

Record of Discussions

1. Delegations representing the Governments of New Zealand and Iceland met in Jeddah, Saudi Arabia on 8 December 2012, for the purpose of negotiating a Bilateral Air Services Agreement in respect of air services between, beyond, and within their respective territories.
2. Discussions were held in a friendly and cordial atmosphere. Delegation lists are appended as Attachment A.
3. The following understandings were reached:

Air Services Agreement

4. The Delegations decided to recommend to their respective Governments for approval the text of a draft Bilateral Air Services Agreement, which is attached as Attachment B.
5. It was the understanding of the two Delegations that the attached Air Services Agreement includes the exchange of traffic rights one through eight.

Avoidance of Double Taxation

6. The Iceland delegation proposed to include an Article on the avoidance of double taxation as an Annex to the Agreement (appended as Attachment C to this Record of Discussions). The New Zealand delegation explained that it was the preference of the New Zealand tax authority to negotiate full Double Taxation Agreements where a need arises. The New Zealand delegation undertook to refer the matter to the New Zealand tax authority for its consideration.

Relationship with the European Union

7. The delegation of Iceland outlined Iceland's status in relation to the European Union, and noted its interest in becoming a party to any future Comprehensive Air Transport Agreement between New Zealand and the European Union. The New Zealand delegation welcomed this proposal.



Entry into Force

8. The new arrangements will apply provisionally from the date when both countries have notified the other in writing that they have completed all necessary domestic legal procedures necessary.

Signed in Jeddah on the 8th day of December, 2012.

For the Government of
New Zealand



John Macilree
Principal Adviser

For the Government of
Iceland



Kristján Andri Stefánsson
Chief Air Negotiator

Attachment A

Delegation of New Zealand

John Macilree (leader) Principal Adviser, Aviation & Security
Ministry of Transport

Richard Cross Adviser, Aviation & Security
Ministry of Transport

Observer

Michael Clay International Air Services
New Zealand Airports Association

Delegation of Iceland

Kristján Andri Stefánsson Chief Air Negotiator
Ministry for Foreign Affairs

Karl Alvarsson Senior Legal Adviser
Icelandic Civil Aviation Administration

Pétur Einarsson Legal Adviser
Ministry of the Interior Iceland



Attachment B

AIR SERVICES AGREEMENT

BETWEEN

THE GOVERNMENT OF NEW ZEALAND

AND

THE GOVERNMENT OF

ICELAND

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The Government of New Zealand and the Government of Iceland (hereinafter referred to as the "Parties");

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

Desiring to conclude an Agreement for the purpose of establishing international air services between and beyond their respective territories;

Desiring to promote an international aviation system based on competition among airlines;

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 jeopardise 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:

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Article 1

Definitions

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

1. "Aeronautical authorities" means, in the case of New Zealand, the Minister responsible for Civil Aviation and, in the case of Iceland, the Ministry of Interior or, in both cases, any other authority or person empowered to perform the functions now exercised by the said authorities;
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 7 December 1944, and includes any amendment that has entered into force under Article 94(a) of the Convention and has been ratified by both Parties, and any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annexes or amendments are at any given time effective for both Parties;
4. "Designated airline" means an airline designated and authorised in accordance with Article 3 (Designation and Authorisation) 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 European Free Trade Association (EFTA) States with the exclusion of Switzerland on the other hand, of which Iceland is a Member State;
6. "International air service" means an air service that passes through the airspace over the territory of more than one State;
7. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;
8. "Stop for non-traffic purposes", "airline" and "air service" have the meaning specified in Article 96 of the Convention; and
9. "Territory" has the meaning assigned to it in Article 2 of the Convention, provided that, in the case of New Zealand, the term "territory" shall exclude Tokelau.



Article 2

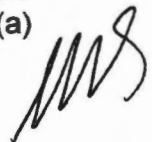
Grant of Rights

1. Each Party grants to the other Party the rights specified in this Agreement for the purpose of establishing scheduled international air services on the routes specified in the appropriate Section of Annex I to this Agreement. Such services and routes are hereinafter called "the agreed services" and "the specified routes" respectively.

2. Subject to the provisions of this Agreement, the airline(s) designated by each Party shall enjoy the following rights:

- a. to fly without landing across the territory of the other Party;
- b. to make stops in the territory of the other Party for non-traffic purposes; and
- c. while operating an agreed service on the specified route, the airline(s) designated by each Party shall also enjoy the right to embark and disembark, in the territory of the other Party at the point(s) specified for that route in the Annex to this Agreement, international traffic in passengers, cargo and mail, separately or in combination including to and from other points specified in the Annex.

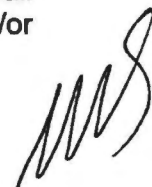
3. The airline(s) of each Party, other than those designated under Article 4 of this Agreement, shall also enjoy the rights specified in sub-paragraphs (a) and (b) of paragraph (2) of this Article.



Article 3

Designation and Authorisation

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 Annex I and to withdraw or alter such designations. Such designations shall be made in writing and transmitted to the other Party through diplomatic channels and shall identify whether the airline is authorised to conduct the type of air services specified in the Annex.
2. Upon receipt of such designation and of applications from the designated airline, in the form and manner prescribed for operating authorisations and technical permissions, the other Party shall grant the appropriate authorisations and permissions with minimum procedural delay, provided:
 - a) in the case of an airline designated by New Zealand:
 - (i) New Zealand has and maintains effective regulatory control of the airline; and
 - (ii) it has its principal place of business and place of incorporation in New Zealand and the aeronautical authority is clearly identified in the designation.
 - b) 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.



Article 4

Revocation of Authorisation

Either Party may revoke, suspend or limit the operating authorisation or technical permission of an airline designated by the other Party where:

a) in the case of an airline designated by New Zealand:

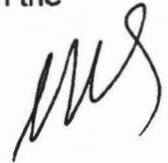
- (i) The State of New Zealand is not maintaining effective regulatory control of the airline; or
- (ii) It does not have its principle place of business and place of incorporation in New Zealand.

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

- (i) it is not established in the territory of Iceland under the Treaty establishing the European Community or under the Agreement on the European Economic Area, or does not have a valid Operating Licence in accordance with European Community 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 Community Member State or the European Economic Area 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 air carrier is already authorised to operate under a bilateral agreement between New Zealand and another Member State and New Zealand can demonstrate that, by exercising traffic rights under this Agreement on a route that includes a point in that other Member State, it would be circumventing restrictions on the traffic rights imposed by that other agreement; or
- (v) the airline designated holds an Air Operator's Certificate issued by a Member State and there is no bilateral air services agreement between New Zealand and that Member State and that Member State has denied traffic rights to the air carrier designated by New Zealand.



- (vi) the airline has failed to comply with the laws and regulations of New Zealand.
- c) In both cases, where the designated airline has failed to meet the conditions prescribed under the laws, regulations and rules referred to in Articles 5, 6 and 8 of this Agreement; or
3. Unless immediate action is essential to prevent further non-compliance with subparagraph c) of this Article, the rights established by this Article shall be exercised only after consultation with the other Party.
4. This Article does not limit the rights of either Party to withhold, revoke, limit or impose conditions on the operating authorisation or technical permission of an airline or airlines of the other Party in accordance with the provisions of Article 8 of this Agreement.



Article 5

Application of Laws, Regulations and Rules

1. While entering, within, or leaving the territory of one Party, its laws, regulations and rules 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, regulations and rules 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 airline or to an airline of any other country over a designated airline of the other party engaged in similar international air services in the application of its customs, immigration, quarantine and similar regulations.
4. Passengers, baggage and cargo in direct transit through the territory of either Party, and not leaving the area of the airport reserved for such purpose, shall not undergo any examination except for reasons of aviation security, narcotics control or in special circumstances. Baggage and cargo in direct transit shall be exempt from customs duties and other similar taxes.



Article 6

Safety Standards, Certificates and Licences

1. Certificates of airworthiness, certificates of competency and licences, issued or rendered valid by the aeronautical authorities of one Party and still in force, shall be recognized as valid by the aeronautical authorities of the other Party for the purpose of operating the agreed services provided that such certificates or licences were issued or rendered valid pursuant to, and in conformity with, as a minimum, the standards established under the Convention. The aeronautical authorities of each Party reserve the right, however, to refuse to recognize, for the purpose of flights above its own territory, certificates of competency and licences granted to its own nationals by the other Party.

2. If the privileges or conditions of the licences or certificates referred to in paragraph 1 above, issued by the aeronautical authorities of one Party to any person or designated airline or in respect of an aircraft used in the operation of the agreed services, should permit a difference from the minimum standards established under the Convention, and which difference has been filed with the International Civil Aviation Organization, the other Party may request consultations between the aeronautical authorities in conformity with Article 13 (Consultations) of this Agreement with a view to clarifying the practice in question.

3. Consultations concerning the safety standards and requirements maintained and administered by the aeronautical authorities of the other Party relating to aeronautical facilities, crew members, aircraft, and operation of the designated airlines shall be held within 15 days of receipt of a request from either Party, or such other period as may be mutually determined. If, following such consultations, the aeronautical authorities of one Party find that the aeronautical authorities of the other Party do not effectively maintain and administer safety standards and requirements in these areas that are at least equal to the minimum standards established pursuant to the Convention, the aeronautical authorities of the other Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards. Failure to take appropriate corrective action within 15 days, or such other period as may be accepted by the aeronautical authorities of the Party that made the findings, shall constitute grounds for withholding, revoking, suspending or imposing conditions on the authorisations of the airlines designated by the other Party.

4. Pursuant to Article 16 of the Convention, each Party accepts that any aircraft operated by, or, where approved, on behalf of, an airline of one Party, may, while within the territory of the other Party, be the subject of an examination by the aeronautical authorities of the other Party, on board and around the aircraft to verify the validity of the relevant aircraft documents and those of its crew members and the apparent condition of the aircraft and its



equipment (in this Article called "ramp inspection"), provided such ramp inspection does not cause an unreasonable delay in the operation of the aircraft.

5. If the aeronautical authorities of one Party, after carrying out a ramp inspection, find that:

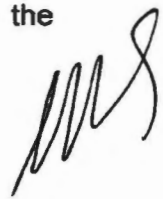
- a. an aircraft or the operation of an aircraft does not comply with the minimum standards established at that time pursuant to the Convention; and/or
- b. there is a lack of effective maintenance and administration of safety standards established at that time pursuant to the Convention,

the aeronautical authorities of that Party may, for the purposes of Article 33 of the Convention and at their discretion, determine that the requirements under which the certificates or licences in respect of that aircraft or its crew members had been issued or rendered valid, or that the requirements under which that aircraft is operated, are not equal to or above the minimum standards established pursuant to the Convention. This same determination may be made in the case of denial of access for ramp inspection.

6. The aeronautical authorities of each Party shall have the right, without consultation, to withhold, revoke, suspend or impose conditions on the authorizations of an airline of the other Party in the event the aeronautical authorities of the first Party conclude that immediate action is essential to the safety of airline operations.

7. Any action by the aeronautical authorities of one Party in accordance with paragraphs 3 or 6 above shall be discontinued once the basis for the taking of that action ceases to exist.

8. 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
Civil Aviation Safety Cooperation

The Parties shall promote cooperation between their regulatory authorities for the purpose of establishing technical or operational arrangements that facilitate:

- a) the exchange of information on civil aviation safety and environment matters;
- b) mutual recognition of safety regulatory certification and/or processes;
and
- c) trade in civil aviation-related goods and services.



Article 8

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, the Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, signed at Montreal on 24 February, 1988, and the Convention on the Marking of Plastic Explosives for the Purpose of Detection, signed at Montreal on 1 March, 1991 and any other convention on aviation security to which both Parties become members.

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, of airports and air navigation facilities, and address any other threat to the security of civil air navigation.

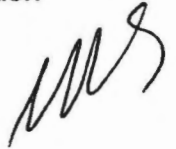
3. The Parties shall, in their mutual relations, act in conformity with all aviation security standards and appropriate recommended practices established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators of aircraft of their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

4. Each Party agrees that such operators of aircraft may be required to observe the aviation security provisions referred to in paragraph 3 above required by the other Party for entry into, departure from, or while within, the territory of that other Party. Each Party shall ensure that adequate measures are effectively applied within its territory to protect aircraft and to inspect passengers, crew, carry-on items, baggage, 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.



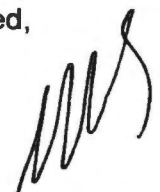
6. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with the aeronautical authorities of the other Party. Failure to reach a satisfactory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



Article 9

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, regulations and rules 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. 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. 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.
4. 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.
5. 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.
6. Notwithstanding anything contained in this Article, the exercise of rights under this Article shall be in accordance with the applicable domestic laws, regulations and rules, and the Parties stipulate that the laws, regulations and rules shall be administered in a non-discriminatory fashion and consistent with the purposes of the Agreement.
7. 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 which would be available if self-handling were possible.
8. 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 10

Co-operative Marketing Arrangements and Leasing

1. In operating or holding out international air services pursuant to this Agreement, any designated airline may enter into block space, code-share or other cooperative arrangement with any other airline including airlines of third countries. All airlines operating or holding out such services must hold the appropriate authority including route rights, traffic rights and capacity entitlement and meet the requirements normally applied to such arrangements.

2. The designated airlines of both Parties will, when holding services out for sale, in terms of code-share, blocked-space or other joint venture arrangements, make it clear to the purchaser at the point of sale which airline will be the operating airline on each sector of the service and with which airline(s) the purchaser is entering into a contractual relationship.

3. The designated airlines of each Party shall be permitted to conduct international air transport using aircraft (or aircraft and crew) leased from any company, including other airlines, provided only that the operating aircraft and crew meet the applicable operating and safety standards and requirements after the approval of the competent authorities of both parties.



Article 11

Capacity

1. Each Party shall allow each designated airline to determine the frequency and capacity of the international air services it offers based on commercial considerations of the marketplace.

2. 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.



Article 12

Customs Duties and Charges

1. Each Party shall on the basis of reciprocity exempt a designated airline of the other Party to the fullest extent possible under its national law from customs duties, excise taxes, inspection fees and other national duties and charges on aircraft, fuel, lubricating oils, consumable technical supplies, spare parts including engines, regular aircraft equipment, aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco and other products destined for sale or to be used solely in connection with the operation or servicing of aircraft) and other items, such as printed ticket stock and air waybills, distributed free of charge by that designated airline intended for use or used solely in connection with the operation or servicing of aircraft of the designated airline of such other Party operating the agreed services.
2. The exemptions granted by this article shall apply to the items referred to in paragraph 1:
 - a. introduced into the territory of the Party by or on behalf of the designated airline of the other Party;
 - b. retained on board aircraft of the designated airline of one Party upon arrival in or leaving the territory of the other Party; or
 - c. taken on board aircraft of the designated airline of one Party in the territory of the other Party and intended for use in operating the agreed services; whether or not such items are used or consumed wholly within the territory of the Party granting the exemption, provided the ownership of such items is not transferred in the territory of the said Party.
3. The regular airborne equipment, as well as the materials and supplies normally retained on board the aircraft of the designated airline of either Party, may be unloaded in the territory of the other Party only with the approval of the customs authorities of that territory. In such case, they may be placed under supervision of the said authorities up to such time as they are re-exported or otherwise disposed of in accordance with customs regulations.
4. The exemptions provided for by this Article shall also apply in situations where a designated airline of one Party has entered into arrangements with other airlines for the loan or transfer in the territory of the other Party of the items specified in paragraphs 1 and 2 of this Article, provided such other airlines similarly enjoy such exemptions from the other Party.



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 Community Member State or European Economic Area State.



Article 13

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.



Article 14

Consultations

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 60 days from the date the other Party receives the request unless otherwise agreed.



Article 15

Settlement of Disputes

1. If any dispute arises between the Parties relating to the interpretation or application of this Agreement, the Parties shall in the first place endeavour to settle it by consultations held in conformity with Article 14 of this Agreement.

2. If the dispute is not resolved within 60 days of the commencement of consultations pursuant to Article 14, the Parties may agree to refer the dispute for decision to some person or body, or either Party may submit the dispute for decision to a Tribunal of three arbitrators, one to be nominated by each Party and the third to be appointed by the two arbitrators. Each of the Parties shall nominate an arbitrator within a period of 60 days from the date of receipt by either Party from the other of a notice through diplomatic channels requesting arbitration of the dispute and the third arbitrator shall be appointed within a further period of 60 days. If either of the Parties fails to nominate an arbitrator within the period specified, or if the third arbitrator is not appointed within the period specified, the President of the Council of the International Civil Aviation Organization may be requested by either Party to appoint an arbitrator or arbitrators as the case requires. If the President 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. In all cases the third arbitrator shall be a national of a third State, shall act as President of the Tribunal and shall determine the place where arbitration will be held.

3. The Parties undertake to comply with any decision given under paragraph 2 of this Article.

4. The expenses of the Tribunal shall be shared equally between the Parties.

5. If and so long as either Party fails to comply with any decision given under paragraph 2 of this Article, the other Party may limit, withhold or revoke any rights or privileges which it has granted by virtue of this Agreement to the Party in default or to the designated airline in default.



Article 16

Amendment

1. This Agreement may be amended by written agreement of the Parties.
2. Any amendments so agreed shall enter into force when the Parties have notified each other in writing that their respective requirements for the entry into force of an amendment or revision have been met.
3. In the event of the conclusion of any general multilateral convention or agreement concerning air transport by which both Parties become bound, the present Agreement shall be amended so as to conform with the provisions of such convention or agreement.



Article 17

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 to the other Party) immediately before the first anniversary of the date of receipt of such notice by the other Party, unless the notice is withdrawn before then by agreement of the Parties.



Article 18

Registration with ICAO

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

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Article 19

Entry into Force

This Agreement and its Annex shall enter into force on the date of the later note in an exchange of diplomatic notes between the Parties confirming that each Party has completed the necessary internal procedures for entry into force of this Agreement and its Annex.

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

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

For the Government of
Iceland



For the Government of
New Zealand



ANNEX I

International Air Services

Routes

The designated airlines of each Party shall be entitled to perform international air services between points on the following routes:

A. Routes for the airlines designated by the Government of New Zealand:

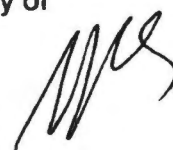
From points behind New Zealand via New Zealand and intermediate points to a point or points in Iceland and beyond.

B. Routes for the airlines designated by the Government of Iceland:

From points behind Iceland via Iceland and intermediate points to a point or points in New Zealand and beyond.

Note:

The designated airlines of each Party may at their option omit points on any of the above routes.



ANNEX II

Operational Flexibility

The designated airlines of each Party may, on any or all flights and at the option of each airline:

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; and
6. serve points behind any point in its territory with or without change of aircraft or flight number and 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;

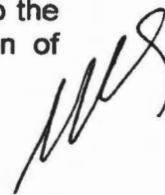
without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement.



ANNEX III

Change of Gauge

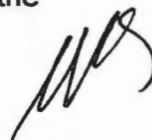
On any segment or segments of the routes above, any designated airline may perform international air transport without any limitation as to change in type or number of aircraft operated, at any point on the route, provided that, with the exception of all-cargo services, in the outbound direction, transport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



ANNEX IV

Non-Scheduled International Air Transport

1. Airlines of each Party designated pursuant to this Agreement to operate under this Annex shall have the right to operate non-scheduled international air transport over the routes specified and in accordance with the rights granted for scheduled services in this Agreement.
2. 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.



To be referred to the New Zealand Tax Authority

Avoidance of Double Taxation

1. Income and profits derived from the operation of aircraft in international traffic by an airline of one Party, including participation in a pool service, a joint air transport operation or an international operating agency, which are subject to tax in the territory of that Party shall be exempt from income tax, profits tax and all other taxes on income and profits imposed in the territory of the other Party.

2. Capital and assets of an airline of one Party relating to the operation of aircraft in international traffic shall be exempt from taxes on capital and assets imposed in the territory of the other Party.

3. Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft which are received by an airline of one Party, the income and profits of which according to paragraph 1 are taxable only in the territory of that Party, shall be exempt from any tax on gains imposed in the territory of the other Party.

4. For the purposes of this Article:

a) the term "income and profits" includes revenues and gross receipts from

the operation of aircraft for the carriage of persons, livestock, goods, mail or merchandise in international traffic including:

- (i) the charter or rental of aircraft if such charter or rental is incidental to the operation of aircraft in international traffic;
- (ii) the sale of tickets or similar documents, and the provision of services connected with such carriage, for the airline itself or for other airlines, but in the latter case only if such sales or provisions of service are incidental to the operation of aircraft in international traffic; and
- (iii) interest on funds directly connected with the operation of aircraft in international traffic;

b) the term "international traffic" means any carriage by an aircraft except when such carriage is solely between places in the territory of the other Party;

c) the term "competent authority" means, in the case of New Zealand the Ministry of Finance or his or her authorized representative, or any person or body authorized to perform any functions at present exercisable by the Ministry of Finance or similar functions; and in the case of Iceland, the Minister of Finance or his or her authorized representative.



5. The competent authorities of the Parties shall, through consultation, endeavour to resolve by mutual agreement any disputes regarding the interpretation or application of this Article. Article 16 shall not apply to such disputes.

6. Notwithstanding Article 20, each Party shall in writing notify the other when the internal procedures necessary to implement this Article have been completed. This Article shall enter into force on the date of receipt of the latter of these notifications and shall thereupon have effect in respect of income, profits and gains arising on capital and assets held.

7. Notwithstanding Article 18, this Article shall cease to have effect, in relation to income, profits and gains received as well as capital and assets held on or after the first day of January in the calendar year next following the expiry of six months after the date of receipt of such notice.

8. This Article shall cease to have effect in the event that an agreement for the avoidance of double taxation with respect to taxes on income, providing for similar exceptions to those stipulated in this Article, enters into force between the Parties.

