall be subject to the Agreement on the European Economic Area. However, each designated airline has the right to match any price offered in the marketplace.

Article 13

Intermodal Services

Notwithstanding any other provision of this Agreement, airlines and indirect providers of cargo transportation of both Parties shall be permitted, without restriction, to employ in connection with international air services any surface transportation for cargo to or from any points in the territories of the Parties or in third countries, including transport to and from all airports with customs facilities, and including, where applicable, the right to transport cargo in bond under applicable laws and regulations. Such cargo, whether moving by surface or by air, shall have access to airport customs processing and facilities. Airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of cargo air services. Such intermodal cargo services may be offered at a single, through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Article 14

Consultations and Settlement of Disputes

1. Either Party may, at any time, request consultations relating to this Agreement. Such consultations shall begin at the earliest possible date, but not later than sixty (60) days from the date the other Party receives the request unless otherwise agreed.

2. Any dispute arising under this Agreement except those that may arise under paragraph 3 of Article 10 (Pricing), that is not resolved by a first round of formal consultations may be referred by agreement of the Parties for decision to some person or body. If the Parties do not so agree, the dispute shall, at the request of either party, be submitted to arbitration in accordance with the procedures set forth below.

3. Arbitration shall be by a tribunal of three arbitrators to be constituted as follows:

a. Within thirty (30) days after the receipt of a request for arbitration, each Party shall name one arbitrator. Within sixty (60) days after these two arbitrators have been named, they shall by agreement appoint a third arbitrator, who shall act as President of the arbitral tribunal;

b. If either Party fails to name an arbitrator, or if the third arbitrator is not appointed in accordance with subparagraph (a) of this paragraph, either Party may request the President of the Council of the International Civil Aviation Organization to appoint the necessary arbitrator or arbitrators within thirty (30) days. If the President of the Council is of the same nationality as one of the Parties, the most senior Vice President who is not disqualified on that ground shall make the appointment.



4. Except as otherwise agreed, the arbitral tribunal shall determine the limits of its jurisdiction in accordance with this Agreement and shall establish its own procedural rules. The tribunal, once formed may recommend interim relief measures pending its final determination. At the direction of the tribunal or at the request of either of the Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held not later than fifteen (15) days after the tribunal is constituted.

5. Except as otherwise agreed or as directed by the tribunal, each Party shall submit a memorandum within forty-five (45) days of the time the tribunal is fully constituted. Replies shall be due sixty (60) days later. The tribunal shall hold a hearing at the request of either Party or on its own initiative within fifteen (15) days after replies are due.

6. The tribunal shall attempt to render a written decision within sixty (30) days after completion of the hearing or, if no hearing is held, after the date both replies are submitted. The decision of the majority of the tribunal shall prevail.

7. The Parties may submit requests for clarification of the decision within fifteen (15) days of such request.

8. Each Party shall, to the degree consistent with its national law, give full effect to any decision or award of the arbitral tribunal.

9. The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Parties. Any expenses incurred by the President of the Council of the International Civil Aviation Organization in connection with the procedures of paragraph 3 (b) of this Article shall be considered to be part of the expenses of the arbitral tribunal.

Article 15

Amendments

1. If either Party considers it desirable to amend any provision of this Agreement, including the Annexes thereto, it may request consultations between the aeronautical authorities of both Parties in relation to the proposed amendment. Such consultations shall commence within a period of sixty days (60) from the date of receipt of the request. Any amendments so agreed shall enter into force when they have been confirmed by an exchange of diplomatic notes by both Parties.

2. An amendment to the Annexes may be made by direct agreement between the aeronautical authorities of both Parties and shall enter into force when it has been confirmed by an exchange of diplomatic notes.

Article 16

Termination

Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight at the place of receipt of the notice immediately before the first anniversary of the date of receipt of the notice by the other Party, unless the notice is withdrawn by



agreement of the Parties before the end of this period. In the absence of acknowledgement of receipt by the other Party, the notice shall be deemed to have been received fourteen (14) days after the date it was received by the International Civil Aviation Organization.

Article 17
Registration with ICAO

This Agreement and all amendments thereto shall be registered upon their signature with the International Civil Aviation Organization.

Article 19
Entry into force

This Agreement shall enter into force on the date of the later note in an exchange of diplomatic notes between the Parties confirming that the internal procedures necessary for the entry into force of the Agreement have been completed.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at this day of , 20-- in duplicate, in
the English language.

For the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam. For the Government of Iceland



ANNEX I
International Air Services

Section 1
Routes

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, be entitled to perform international air services between points on the following routes:

- A. The Designated Airline or Airlines of Brunei Darussalam shall be entitled to operate scheduled international air services in both directions on the routes specified hereafter:

Points in Brunei Darussalam	Intermediate points	Points in Iceland	Points beyond
any point	any point	any point	any point

For all-cargo service or services, between Brunei Darussalam and any point or points.

- B. The Designated Airline or Airlines of Iceland shall be entitled to operate scheduled international air services in both directions on the routes specified hereafter:

Points in Iceland	Intermediate points	Points in Brunei Darussalam	Points beyond
any point	any point	any point	any point

For all-cargo service or services, between Iceland and any point or points.

Section 2
Operational Flexibility

Each designated airline may on any or all flights and at its option:

1. Operate flights in either or both directions;
2. Combine different flight numbers within one aircraft operation;
3. Serve behind, intermediate, and beyond points and points in the territories of the Parties on the routes in any combination and in any order;
4. Omit stops at any point or points;



5. Transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes;
6. Serve points behind any point in its territory with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services;
7. Make stopovers at any points whether within or outside the territory of either Party;
8. Carry transit traffic through the other Party's territory;
9. Combine traffic on the same aircraft regardless of where such traffic originates;

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement, provided that, with the exception of all-cargo services, the service serves a point in the territory of the Party designating the airline.

Section 3 **Change of Gauge**

On any segment or segments of the aforementioned routes, any designated airline may perform international air services without any limitation as to change, at any point on the route, in type or number of aircraft operated, provided that, with the exception of all-cargo services, in the outbound direction, the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation from beyond such point.



ANNEX II

Charter Operations

Section 1

Airlines of each Party designated under this Annex shall, in accordance with the terms of their designation, have the right to carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split, and combination (passenger/cargo) charters):

Between any point or points in the territory of the Party that has designated the airline and any point or points in the territory of the other Party; and

Between any point or points in the territory of the other Party and any point or points in a third country or countries, provided that, except with respect to cargo charters, such service constitutes part of a continuous operation, with or without a change of aircraft, that includes service to the homeland for the purpose of carrying local traffic between the homeland and the territory of the other Party.

In the performance of services covered by this Annex, airlines of each Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Party; (2) to carry transit traffic through the other Party's territory; and (3) to combine on the same aircraft traffic originating in one Party's territory, originating in the other Party's territory, and traffic originating in third countries.

Each Party shall extend favourable consideration to applications by airlines of the other Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

Any airline designated by either Party performing international charter operations originating in the territory of either Party, whether on a one-way or round-trip basis, shall have the option of complying with the charter laws, regulations, and rules either of its homeland or of the other Party. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria.

However, nothing contained in the preceding paragraph shall limit the rights of either Party to require airlines designated under this Annex by either Party to adhere to requirements relating to the protection of passenger funds and passenger cancellation and refund rights.

Section 3

Except with respect to the consumer protection rules referred to in the preceding paragraph, neither Party shall require an airline designated under this Annex by the other Party, in respect of the carriage of traffic from the territory of that other Party or of a third country on a one-way or round-trip basis, to submit more than a declaration of conformity with the applicable laws, regulations and rules referred to under section



2 of this Annex or of a waiver of these laws, regulations, or rules granted by the applicable aeronautical authorities.

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A handwritten signature in black ink, consisting of a single, elegant cursive letter.