

# AGREEMENT

on the  
Joint Financing of  
Certain Air Navigation Services  
in Iceland (1956)  
as amended in 1982 and 2008



*Published by authority of the Secretary General*

March 2010



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INTERNATIONAL CIVIL AVIATION ORGANIZATION

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## TABLE OF CONTENTS

	<i>Page</i>
Agreement on the Joint Financing of Certain Air Navigation Services in Iceland (1956) as amended in 1982 and 2008.....	1
Annexes to the Agreement	
Annex I — The Services .....	9
Annex II — Inventory .....	15
Annex III — Financial.....	23

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# **AGREEMENT**

## **on the Joint Financing of Certain Air Navigation Services in Iceland (1956) as amended in 1982 and 2008**

### **Article I**

For the purposes of this Agreement:

- a) “Organization” means the International Civil Aviation Organization;
- b) “Council” means the Council of the Organization;
- c) “Secretary General” means the Secretary General of the Organization;
- d) “Services” means the services specified in Annex I to this Agreement and any additional services which may from time to time be provided pursuant to this Agreement.

### **Article II**

1. The Government of Iceland shall provide, operate and maintain the Services without interruption, in an efficient manner and with the greatest degree of economy consistent therewith and, so far as practicable, in accordance with the applicable Standards, Recommended Practices, Procedures and Specifications of the Organization.
2. Subject to the provisions of Annex I to this Agreement, the manner of taking meteorological observations and of making and disseminating meteorological reports shall be in accordance with the appropriate procedures and specifications promulgated by the World Meteorological Organization.
3. The Government of Iceland shall notify the Secretary General immediately of any emergency necessitating any temporary change or curtailment of the Services and that Government and the Secretary General shall thereupon consult on the measures to be taken to minimize any adverse effect of such change or curtailment.

### **Article III**

1. The Secretary General shall generally supervise the operation of the Services and may at any time arrange for the inspection of the Services, including any equipment used in connection therewith.
2. The Government of Iceland shall, at the request of the Secretary General, and to the extent practicable, furnish such reports on the operation of the Services as the Secretary General considers desirable.
3. The Secretary General shall, at the request of the Government of Iceland, provide, to the extent practicable, such advice as that Government may reasonably require in regard to the discharge of its obligations under this Agreement.
4. In the event of any failure by the Government of Iceland efficiently to operate and maintain any of the Services, there shall be consultation between that Government and the Secretary General for the purpose of agreeing upon remedial measures.

#### Article IV

1. The Contracting Governments agree to share the approved actual costs of the Services non-allocable to international civil aviation, as determined pursuant to the provisions of Article V, in proportion to the aeronautical benefit derived therefrom by each Contracting Government. Such proportion shall be determined for each Contracting Government in respect of each calendar year by the number of crossings between Europe and North America any portion of which lies north of the 45th parallel North between the meridians of 15° West and 50° West performed in that year by its civil aircraft. In addition,
  - a) a crossing between only Greenland and Canada, Greenland and the United States of America, Greenland and Iceland or Iceland and Europe shall be counted as one-third of a crossing;
  - b) a crossing between only Greenland and Europe, Iceland and Canada or Iceland and the United States of America shall be counted as two-thirds of a crossing; and
  - c) a crossing to or from Europe or Iceland which does not cross the coast of North America but crosses the meridian of 30° West north of the 45th parallel North shall be counted as one-third of a crossing.
2. For the purposes of paragraph 1 of this Article:
  - a) a crossing shall be counted even if the point of take-off or landing is not in the territories mentioned in that paragraph; and
  - b) “Europe” does not include Iceland or the Azores.
3. On or before 20 November each year, the Council shall assess the Contracting Governments for the following year. For the year 2009 the assessments shall be on the basis of the number of crossings in 2007 and the estimated costs of the Services non-allocable to international civil aviation for 2009. The assessment of each Contracting Government shall be adjusted to take into account any difference between the amounts paid by it to the Organization as advances in respect of 2007 and its share, as determined by its crossings in 2007, of ninety-five per cent of the approved actual costs in 2007. The assessment of each Contracting Government shall be further adjusted to take into account any difference between its share of the estimated revenues from user charges for 2007 and its share, as determined by its crossings in 2007, of the actual user charge revenues remitted to Iceland in 2007.
4. The procedure set forth in paragraph 3 of this Article shall apply to the assessments for the year 2010 with appropriate changes of year.
5. For 2011 the assessments shall be on the basis of the number of crossings in 2009 and the estimated costs of the Services non-allocable to international civil aviation for 2011. The assessment of each Contracting Government shall be adjusted to take into account any difference between its share of the estimated costs of the Services non-allocable to international civil aviation for 2009 and its share, as determined by its crossings in 2009, of the approved actual costs of the Services non-allocable to international civil aviation for 2009.
6. The procedure for 2011 shall apply in subsequent years with appropriate changes of year.
7. On 1 January of each calendar year starting on 1 January 2009, each Contracting Government shall pay to the Organization the amount assessed to it for the current calendar year, adjusted as provided in paragraphs 3, 4, 5 and 6 of this Article.
8. In the event of termination of this Agreement, the Council shall undertake adjustments so as to accomplish the objectives of this Article in respect of any period for which, at the date of termination of the Agreement, payments have not been adjusted pursuant to paragraphs 3, 4, 5 and 6 of this Article.



9. On or before 1 May of each year, each Contracting Government shall furnish to the Secretary General, in such form as the Secretary General may prescribe, full particulars of the crossings to which this Article applies performed during the preceding calendar year.

10. The Contracting Governments may agree that the particulars referred to in paragraph 9 of this Article will be furnished to the Secretary General on their behalf by another Government.

#### **Article V**

1. The Government of Iceland shall furnish to the Secretary General, on or before 15 September of each year, estimates, expressed in Icelandic kronur, of the costs of the Services for the following calendar year. The estimates shall be drawn up in accordance with Article II and with Annexes II and III to this Agreement.

2. The Government of Iceland shall furnish to the Secretary General, not later than five months after the end of each calendar year, a statement of the actual costs of the Services during that year. The Secretary General shall subject the statement to such audit and other examination as he deems appropriate and shall furnish to the Government of Iceland a report of the audit.

3. The Government of Iceland shall furnish to the Secretary General such additional information relating to any estimates of costs or statement of actual costs as the Secretary General may require, as well as any available information as to the extent to which the Services are being used by aircraft of any nationality.

4. The statements of actual costs for each year shall be subject to approval by the Council.

5. The statement of actual costs approved by the Council pursuant to the provisions of paragraph 4 of this Article shall be circulated to the Contracting Governments.

#### **Article VI**

1. The Government of Iceland shall be reimbursed for the actual costs, as approved by the Council, of providing, operating and maintaining the Services.

2. The Government of Iceland shall treat all net revenues from user charges, collected from all civil aircraft operators under a system operated pursuant to Article XI, as reimbursement of the costs of the Services allocable to international civil aviation. The Government of Iceland shall treat the payments received from assessments to Contracting Governments pursuant to Article IV as reimbursement of the costs of the Services non-allocable to international civil aviation.

3. Contracting Governments not represented on the Council shall be invited to participate in the consideration by the Council or any of its bodies of the estimates furnished by the Government of Iceland pursuant to the provisions of paragraph 1 of Article V.

4. The estimates of costs as approved by the Council shall be circulated to the Contracting Governments.

#### **Article VII**

1. The payments received by the Organization from the Contracting Governments pursuant to the provisions of Article IV shall, to the extent that they are not from time to time needed for making current payments to the Government of Iceland pursuant to this Agreement, constitute a Reserve Fund to be used by the Organization for the purposes of this Agreement.

2. The Secretary General may arrange for short-term investment of the Reserve Fund. The Organization shall apply the interest derived therefrom to cover the extraordinary expenses of the Organization incidental to this Agreement. If such interest is insufficient to cover such expenses, the difference remaining shall be considered as an additional part of the actual costs of the Services non-allocable to international civil aviation and shall be reimbursed to the Organization from payments made by the Contracting Governments.

### **Article VIII**

1. The annual assessments of Contracting Governments shall be expressed in Icelandic kronur.

2. Each of the Contracting Governments shall make payments to the Organization pursuant to the provisions of Article IV in Icelandic kronur. Payments may also be made in United States dollars if the regulations of the Government making the payment so require. The procedure for determining the rate of exchange applicable to a payment made in United States dollars shall be determined by the Council in consultation with the Governments concerned.

3. The Secretary General shall, subject to the Organization being reimbursed in United States dollars for its extraordinary expenses, make payments to the Government of Iceland pursuant to the provisions of Articles VI and IX in the currencies in which Contracting Governments have made their payments to the Organization and which remain available.

### **Article IX**

1. The obligation of the Secretary General to make payments to the Government of Iceland under this Agreement shall be limited to amounts actually received by the Organization and available in accordance with the terms of this Agreement.

2. No Contracting Government shall have a claim against the Organization because of failure of any other Contracting Government to make any payment under this Agreement.

### **Article X**

1. The Council may, in agreement with the Government of Iceland, include under this Agreement services in addition to those set out in Annex I hereto and new capital expenditure necessary for the proper operation of the Services.

2. For the purposes of paragraph 1 of this Article, renewal of buildings and equipment from payments received on account of depreciation shall not be regarded as new capital expenditure.

3. If new capital expenditure or additional services are proposed by the Government of Iceland or by the Council, that Government shall furnish to the Secretary General an estimate of the costs thereof, together with such specifications, plans and other information as may be required in regard thereto, and shall consult with the Secretary General concerning the methods of supply, design or construction to be adopted.

4. The Council may, in agreement with the Government of Iceland, exclude from this Agreement any part of the Services.

5. When action has been taken pursuant to paragraphs 1 or 4 of this Article, the Council shall amend the Annexes to this Agreement accordingly.

#### **Article XI**

The Government of Iceland shall operate a system of user charges for the Services provided for all civil aircraft making crossings as defined in Annex III hereto. These charges shall be calculated in accordance with Annex III to this Agreement.

#### **Article XII**

The Government of Iceland shall, to the fullest possible extent, cooperate with the representatives of the Organization in respect of the purposes of this Agreement and shall accord to such representatives the privileges and immunities to which they are entitled under the General Convention on the Privileges and Immunities of the Specialized Agencies, including Annex III (2) thereto.

#### **Article XIII**

The Council shall convene a conference of all the Governments concerned:

- a) when requested by two or more of the Contracting Governments or by the Government of Iceland, or by one of the Contracting Governments if such a conference has not been held during the previous five years;  
or
- b) when the Council considers such a conference necessary.

#### **Article XIV**

Any dispute relating to the interpretation or application of this Agreement or the Annexes thereto which is not settled by negotiation shall, upon the request of any Contracting Government party to the dispute, be referred to the Council for its recommendation.

#### **Article XV**

1. This Agreement shall remain open until 1 December 1956 for signature by the Governments named in the Preamble.

2. This Agreement shall be subject to acceptance by the signatory Governments. Instruments of acceptance shall be deposited as soon as possible with the Secretary General, who shall inform all signatory and acceding Governments of the date of deposit of each such instrument.

## **Article XVI**

1. This Agreement shall be open for accession by the Government of any State member of the United Nations or of a Specialized Agency in relationship therewith. Accessions shall be effected by the deposit of a formal instrument with the Secretary General.
2. The Council may initiate consultations with any Government, not a party to this Agreement, whose civil aircraft benefit from the Services, for the purpose of obtaining its accession to the Agreement.

## **Article XVII**

1. This Agreement shall come into force not earlier than 1 January 1957, when instruments of acceptance or of accession have been deposited by Governments responsible in the aggregate for initial assessments of not less than ninety per cent of the initial maximum cost figure. As regards those Governments, deposit of an instrument of acceptance or of accession shall be deemed to constitute consent to the system of assessments, payments and adjustments under this Agreement for the period between 1 January 1957 and the entry into force of this Agreement.
2. As regards any Government whose instrument of acceptance or of accession is deposited after the entry into force of this Agreement, the Agreement shall come into force on the date of such deposit. Each such Government shall consent to the system of assessments, payments and adjustments under this Agreement with effect at least from the beginning of the calendar year during which the instrument of acceptance or of accession is deposited.

## **Article XVIII**

1.
  - a) This Agreement may be terminated by the Government of Iceland on 31 December in any year by notice in writing given to the Secretary General not later than 1 January of that year.
  - b) This Agreement may be terminated on 31 December in any year by Contracting Governments other than the Government of Iceland responsible in the aggregate of not less than ten per cent of current assessments by notice in writing given to the Secretary General not later than 1 January of that year.
2. Upon receipt of a notice or notices of desire to terminate this Agreement in accordance with paragraph 1 of this Article, the Secretary General shall notify the Contracting Governments.

## **Article XIX**

1. Notwithstanding the provisions of Article XVIII, any Contracting Government other than the Government of Iceland, whose current assessment is less than ten per cent of current assessments, may withdraw from participation in this Agreement on 31 December in any year by notice in writing given to the Secretary General not later than 1 January of that year of its intention to terminate its participation. Any such notice shall, for the purpose of paragraph 1 b) of Article XVIII, be deemed also to constitute a notice of desire to terminate this Agreement.
2. Following receipt of notice of withdrawal from any Contracting Government, the Secretary General shall notify the other Contracting Governments.

## **Article XX**

1. In the event of termination of this Agreement by the Government of Iceland pursuant to the provisions of paragraph 1 of Article XVIII, that Government may take over at no additional cost and with no compensation the moveable or immoveable property, the cost of which has been partially or wholly reimbursed to that Government under the provisions of this Agreement, in order to continue the provision of the Services outside of this Agreement.
2. In the event of any termination of this Agreement by Contracting Governments other than the Government of Iceland, the Government of Iceland may take over at no additional cost and with no compensation the moveable or immoveable property, the cost of which has been partially or wholly reimbursed to that Government under the provisions of this Agreement, in order to continue the provision of the Services outside of this Agreement.
3. In the event of termination of this Agreement due to the discontinuation of the Services, the Government of Iceland shall be paid out of the Reserve Fund or, if the Fund is insufficient, by all the Contracting Governments through the Organization, an equitable amount by way of compensation for capital expenditures undertaken by that Government and not wholly reimbursed pursuant to this Agreement and for the cost of removal of such equipment and restoration of the site as necessary. Any payments required from Contracting Governments for this purpose shall be computed on the basis of the most recent assessment figures and shall be due as of the time of termination. The Organization shall have the right to take over any moveable property for which compensation is paid pursuant to this paragraph. Any waiver of such right shall be taken into account in determining the compensation.
4. The amount of any payments under this Article shall be determined by agreement between the Council and the Government of Iceland.

## **Article XXI**

1. Subject to the provisions of paragraph 2 of Article VII, any balance of the Reserve Fund and of interest thereon held by the Organization on the date when this Agreement ceases to be in force shall be apportioned among and refunded to those Governments which were still parties to this Agreement immediately before that date on the basis of their most recent annual assessments.
2. Any Government which has withdrawn from participation in this Agreement in accordance with the provisions of Article XIX shall pay to or receive from the Organization any difference between the amount it has paid to the Organization in accordance with Article IV and its appropriate share of the approved actual costs of the Services non-allocable to international civil aviation in respect of the period of its participation.

## **Article XXII**

1. Any proposal of an amendment of this Agreement may be initiated by a Contracting Government or by the Council. The proposal shall be communicated in writing to the Secretary General who shall circulate it to all Contracting Governments with the request that they advise him formally whether or not they agree to it.
2. Adoption of an amendment shall require the agreement of two-thirds of all Contracting Governments responsible in the aggregate for not less than ninety per cent of current assessments. An amendment so adopted shall enter into force for all Contracting Governments on 1 January of the year following the year in which formal written acceptances of the amendment have been received by the Secretary General from two-thirds of the Contracting Governments responsible in the aggregate for not less than ninety per cent of the current assessments.

3. The Secretary General shall send certified copies of each amendment as adopted to all Contracting Governments and shall notify them of any acceptances and of the date of entry into force of any amendment.

4. The Council may, in cases additional to those specified in paragraph 5 of Article X, amend the Annexes to this Agreement, subject always to the terms and conditions of the Agreement and the consent of the Government of Iceland.

**AGREEMENT**

**ON THE JOINT FINANCING OF CERTAIN  
AIR NAVIGATION SERVICES IN ICELAND**

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**ANNEX I — THE SERVICES**

**(Twenty-First Edition)**



*Published by authority of the Secretary General*

**1 January 2013**

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

## AMENDMENTS TO ANNEX I

The following Council Working Papers show amendments made by Council during the period between publication of the 20th Edition of this Annex, dated 1 January 2012, and the present or 21st Edition, dated 1 January 2013.

### RECORD OF SUBSEQUENT AMENDMENTS

No.	Effective date	C-WP/No.	Recorded by



## ANNEX I — THE SERVICES

### PART I — AIR TRAFFIC SERVICES

An area control centre located at Reykjavik (6408N 2156W) to be in continuous operation to safeguard the North Atlantic international operations through the Reykjavik CTA/FIR, including the extraction, transmission and display of information from surveillance radar stations at Keflavik, Midnesheidi, Stokksnes, Gunnólfsvíkurfjall, Bolafjall, Sumburgh and the Faroe Islands as well as pilot/controller VHF communications at the same stations and through a station at Bláfjöll.

### PART II — METEOROLOGICAL SERVICES

- A. Surface and upper-air synoptic observations to be made at the following meteorological stations in accordance with the following table and the reports to be transmitted to Reykjavik as designated in Part III A:

<i>Meteorological stations and their locations<sup>1</sup></i>	<i>Surface synoptic observations 3-hourly (at 00, 03, 06, 09, 12, 15, 18 and 21 UTC)</i>	<i>Hourly observations</i>	<i>Upper-air observations (at 00 and 12 UTC)</i>	
			<i>Radiosonde</i>	<i>Radiowind</i>
1. Bolungarvik 6609N 2315W	8			
2. Hofn 6416N 1512W	8			
3. Keflavik 6359N 2237W	8	24 <sup>2</sup>	2	2

1. The above stations may be moved by the Icelandic Authorities within 25 km from the specified positions as long as neither the capital nor the operating costs with which this Agreement is concerned are thereby increased. Where such costs would be increased, the proposed relocation shall be submitted to the Council for prior approval.
2. Plus any necessary special observations.

- B. The following services by the meteorological office located at Reykjavik (6408N 2154W):

1. provision of routine aerodrome forecasts and necessary amendments for Keflavik and Reykjavik;
2. provision of area meteorological watch for the Reykjavik CTA/FIR including the issue of SIGMET information;
3. provision of the State volcano observatory services for Iceland, as defined in ICAO Annex 3, *Meteorological Service for International Air Navigation*.

**PART III — AERONAUTICAL AND METEOROLOGICAL  
TELECOMMUNICATION SERVICES**

Telecommunication services to be provided as follows:

**A. Reykjavik**

1. Collection of meteorological reports from jointly financed synoptic stations in Iceland and aircraft in flight and their retransmission to Regional Telecommunications Hub Exeter.<sup>1</sup>
2. Reception of meteorological reports from jointly financed synoptic stations in Greenland and their retransmission to Regional Telecommunications Hub Exeter.<sup>1</sup>
3. Reception of meteorological messages originating in Europe and North America (except Greenland) from Regional Telecommunications Hub Exeter.
4. Aeronautical mobile service with aircraft on VHF:
  - a) remote control of four transceivers at the Faroe Islands, used in connection with radar control of aircraft.<sup>2</sup>
  - b) remote control of four transceivers at Gunnólfsvíkurfjall/Fjardarheidi, used in connection with radar control of aircraft.
  - c) remote control of five transceivers at Stokksnes/Hornafjörður, used in connection with radar control of aircraft.
  - d) remote control of five transceivers at Bolafjall/Thverfjall, used in connection with radar control of aircraft.
  - e) remote control of two transceivers at the Vestmann Islands, used in connection with radar control of aircraft.
5. Microwave link:
  - a) Reykjavik OACC – Keflavik radar control centre.
  - b) Reykjavik OACC – Bláfjöll communications site.
6. Telephone services:
  - a) ATC Reykjavik – approach control/aerodrome control tower Keflavik.
  - b) ATC Reykjavik – MET Reykjavik.
  - c) MET Reykjavik – MET Keflavik.
  - d) Gander – Reykjavik – (Søndre Strømfjord), ATC speech.<sup>3</sup>
  - e) Reykjavik – Prestwick/Shanwick, ATC speech.<sup>3</sup>
  - f) Reykjavik – Gander – (Edmonton), ATC speech.<sup>4</sup>
  - g) Reykjavik – Prestwick, ATC speech.<sup>3</sup>
  - h) Reykjavik – Stavanger-Bodø, ATC speech.<sup>3</sup>

- i) Reykjavik – Søndre Strømfjord, ATC speech.<sup>4,5</sup>
- j) Søndre Strømfjord – Reykjavik, ATC speech, detour via Godthaab – Montréal.

7. Data services:

- a) MET Keflavik – MET receiving unit Reykjavik.
- b) Reykjavik cable office – MET receiving unit Reykjavik.
- c) Reykjavik – Exeter, MET data.<sup>3</sup>
- d) Reykjavik – Prestwick/Shanwick, ATC data.<sup>3</sup>
- e) Reykjavik – Prestwick/Scottish, ATC data.<sup>3</sup>
- f) Reykjavik – Gander, ATC data.<sup>4</sup>
- g) Reykjavik – Keflavik airport, radar data.
- h) Reykjavik – Faroe Islands, radar data.<sup>2</sup>
- i) Reykjavik – Faroe Islands, 4 P/C VHF for radar control.<sup>2</sup>

**B. Gufunes (Reykjavik) Communication Centre — AMS, AFS**

1. Aeronautical mobile service with aircraft on HF and VHF extended range. The HF system comprises receiving stations at Thverholt and Gardskagi and transmitting stations at Grindavik and Bessastadir, Hunathing vestra. The VHF extended range system comprises stations at Hafell, Thorbjorn, Gagnheidi and Thverfjall in Iceland, at Kulusuk and Søndre Strømfjord (Qaqatoq) in Greenland and the Faroe Islands, as well as the lines necessary for their remote control from Gufunes, and a satellite circuit Reykjavik – Greenland, A/G GP VHF.
2. Telephone services:
  - a) Gufunes – ATC Reykjavik.
  - b) Gufunes – Grindavik.
  - c) Gufunes – Bessastadir, Hunathing vestra.
  - d) Gufunes – MET Reykjavik.
3. Data services:
  - a) Gufunes – ATC Reykjavik.
  - b) Gufunes – flight operations Keflavik.
  - c) Gufunes – MET Reykjavik.
  - d) Gufunes – MET Keflavik.
  - e) Gufunes – COM Keflavik.

- f) Duplex AFTN service between the COM Centres at Gufunes and Søndre Strømfjord.<sup>5</sup>
- g) Duplex AFTN/CIDIN service between the COM Centres at Gufunes and Ottawa (Montréal).<sup>4</sup>
- h) Duplex AFTN/CIDIN service between the COM Centres at Gufunes and Heathrow (London).<sup>3</sup>
- i) Duplex AFTN/CIDIN service between the COM Centres at Gufunes and Bergen.<sup>3</sup>

#### **PART IV — RADIO NAVIGATION AIDS**

Radio navigation aids to be provided as follows:

VOR/DME facilities at Ingólfshöfði and Keflavik providing en route navigation services on a continuous basis.

- 
1. Reception performed using the AFTN. Retransmission to Regional Telecommunications Hub Exeter using the circuit A 7 c).
  2. Service performed using landlines from ATC Reykjavik to the Communications Switching Centre in Reykjavik, which connects through the CANTAT-3 and FARICE fibre optic cables to the Communications Switching Centre in Thorshavn and from there to the remote sites.
  3. The services listed under A 6 d), e), g) and h), A 7 c), d) and e) and B 3 h) and i) are to be provided using landlines from ATC and MET Reykjavik and COM Gufunes to the Communications Switching Centre in Reykjavik where connection is made with the United Kingdom and Norway through the CANTAT-3 and FARICE fibre optic cables.
  4. The services listed under A 6 f), A 7 f) and B 3 g) are to be provided using landlines from ATC and MET Reykjavik and COM Gufunes to the Communications Switching Centre in Reykjavik where connection is made with Canada through the INTELSAT and CANTAT-3 Systems.
  5. Service performed using landlines from ATC Reykjavik and COM Gufunes to the Communications Switching Centre in Reykjavik, which connects through the INTELSAT System to a Ground Earth Station at Søndre Strømfjord.

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**ANNEX II — INVENTORY**

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**INTERNATIONAL CIVIL AVIATION ORGANIZATION**



## ANNEX II — INVENTORY

### ICELAND (all stations)

*(Calculated in Icelandic Kronur)*

<i>Items</i>	<i>From JS-WP/1976 — Audited actual costs for 2011</i>				<i>Subject to audit</i>	
	<i>Initial value for purposes of annual depreciation 31/12/11</i>	<i>Depreciation received to 31/12/11</i>	<i>Renewals from depreciation to 31/12/11</i>	<i>Residual value as of 31/12/11</i>	<i>Approved new capital for implementation after 31/12/11</i>	<i>Renewals from depreciation after 31/12/11</i>
1. Buildings and appurtenances thereto	33 363 988	33 373 899	9 911	—	—	—
2. Antennas, towers and counterpoises	90 980 664	78 361 203	6 165 822	18 785 283	—	—
3. Machinery and tools	228 098 370	209 700 787	2 595 683	20 993 266	235 517 400	—
4. Communications equipment	4 075 433 085	3 183 636 175	326 481 234	1 218 278 144	1 667 645 070	68 775 030
5. Surveillance radar	380 162 379	451 754 551	103 496 263	31 904 091	9 065 250	13 053 960
6. Meteorological equipment	98 747 888	52 196 389	—	46 551 499	608 433 000	—
7. Vehicles	19 702 535	19 702 535	13 303 073	13 303 073	—	—
8. Office and housing equipment	945 324	945 324	—	—	—	—
9. Hardware and software equipment	111 866 756	85 460 915	—	26 405 841	—	—
<b>TOTAL</b>	<b>5 039 300 989</b>	<b>4 115 131 778</b>	<b>452 051 986</b>	<b>1 376 221 197</b>	<b>2 520 660 720</b>	<b>81 828 990</b>

**Station: COM GUFUNES**

*(Calculated in Icelandic Kronur)*

<i>Items</i>	<i>From JS-WP/1976 — Audited actual costs for 2011</i>				<i>Subject to audit</i>	
	<i>Initial value for purposes of annual depreciation 31/12/11</i>	<i>Depreciation received to 31/12/11</i>	<i>Renewals from depreciation to 31/12/11</i>	<i>Residual value as of 31/12/11</i>	<i>Approved new capital for implementation after 31/12/11</i>	<i>Renewals from depreciation after 31/12/11</i>
1. Buildings and appurtenances thereto	33 363 988	33 373 899	9 911	—	—	—
2. Antennas, towers and counterpoises	90 980 664	78 361 203	6 165 822	18 785 283	—	—
3. Machinery and tools	9 988 214	10 521 613	533 399	—	42 000 000 (Notes 1–2)	—
4. Communications equipment	643 916 344	492 519 659	220 444 401	371 841 086	396 000 000 (Notes 3–5)	58 863 690 (Notes 6–7)
5. Surveillance radar	—	—	—	—	—	—
6. Meteorological equipment	—	—	—	—	—	—
7. Vehicles	13 260 285	13 260 285	9 513 375	9 513 375	—	—
8. Office and housing equipment	—	—	—	—	—	—
9. Hardware and software equipment	—	—	—	—	—	—
<b>TOTAL</b>	<b>791 509 495</b>	<b>628 036 659</b>	<b>236 666 908</b>	<b>400 139 744</b>	<b>438 000 000</b>	<b>58 863 690</b>

Notes:

1. Renewal of two uninterruptable power supplies (JS-WP/1957).
2. Power distribution system (JS-WP/1976).
3. Communication simulator (C-WP/13474).
4. Voice communications control system (C-WP/13477).
5. Communication infrastructure (JS-WP/1957).
6. Signal spectrum analyser (C-WP/12351).
7. VHF GP communication system (JS-WP/1906).



**Station: MET**

*(Calculated in Icelandic Kronur)*

<i>Items</i>	<i>From JS-WP/1976 — Audited actual costs for 2011</i>				<i>Subject to audit</i>	
	<i>Initial value for purposes of annual depreciation 31/12/11</i>	<i>Depreciation received to 31/12/11</i>	<i>Renewals from depreciation to 31/12/11</i>	<i>Residual value as of 31/12/11</i>	<i>Approved new capital for implementation after 31/12/11</i>	<i>Renewals from depreciation after 31/12/11</i>
1. Buildings and appurtenances thereto	—	—	—	—	—	—
2. Antennas, towers and counterpoises	—	—	—	—	—	—
3. Machinery and tools	—	—	—	—	—	—
4. Communications equipment	—	—	—	—	—	—
5. Surveillance radar	—	—	—	—	—	—
6. Meteorological equipment	98 747 888	52 196 389	—	46 551 499	608 433 000 (Notes 1–5)	—
7. Vehicles	—	—	3 789 698	3 789 698	—	—
8. Office and housing equipment	—	—	—	—	—	—
9. Hardware and software equipment	1 099 071	1 099 071	—	—	—	—
<b>TOTAL</b>	<b>99 846 959</b>	<b>53 295 460</b>	<b>3 789 698</b>	<b>50 341 197</b>	<b>608 433 000</b>	<b>—</b>

Notes:

1. Upgrade weather radar (JS-WP/1938).
2. Satellite receiving system (C-WP/11006).
3. Mobile weather radar (C-WP/13616).
4. Weather radar (JS-WP/1951).
5. Mobile weather radar (JS-WP/1959).

**Station: ATC REYKJAVIK**

*(Calculated in Icelandic Kronur)*

Items	From JS-WP/1976 — Audited actual costs for 2011				Subject to audit	
	Initial value for purposes of annual depreciation 31/12/11	Depreciation received to 31/12/11	Renewals from depreciation to 31/12/11	Residual value as of 31/12/11	Approved new capital for implementation after 31/12/11	Renewals from depreciation after 31/12/11
1. Buildings and appurtenances thereto	—	—	—	—	—	—
2. Antennas, towers and counterpoises	—	—	—	—	—	—
3. Machinery and tools	218 110 156	199 179 174	2 062 284	20 993 266	193 517 400 (Notes 1–3)	—
4. Communications equipment	3 431 516 741	2 691 116 516	106 036 833	846 437 058	1 271 645 070 (Notes 4–14)	9 911 340 (Notes 15–16)
5. Surveillance radar	380 162 379	451 754 551	103 496 263	31 904 091	9 065 250 (Note 17)	13 053 960 (Note 18)
6. Meteorological equipment	—	—	—	—	—	—
7. Vehicles	6 442 250	6 442 250	—	—	—	—
8. Office and housing equipment	945 324	945 324	—	—	—	—
9. Hardware and software equipment	110 767 685	84 361 844	—	26 405 841	—	—
<b>TOTAL</b>	<b>4 147 944 535</b>	<b>3 433 799 659</b>	<b>211 595 380</b>	<b>925 740 256</b>	<b>1 474 227 720</b>	<b>22 965 300</b>

Notes:

1. Test equipment (C-WP/9404).
2. Voice communications simulator (JS-WP/1950).
3. Air traffic simulator (JS-WP/1965).
4. Six PC workstations (C-WP/10080).
5. Additional hardware for the radar data processing system (C-WP/11223).
6. CNS/ATM ground infrastructure project (C-WP/11355).
7. Enhancement of the testing and maintenance environment at the Reykjavik Area Control Centre (JS-WP/1906).
8. Remote radio monitoring and control system (JS-WP/1906).
9. Oceanic test bed (JS-WP/1927).
10. Phase IV — Integrated Controller Environment Project (JS-WP/1928).
11. ADS-B equipment in Iceland (C-WP/13476).
12. Keflavik VOR/DME (JS-WP/1937).
13. Alternate Reykjavik Oceanic Area Control Centre at Gufunes (JS-WP/1939).
14. Additional VHF DCPC frequencies in east and south sectors (JS-WP/1966).
15. ISDN multiplex (C-WP/10050).
16. Communications tester unit (C-WP/10480).
17. Evaluation and certification of surveillance data (C-WP/11436).
18. Backup VHF PC communications sets for SSR stations (C-WP/10050).

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**AGREEMENT**

**ON THE JOINT FINANCING OF CERTAIN  
AIR NAVIGATION SERVICES IN ICELAND**

**ANNEX III — FINANCIAL**

**(Twenty-First Edition)**



*Published by authority of the Secretary General*

**1 January 2013**

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

### AMENDMENTS TO ANNEX III

The following Council Working Papers show amendments made by Council during the period between publication of the 20th Edition of this Annex, dated 1 January 2012, and the present or 21st Edition, dated 1 January 2013.

JS-WP/1968

### RECORD OF SUBSEQUENT AMENDMENTS

No.	Effective date	C-WP/No.	Recorded by

## ANNEX III — FINANCIAL

### SECTION I

1. Statements rendered by the Government of Iceland on the cost of operating and maintaining the Services set forth in Annex I shall be based on the elements enumerated in Parts A, B and C of Section II of this Annex. These estimates and accounts shall be rendered in accordance with a format and breakdown to be agreed upon between the Secretary General and the Government of Iceland. The Government of Iceland shall also provide, in a form agreed upon with the Secretary General, an annual statement showing any capital investment undertaken by Iceland in respect of the Services, including renewal of buildings or equipment met from provision for depreciation.

2. The Government of Iceland shall not include, in the costs of the Services, customs or other duties on equipment or other materials imported for direct and exclusive application to the purposes of the Agreement.

3. If in the year 1957 or any later year the use by the Government of Iceland of the Services for commercial purposes changes, that change shall be reflected by an appropriate change in the accounts.

4. The number of regular personnel charged to the Services shall not exceed the following:

I. — *Air traffic services:*

1) Reykjavik	Costs of ACC personnel to be charged at 94 per cent in accordance with paragraph 6.1 of this section
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II. — *Meteorological services:*

1) Keflavik and Reykjavik	18.5 <sup>1</sup>
2) Bolungarvik	1 <sup>1,2</sup>
3) Hofn	1 <sup>1,2</sup>
4) State volcano observatory services	3 <sup>1</sup>

III. — *Aeronautical and meteorological telecommunication services:*

1) Reykjavik	Staff included under I-1) and II-2)
2) Gufunes	51

IV. — *Radio navigation aids:* Staff included under I-1)

5. On behalf of the Icelandic Government, administration of the services under the Agreement related to the meteorological services described in Annex I, Part II, is conducted by the Icelandic Meteorological Office, administration of the services described in Annex I, Parts I, III and IV, is conducted by Isavia. Isavia is the coordinating agency for the services under the Agreement.

6. The Government of Iceland may charge, in respect of certain costs listed below which are not directly separable from the cost of that Government's own services, only the following percentages of the total cost:

6.1 *Air traffic services and radio navigation aids:* 94 per cent of ACC salaries, 100 per cent of the cost of the pilot/controller data link and the pilot/controller VHF service at Keflavik, Midnesheidi, Stokksnes, Gunnólfsvíkurfjall, Bolafjall and the Faroe Islands and through a station at Bláfjöll, 50 per cent of the cost of extracting, remoting and displaying information derived from a surveillance radar at Keflavik, 100 per cent of the cost of extracting, remoting

and displaying information derived from a surveillance radar at Midnesheidi, Stokksnes, Gunnólfsvíkurfjall, Bolafjall, Sumburgh and the Faroe Islands, 94 per cent of the annual rental cost of the ACC building, 94 per cent of the cost of the VOR/DME facilities at Ingólfshöfði, 50 per cent of the cost of the VOR/DME at Keflavik, 94 per cent of the cost of the following other operating expenses as well as of the maintenance expenses and of the depreciation and interest on related capital investments: electric power, communication services, heating, lighting, cleaning, stationery and miscellaneous supplies, snow removal, FDPS software maintenance, FDPS hardware and consumables, FDPS data base, COM software/hardware maintenance (VCCS), liability insurance, Rescue Coordination Centre, Safety, Performance, Quality and Security, training simulator software maintenance, training simulator hardware and consumables, National Supervisory Authority (NSA).

6.2 *Training costs of air traffic controllers:* 94 per cent of training costs of air traffic controllers at Reykjavik ACC may be included in the air traffic services costs chargeable to the jointly financed services.

6.3 *Annual rental cost of the ACC building:* The annual rental comprises a fixed element relating to the cost of construction and financing of the building fixed in Icelandic kronur for a period of 15 years (the period of the loan), effective 1 January 1996, amounting to ISK 83 194 821 per annum, and a variable element to cover the operational cost of the building.

6.4 *Meteorological services:* 100 per cent of 18½ MET salaries, 88 per cent of the direct costs as regards Icelandic synoptic messages, 50 per cent of the operating cost of the upper air station, except for salaries, 50 per cent of the direct costs as regards MET communications, except for salaries, 50 per cent of the direct costs of operating a weather radar located at Keflavik Airport and 50 per cent of annual fees to EUMETSAT for broadcast services and use of satellite data.

6.5 *State volcano observatory services:* 100 per cent of three expert salaries, 100 per cent of the direct cost of operating two mobile weather radars and 100 per cent of the direct cost of operating a weather radar in the North East of Iceland.

6.6 *Annual rental cost of the buildings at Gufunes and Thverholt:* The annual rental comprises a fixed element relating to the financing cost of the buildings fixed in Icelandic kronur for a period of 15 years (the period of the loan), effective 1 June 2004, amounting to ISK 17 039 165 per annum, and a variable element to cover the operational cost of the building.

6.7 *Annual rental cost of the storage building at Steinhella:* The annual rental comprises a fixed element relating to the financing cost of the building fixed in Icelandic kronur for a period of 15 years (the period of the loan), effective 1 June 2009, amounting to ISK 7 243 135 per annum, and a variable element to cover the operational cost of the building.

6.8 *Annual rental cost of the redundant transmission site at Bessastadir, Hunathing vestra:* The annual rental comprises a fixed element relating to the financing cost of the site fixed in Icelandic kronur for a period of 15 years, effective 1 January 2010, amounting to ISK 11 670 405 per annum, and a variable element to cover the operational cost of the building.

7. Rental for the Iceland portion of the United Kingdom/Iceland satellite and CANTAT-3 facilities may be charged at no more than prevailing commercial rates from 1 January 1988 onwards.

8. Rental for the Iceland portion of the Canada/Iceland satellite facilities may be charged at no more than prevailing commercial rates from 1 January 1988 onwards.



9. Rental for part of the ICAO Aeronautical Fixed Service (AFS)/WMO Regional Meteorological Data Communications Network (RMDCN) link between the World Area Forecast Centre (WAFC) London and the Icelandic Meteorological Office — 50 per cent chargeable to Joint Financing.

## SECTION II

The direct costs of operating and maintaining the Services which the Government of Iceland may charge are categorized in Parts A and B hereunder. The indirect costs which the Government of Iceland may charge are set out in Part C hereunder.

### PART A — OPERATIONAL EXPENSES

1. *Salaries of regular personnel.*

(Salaries include gross remuneration, payments for overtime, employers' contributions to social security schemes as well as pension costs and other benefits. This includes other payments such as subsistence allowances, personnel insurance and training.)

1 a) *Payment to part-time observers on synoptic observation stations.*

2. *Working expendables.*

(Including, where applicable, fuel, provisions, radiosondes, balloons, hydrogen, etc.)

3. *General operating expenses.*

(Including, where applicable, charges for electric power, commercial communications charges, heating, lighting, cleaning, stationery and miscellaneous supplies, rent, other accommodation costs, air navigation systems, simulators, surveillance systems, insurance, rescue coordination centre, safety performance, quality management, national supervisory authority, Eumetsat, Single European Sky initiatives, etc.)

4. *Transportation.*

(Including, where applicable, transportation of personnel and goods, operational expenses of vehicles used in connection therewith, etc.)

5. *Miscellaneous additional necessary operating expenses.*

### PART B — MAINTENANCE EXPENSES

1. *Salaries of regular maintenance personnel.*

(Salaries to be included under Part A-1.)

2. *Special labour employed in maintenance.*

(Including, where applicable, experts employed on a temporary basis for special maintenance purposes.)

3. *Material and labour used for maintenance.*

(Including, where applicable, spare parts, material and labour — excluding B 1 and B 2 — for maintenance of buildings and appurtenances thereto, antennas, towers and counterpoises, machinery and tools, storage tanks, communications equipment, meteorological equipment, vehicles, office and housing equipment, surveillance radars, stationed and mobile radars, etc.)

4. *Miscellaneous additional necessary maintenance expenses.*

(Including any single item of new or renewed equipment totalling not more than fifteen thousand United States dollars which it is not practicable to amortize, contractual repairs away from a Station and transportation connected therewith, etc.)

### PART C — INDIRECT EXPENSES

1. *Miscellaneous overhead including administration.*— For administration of the Services listed in Annex I, a charge of 12 per cent on the total direct expenses on items listed in Parts A and B of this Annex, except that for the amount specified in Section I, paragraphs 7, 8 and 9 herein, only 5 per cent may be charged.

2. *Depreciation.*— Commencing with the calendar year following that in which implementation is completed depreciation shall be charged at the following rates, provided that it shall not be charged in respect of buildings and equipment which have been completely depreciated except when renewal of such buildings or equipment has been undertaken from provision for depreciation; in which case depreciation may be charged until the renewed buildings or equipment have also been depreciated.

2.1 All equipment at a rate of 10 per cent per annum of the value specified as the basis for depreciation in Annex II, except:

	<i>Rate</i> (%)
Office and housing equipment	5
Vehicles	33.33
Hardware and software equipment	20

3. *Interest.*— Interest on capital invested in buildings and equipment is to be charged at the weighted annual average of the one year Reykjavik Interbank Offered Rate (REIBOR) plus the Icelandic Credit Default Swap (CDS). This interest will apply to the value specified for depreciation in Annex II, as adjusted by annual depreciation and taking into account renewals of buildings and equipment met from provision for depreciation.

3.1 Interest on renewals and new capital investment will be charged commencing with the year following that in which implementation is completed. In respect of the period preceding the commencement of depreciation, an amount will be included in the total capital cost to be shown in the inventory. Such amount shall be calculated as follows: for the first year of development, this amount will be equivalent to 6 months' interest on the value of the capital costs incurred during that year; for the second year of development, this amount will be equivalent to 6 months' interest on the value of the capital costs incurred during that year plus 12 months' interest on the value of the capital costs incurred during the preceding year; for the third year of development, this amount will be equivalent to 6 months' interest on the value of the capital costs incurred during that year plus 12 months' interest on the cumulative value of the capital costs incurred during the preceding years, etc. The interest rates used for each year of development shall be calculated as per paragraph 3 above. The total interest calculated for the whole period of development will be included in the amount of capital cost to be shown in the inventory.

4. *Residual value.*— The residual value of fixed assets disposed of should be charged to depreciation in the year of disposition and the proceeds from disposition, if any, should be credited under subheading “Proceeds from sale of inventory items” in the same year.

### SECTION III — USER CHARGES

1. Pursuant to Article XI of this Agreement, on or before 20 November 2012 the Council shall determine three separate user charges per civil aircraft crossing for the calendar year 2013 for the jointly financed services.

2. The first user charge shall cover the air traffic control services and shall be levied for each flight performed in the Reykjavik and Søndre Strømfjord FIRs. The charge per flight would equal the product of the distance factor (d) and the unit rate (t) as follows:

$$r = d \times t$$

3. The distance factor (d) is equal to one hundredth of the great circle distance, expressed in kilometres, between the aerodrome of departure within, or the point of entry into, the airspace of the Reykjavik and Søndre Strømfjord FIRs and the aerodrome of first destination within, or the point of exit from, that airspace. The entry and exit points are the points at which the lateral limits of the airspace are crossed by the route of the aircraft. The distance to be taken into account is reduced by a notional 100 kilometres for each take-off and for each landing on the territory of the Søndre Strømfjord FIR and the Faroe Islands and 220 kilometres for each approach and each departure from airports in Iceland.

4. The unit rate of charge is the tariff for flying one hundred kilometres (distance factor of 1.00) in the Reykjavik and Søndre Strømfjord FIRs. Flights flying exclusively below FL285 within this airspace and all flights in and out of airports located in Greenland shall be subject to half the unit rate. The unit rate is revised annually.

5. The unit rate (t) for the year 2013 shall be calculated by dividing the approved estimated costs of the air traffic control services, expressed in Icelandic kronur, allocable to international civil aviation for 2013 (as defined in paragraph 14 below) plus an adjustment for under-recovery or minus an adjustment for over-recovery for the air traffic control services costs allocable to international civil aviation in 2011 (calculated in accordance with paragraphs 11 and 12 below) by the total number of units forecast for 2013 for the flights performed in the Reykjavik and Søndre Strømfjord FIRs, using the baseline forecast percentage change in aircraft movements for the North Atlantic prepared by the NAT SPG.

6. The provisions of paragraph 5 above, with appropriate revision of the years mentioned therein, shall govern the calculation of the unit rate for the air traffic control services for the calendar year 2014 and thereafter.

7. The second user charge shall cover the communication services. A charge shall be levied for each flight operating in the Reykjavik, Søndre Strømfjord and Shanwick FIRs. The charge shall be calculated by dividing the approved estimated costs for the communication services, expressed in Icelandic kronur, allocable to international civil aviation for 2013 (as defined in paragraph 14 below) plus an adjustment for under-recovery or minus an adjustment for over-recovery for the communication services costs allocable to international civil aviation in 2011 (calculated in accordance with paragraphs 11 and 12 below) by the total number of crossings forecast for 2013 for the users operating in the Reykjavik, Søndre Strømfjord and Shanwick FIRs, using the baseline forecast percentage change in aircraft movements for the North Atlantic prepared by the NAT SPG. A crossing between only Greenland and Canada, Greenland and the United States of America, Greenland and Iceland or Iceland and Europe shall be counted as one third of a crossing. A crossing between only Greenland and Europe, Iceland and Canada or Iceland and the United States of America shall be counted as two thirds of a crossing.

8. The provisions of paragraph 7 above, with appropriate revision of the years mentioned therein, shall govern the calculation of the user charge for the communication services per civil aircraft crossing for the calendar year 2014 and thereafter.

9. The third user charge shall cover the meteorological services. A charge shall be levied for each flight transiting through the airspace described in Article IV of this Agreement. The charge shall be calculated by dividing the approved estimated costs for the meteorological services, expressed in Icelandic kronur, allocable to international civil aviation for 2013 (as defined in paragraph 14 below) plus an adjustment for under-recovery or minus an adjustment for over-recovery for the meteorological services costs allocable to international civil aviation in 2011 (calculated in accordance with paragraphs 11 and 12 below) by the total number of crossings forecast for 2013 for the users transiting through the airspace described in Article IV of this Agreement, using the baseline forecast percentage change in aircraft movements for the North Atlantic prepared by the NAT SPG.

10. The provisions of paragraph 9 above, with appropriate revision of the years mentioned therein, shall govern the calculation of the user charge for the meteorological services per civil aircraft crossing for the calendar year 2014 and thereafter.

11. The over- or under-recovery referred to in paragraphs 5, 7 and 9 above is the difference between the amount subject to collection in any year (paragraph 12 below) for each of the air traffic control, communication and meteorological services and the total amounts collected from the users in that year for each of the air traffic control, communication and meteorological services.

12. The amounts subject to collection in 2011 and thereafter for each of the air traffic control, communication and meteorological services are the approved costs of the services allocable to international civil aviation in that year for each of the air traffic control, communication and meteorological services, less the over-recovery or plus the under-recovery of two years earlier for each of the air traffic control, communication and meteorological services.

13. The amount subject to collection for the meteorological services shall include the administrative fee in accordance with Section IV.

14. For the purpose of calculation of user charges, the following percentages of the jointly financed costs are allocable to international civil aviation:

- a) 100 per cent of air traffic services;
- b) 90 per cent of the meteorological services (surface and upper-air synoptic observations) and related meteorological telecommunication services;
- c) 100 per cent of the international aviation function of the Meteorological Office at Reykjavik and Keflavik;
- d) 100 per cent of aeronautical communication and the satellite services (excluding MET/COM); and
- e) 100 per cent of the VOR/DME facilities at Ingólfshöfði and Keflavik.

15. The following flights shall be exempt from the payment of user charges:

- a) flights performed exclusively for the transport, on official mission, of the reigning Monarch and his/her immediate family, Heads of State, Heads of Government, and Government Ministers. In all cases, this must be substantiated by the appropriate status indicator on the flight plan;
- b) search and rescue flights authorized by a competent SAR body;

- c) military flights performed by military aircraft of any State;
- d) flights performed exclusively for the purpose of checking or testing equipment used or intended to be used as ground aids to air navigation, excluding positioning flights by the aircraft concerned;
- e) flights terminating at the aerodrome from which the aircraft has taken off and during which no intermediate landing has been made (circular flights); and
- f) flights flying exclusively below FL195 in the Søndre Strømfjord FIR.

#### **SECTION IV — ADMINISTRATIVE FEE**

1. On or before 20 November 2012, the Council shall establish the amount of an administrative fee to cover the full costs of the Organization for facilities and services provided for the administration of this Agreement, exclusive of any extraordinary expenses to be covered by the interest from the Reserve Fund in accordance with Article VII of this Agreement.
2. The administrative fee shall represent an estimate of the costs of the facilities and services of the Organization for the following calendar year and be expressed in Canadian dollars.
3. After the end of each calendar year the Council shall determine and approve the audited actual costs of the Organization for facilities and services provided during that year.
4. The statement of these costs approved by the Council shall be circulated to the Contracting Governments along with the other statements mentioned in Article V of this Agreement.
5. The amount subject to collection for the year 2013 shall be the estimated costs of the Organization for facilities and services provided in that year plus an adjustment for under-recovery or minus an adjustment for over-recovery in 2011 (calculated in accordance with paragraph 6 below).
6. The over- or under-recovery referred to in paragraph 5 above is the difference between the amount subject to collection in 2011 and the total amount collected from the users in that year.
7. In subsequent years the amount subject to collection shall be the estimated cost of the Organization for facilities and services provided in that year, less the over-recovery or plus the under-recovery of two years earlier.
8. The Organization shall establish a specific Account, including any interest derived therefrom, to be used by the Organization for the sole purpose of covering the costs incurred for the administration of this Agreement, as provided for in this Section IV.
9. In the event of any termination of this Agreement, pursuant to the provisions of Article XX, any balance of the Account mentioned in paragraph 8 above, and of interest thereon shall be transferred to the Reserve Fund mentioned in Article VII of this Agreement and accordingly be subject to the provisions of this Agreement regarding this Fund.

## SECTION V — ACTUAL COST REPORTS

The statement of actual costs of the Services referred to in paragraph 2 of Article V of this Agreement shall be furnished in Icelandic kronur. For this purpose, expenditures or capital costs in foreign currencies in each calendar month shall be converted to Icelandic kronur using the mid-market rate of exchange as provided by the Central Bank of Iceland on the day they are initially recorded.

— END —

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1. The number of regular personnel charged at any of the meteorological stations can be exceeded in as much as the total number of regular personnel for all meteorological services is not exceeded.
  2. Part-time including substitutes.