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Preface

By Þórdís Kolbrún Reykfjörð Gylfadóttir,
Minister of Tourism, Industry and Innovation

So far, the year of 2020 has been one of extreme challenges facing the world as a whole. Governments, businesses, large and small, and people all over the world are now dealing with a reality not experienced before in our lifetime. The world is grappling to deal with a combined crisis of global health and as a consequence severe economic and social crisis. The economic outlook for the world is dire at the moment but we cannot lose sight of our long term goals for improved living conditions in a sustainable world when the current crisis has passed–as it eventually will.

The Government of Iceland has during the current term applied a special focus on creating a better and smarter regulatory environment for businesses. This does not entail de-regulation for the sake of de-regulating, but creating a regulatory environment that works better for businesses of all sizes and active in any sectors of the economy. In that way, businesses can use their resources more efficiently resulting in better run and stronger companies that can grow from sustaining competitive pressure. The competition assessment review is a part of this focus for a better regulatory environment and the recommendations put forward in this report will be of great value in the forthcoming challenge that the government faces of encouraging sustainable economic growth with increased investment and innovation serving as the main drivers. Abolishing regulatory barriers to competition, simplifying procedures and eliminating unnecessary regulatory burden is of extreme importance for the economy to gain traction again after being put to an unexpected halt.

The decision to have the OECD carry out a competition assessment review in Iceland was taken in another context and during very different conditions than the ones we are facing now. Tourist services had been realising the greatest growth experienced in the sector and as a consequence demand for housing vastly increased the economic activity in the construction sector. The importance of this project has therefore only been enhanced by the current global pandemic. The two sectors that are the focus of the report have been differently affected by the crisis, with tourist services being dealt the heaviest blow during the current crisis. The report reveals that despite the strong economic growth in recent years for both sectors, and a relatively business friendly regulatory environment, there are obvious opportunities for streamlining and removing entry barriers to create a more competitive economic environment.

The report will serve as a guide for the government to use to implement important reform in the sectors examined and will also serve to strengthen the application of competition assessment during the drafting stages of legislation with the use of the OECD toolkit on competition assessment. Effective regulatory impact assessments that includes a thorough competition assessment at the drafting stage will help the government in creating a robust economy for the long term. Furthermore the publishing of this report from the OECD will be the first step in making important improvements to the regulatory environment for businesses and providing for a more effective regulatory impact assessment. Carrying out ex-post regulatory impact assessment of already established legislation, that includes a thorough competition assessment, is also needed in many other sectors of the economy and should be a standard procedural part of the legislative work. In a small government with very few experts in each field this can be a

challenging task but nonetheless a one that we should take seriously as it will certainly be beneficial for the future.

I would like to extend my gratitude to the OECD for taking on this project and for their professionalism and the quality of work exhibited throughout the project. I would also like to thank the staff of the Icelandic Competition Authority, the Ministry of Social Affairs, the Ministry of Transport and Local Government, the Ministry for the Environment and Natural Resources, the Ministry of Finance and Economic Affairs, and the numerous governmental institutions, local municipalities and not least the relevant stakeholders that the OECD team has met with during the process of writing this report. The stakeholder´s contribution was vital and without these contributions there would not have been an effective competition assessment review of the two sectors.

I view the work and this report as a first step on a new route to creating an open and business friendly economy that fosters competition and innovation through better legislation for the benefit of all.

Þórdís Kolbrún Reykfjörð Gylfadóttir

Minister of Tourism, Industry and Innovation

Preface

By Páll Gunnar Pálsson,
Director General of the Icelandic Competition Authority

This report is an important milestone on the path to a more pro-competitive regulatory framework for the Icelandic economy. It is based on a proven method of competition assessment, introduced and developed by the OECD and its member states. A methodology that has delivered real economic benefits and a competitive edge to countries that have applied it.

The report addresses two important sectors that contribute significantly to Iceland's GDP and employment; construction and tourism. It specifies a range of recommendations that will, if implemented, lower building costs for the general public and strengthen the competitiveness of the tourism industry. Combined, the OECD estimates that the recommendations can lead to a benefit that equals 1% of Iceland's GDP per year.

Equally as important is the fact that the report, as well as the underlying work and experience gained, fosters the opportunity for Icelandic law- and rule-makers to continue on this path. By conducting competition impact assessment of all new laws and regulations, unnecessary obstacles to competition can be avoided and regulatory burden reduced, for the benefit of businesses, consumers and the economy.

The Icelandic Competition Authority has had the privilege to follow, participate and draw lessons from the project leading up to this report. The Authority will seek to use that experience to strengthen its advocacy initiatives, facilitating a more pro-competitive regulatory framework for industries.

I congratulate the OECD for taking on this project and for the resilience needed to conclude the assessment. I also congratulate the Icelandic government for its commitment and the Minister of Tourism, Industry and Innovation for her leadership in this regard. Furthermore, I thank the Ministry of Industry and Innovation and members of the High-Level Committee, overseeing the project, for the excellent co-operation.

It is of paramount importance to view this report as a milestone on the way forward, rather than an end of a journey. It has been refreshing to follow the proactive and positive feedback from ministries and public authorities during the project. This support will prove to be important in the implementation phase in front of us. It is also imperative that interested parties, consumer advocators and business associations alike, will continue to support this initiative throughout the implementation process.

Páll Gunnar Pálsson
Director General of the Icelandic Competition Authority

Foreword

The COVID-19 pandemic has created an unprecedented economic challenge for governments around the world, and Iceland is no exception. Tourism, a key component of the Icelandic economy, has collapsed. Iceland's Gross Domestic Product (GDP) is forecast to decline by more than 11% in 2020 and unemployment is expected to climb to 9% before the end of the year.

The OECD Competition Assessment Review of Iceland, analyses regulatory barriers to competition in the construction and tourism sectors. These sectors are key pillars of the Icelandic economy, together representing 17.7% of GDP and 23.5% of employment. This review was requested by the government of Iceland to identify restrictions and burdens that impose unnecessary costs on the Icelandic economy, raise prices for consumers, limit productivity, discourage innovation and hold back economic growth. At the moment, for example, the construction sector features more restrictive regulations than the OECD average and the tourism sector is held back by some significant administrative burdens.

The review examines roughly 632 pieces of legislation, identifies 676 potential restrictions to competition and submits 438 recommendations for reform in these two sectors. These recommendations provide the Icelandic government with specific policy measures to promote competition and reduce administrative burdens. As such, I expect this report will be a valuable tool for promoting a sustainable economic recovery in Iceland.

The full implementation of the recommendations set out in this report could generate an estimated benefit to the Icelandic economy of around EUR 200 million per year, equivalent to around 1% of GDP. In addition to the estimated quantifiable benefits, lifting the restrictions will produce long-term effects on employment, productivity and growth.

This reform drive, which was launched prior to the crisis, has taken on new importance in the current context. Emergency measures to support households and firms have been implemented on a temporary basis, but broader structural reforms will be needed to promote a full recovery. Iceland has an opportunity to ensure that the economy emerging from this crisis will be more productive and better prepared to respond to major shocks in the future.

I congratulate the Icelandic government for its commitment to procompetitive reform in these crucial sectors of the economy. The OECD is proud to help contribute to this effort, which will deliver better policies for better lives.

Greg Medcraft

Director, OECD Directorate for Financial and Enterprise Affairs

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This report is the result of the 2019-2020 OECD-led project on Competition Assessment of Laws and Regulations in the construction and tourism sectors in Iceland.

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Our particular thanks go to the Icelandic Competition Authority (ICA), which supported the project from its inception, shared their experience and contributed staff to the project team. We would in particular like to thank Páll Gunnar Pálsson, Director General of the ICA, who was also one of the members of HLC.

We are grateful to all who participated in the HLC meetings to discuss the findings of the project, including: Ásta Sóley Sigurðardóttir, Lawyer at the Housing and Construction Authority (HCA); Ásta Sóllilja Sigurbjörnsdóttir, Deputy Director of Department of Transportation at the Ministry of Transport and Local Government; Björn Karlsson, former Director of the Icelandic Construction Authority and current Senior Advisor for the Ministry of Social Affairs; Guðjón Bragason, Director of Legal and Social Affairs for the Icelandic Association of Local Authorities; Gunnhildur Gunnarsdóttir, Director at the Ministry of Social Affairs; Hafsteinn Pálsson, Engineer at the Directorate of Environment and Planning at the Ministry for the Environment and Natural Resources; Hermann Jónasson, Director of the HCA; Íris Bjargmundsdóttir, Legal Advisor at the Department of Environmental and Spatial Planning; Ólafur Kr. Hjörleifsson, Lawyer at the Ministry of Transport and Local Government; Páll Þórhallsson, Director General of Department of Legislative Affairs at the Prime Minister's Office; Sigrún Brynja Einarsdóttir, Director General of the Department of Tourism and Innovation at the Ministry of Industries and Innovation; Sigurbergur Björnsson, Director of the Department of Transport and Infrastructure at the Ministry of Transport and Local Government; Sóley Ragnarsdóttir, Political Advisor to the Minister of Social Affairs and Children at the Ministry of Finance and Economic Affairs; Steinunn Fjóla Sigurðardóttir, Director General of the Ministry for the Environment and Natural Resources; Tómas Brynjólfsson, Director General of the Department of Economic Affairs at the Ministry of Financial and Economic Affairs; Tryggvi Þórhallsson, Legal Advisor for the Icelandic Association of Local Authorities, and; Valgerður Rún, Legal Advisor for the Icelandic Association of Local Authorities.

In addition, we acknowledge the valuable input from government experts who participated in the project by providing information, advice and feedback throughout the project from the following Ministries, public and municipal bodies, authorities and institutes: Department of Tourism and Innovation at the Ministry of Industry and Innovation; District Commissioner of the Greater Reykjavik area; Directorate of Labour; Fire Brigade of the Larger Reykjavík area; the former Housing Financing Fund and Icelandic Construction Authority; Construction and Housing Authority; the ICA; Icelandic Institute of Natural History; Icelandic Road Administration; Icelandic Tourist Board; Icelandic Transport Authority; Icelandic Standards; Islandsstofa (Promote Iceland); Ministry of Finance and Economic Affairs; Ministry of Industry and

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We are also grateful to all the other stakeholders, companies, societies and organisations, not mentioned here, that have voluntarily contributed with their experiences and knowledge throughout the project. The opinions expressed in the report do not necessarily reflect the views of the abovementioned parties.

The Competition Assessment Toolkit was developed by the Working Party No. 2 of the Competition Committee with the input of members of many delegations to the OECD, both from member and non member jurisdictions.

The project team consisted of Aldís Sif Bjarnhéðinsdóttir (Lawyer, ICA), António Neto (Economist, OECD), Heiða Björk Vignisdóttir (Lawyer, OECD), Hermann Ragnar Björnsson (Lawyer, OECD), Hulda Ösp Atladóttir (Lawyer, ICA), Pedro Gonzaga (Economist, OECD) and Þórunn Lilja Vilbergsdóttir (Lawyer, OECD). Ania Thiemann, Competition Expert, led the team, with assistance from Anna Barker, Competition Expert, and James Mancini, Competition Expert, all of the Competition Division of the OECD. The team was under the strategic supervision of Antonio Capobianco, Acting Head of the OECD Competition Division.

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The report was edited and prepared for publication by Sofia Pavlidou and Erica Agostinho, Communications Assistants, Competition Division, OECD.

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Abbreviations and acronyms

AGP	Malaga-Costa del Sol Airport
ALC	Alicante Airport
AMS	Amsterdam Airport Schiphol
AOSH	Administration of Occupational Safety and Health (Iceland)
ATH	Athens International Airport
BCN	Barcelona El Prat Airport
BEG	Belgrade Nikola Tesla Airport
BGY	Bergamo-Orio al Serio Airport
BHX	Birmingham Airport
BLQ	Bologna Airport
BSL	EuroAirport Basel-Mulhouse-Freiburg
BSTR	Building standards Committee (Iceland) – Byggingastaðlaráð
BTS	Bratislava Milan Rastislav Stefanik
CDG	Paris Charles de Gaulle Airport
CEN	European Committee for Standardisation
CENELEC	European Committee for Electrotechnical Standardization
CGN	Cologne/Bonn Konrad Adenauer Airport
CIA	Rome Ciampino Airport
CPH	Copenhagen Airport Kastrup
CPR	Construction Products Regulation EU 305/2011
CSCS	Construction Skills Certification Scheme
DAA	Danish Architects Association
DOC	Department of Conservation (New Zealand)
DoP	Declaration of Performance
DUB	Dublin Airport
DUS	Düsseldorf International Airport
EAI	Environment Agency of Iceland

EDI	Edinburgh Airport
EEA	European Economic Area
ESA	European Free Trade Association Surveillance Authority
ETSI	European Telecommunications Standards Institute
EU	European Union
EUR	Euros
EUROSTAT	Statistical office of the European Union
FCO	Rome Fiumicino Airport
FIF	Fishery Standards Committee (Iceland) – Fagstaðlaráð í fiskimálum
FRA	Frankfurt Airport
FUT	Information Technology Standards Committee (Iceland) – Faglaráð í Upplýsingatækni
GDP	Gross Domestic Product
GVA	Genève Aéroport
GVA	Gross Value Added
HAJ	Hannover Airport
HAM	Hamburg Airport
HCA	Housing and Construction Authority (Iceland)
HEL	Helsinki Vantaa Airport
HÍ	University of Iceland
HLC	High Level Committee
HUL	Photography Interest Association
ICA	Icelandic Competition Authority
IEC	International Electrotechnical Commission
IINH	Icelandic Institute of Natural History
IPRs	Intellectual Property Rights
IRA	The Icelandic Roads Administration
ISCO	International Standard Classification of Occupations
ISK	Icelandic krónas
ISO	International Organization for Standardization
IST	Icelandic Standards – Staðlaráð
IST	Istanbul Atatürk Airport
ITB	Icelandic Tourist Board
ITF	International Transport Forum
ITIA	Icelandic Travel Industry Association
IUCN	International Union for Conservation of Nature

KEF	Keflavik International Airport
LGW	London Gatwick International Airport
LHR	London Heathrow Airport
LIN	Milan Linate Airport
LIS	Lisbon Portela Airport
LJU	Ljubljana Jože Pučnik Airport
LPA	Gran Canaria Airport
MAA	Member of the Danish Association of Architects
MAD	Madrid Barajas Airport
MAN	Manchester Airport
MBIE	Ministry of Business Innovation and Employment (Iceland)
MENR	Ministry for the Environment and Natural Resources (Iceland)
MFP	Multifactor Productivity
MII	Ministry of Industries and Innovation (Iceland)
MLA	Malta International Airport
MTLG	Ministry of Transport and Local Government (Iceland)
MUC	Munich Airport
MXP	Milan Malpensa Airport
NACE	Statistical Classification of Economic Activities in the European Community
NAP	Naples International Airport
NPA	National Planning Agency (Iceland)
NPS	National Planning Strategy (Iceland)
OECD	The Organisation for Economic Co-operation and Development
OER	OECD Occupational Entry Restrictions
OPO	Porto Airport
ORY	Paris Orly Airport
PMI	Palma de Mallorca Airport
PMR	Product Market Regulation Index
PPP	Public-Private Partnership
R&D	Research and Development
RST	Electrotechnical Standards Committee (Iceland) - Rafstaðlaráð
STN	London Stansted Airport
STR	Stuttgart Airport
STRI	OECD's Services Trade Restrictiveness Index
SXF	Berlin Schönefeld Airport

TLL	Lennart Meri Tallinn Airport
TLV	Ben Gurion International Airport
TNP	Thingvellir National Park
TRN	Turin Caselle Airport
TXL	Berlin Tegel Airport
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States of America
USD	United States Dollar
VCE	Venice Marco Polo Airport
VIE	Vienna International Airport
VNP	Vatnajokull National Park
ZRH	Zurich Airport

Units of measurement

m	meter
m^2	square metres
km	kilometres
km^2	square kilometres

Executive Summary

This competition assessment review analyses regulatory barriers to competition as well as administrative burdens in the Icelandic construction sector, including regulated professions associated with this sector, and the tourism sector. The recommendations made as part of this project take on a new urgency due to the economic crisis resulting from the Covid-19 pandemic. In March 2020, international tourist arrivals ceased, and the operation of various other sectors of the economy were significantly curtailed due to global containment measures. While the pandemic has not been fully eradicated at the time of writing this report, the containment measures have eased somewhat in Iceland.

Looking forward, all governments face the challenge of planning for a sustainable economic recovery, as highlighted in the OECD's June 2020 Economic Outlook. In particular, during 2020, Iceland's Gross Domestic Product (GDP) is forecast to decline by 11%, and unemployment is forecast to rise to 9%. A key policy tool available to the government of Iceland is procompetitive regulatory reform, which can encourage growth, increase productivity, and enable flexibility as the Icelandic economy adjusts to new realities. To assist in this process, this report highlights key areas for reform in the construction and tourism sectors, as summarised below.

Construction

The construction sector is a significant part of the Icelandic economy, contributing around 9 % of GDP and 8% of employment in 2017. The recommendations made in this report should boost productivity in the sector, help address rising housing costs, and underpin future growth in downstream sectors, including tourism. This will be especially important to Iceland's economic recovery in the wake of the Covid-19 crisis. The OECD reviewed several regulatory frameworks that affect the constructions sector, as outlined below.

Planning regulations and development plans establish limits on land use and construction. While a developer can apply to amend a development plan that is incompatible with their project, the process for doing so is not clearly defined, lengthy, and burdensome. Hence, the OECD recommends that the government of Iceland review the entire process involved in preparing and amending development plans to simplify and clarify these processes. The OECD also identified several land use requirements, including street construction fees and parking requirements that significantly raise the cost of construction. While these can help ensure sufficient provision of infrastructure, the OECD recommends that the relevant authorities review these fees and requirements to ensure they do not disproportionately increase construction costs. The report also recommends that the municipalities consider ways to clarify the process for plot allocation, and to improve the supply of plots in response to changes in demand.

Building regulations are a key part of the regulatory framework for the construction sector. Building regulations touch upon a vast array of issues, including minimum standards on the layout and composition of housing, universal accessibility, and energy conservation, among others. These rules apply to both new builds and renovations. Building inspectors are key to ensuring compliance with the building regulations. However, there are inconsistencies in how building inspectors interpret the regulations. Hence, this report

proposes three options to improve consistency in how building inspectors interpret the building regulations, for consideration by the Icelandic government.

Further, the process for obtaining building permits is lengthy and burdensome. The OECD recommends that the government of Iceland simplify and clarify the process, and allow for electronic filing of relevant documents. In addition, the OECD recommends that building permit requirements should vary according to the type of building and the potential safety risks. The notifications framework, which is supposed to be a fast-track process when building permits are not required, is also onerous. The OECD recommends that the government of Iceland consider abolishing the notifications system or simplifying it significantly.

Requirements for the design of buildings to ensure universal accessibility and standards of living are highly prescriptive and do not always take into account various uses of those buildings or other possible solutions to the problem they aim to solve. Hence, they are likely to increase costs and constrain consumer choice in the construction sector. Therefore, the OECD recommends that the government of Iceland consider whether Iceland's universal design commitments could be better achieved with performance-based regulation.

Building materials, facilities and equipment are also subject to regulation that can increase costs and administrative burdens, and reduce choice in the construction sector. The way that some provisions of the European Construction Products Regulation (CPR) were transposed in Iceland is overbroad and imposes greater compliance burden than necessary. Hence, the OECD recommends that the government of Iceland revise this legislation and consider exemptions for non-safety critical products. Further, the OECD found that transport subsidies for manufactures in rural parts of Iceland could distort competition in this sub-sector. It is recommended that the Icelandic government consider alternative ways to achieve the underlying objective in a less competition-distorting way. Finally, a number of registration, inspection and licensing requirements for certain facilities and equipment in the construction sector do not seem proportional to the safety risks, and are unclear or burdensome. The OECD recommends that the government of Iceland consider removing these requirements for non-safety critical equipment and facilities and introduce a "one-stop shop" for permits and inspections.

Regulated professions are a feature of everyday life, from medical check-ups to taxi rides. Often, these professions are regulated because consumers lack the information or expertise needed to make informed decisions when seeking their services. However, overbroad professional regulations also have a cost, borne out in empirical research, in terms of prices for consumers, and productivity as well as employment, in the broader economy.

This report reviews the regulatory framework for a selection of professions in Iceland, primarily focused on the construction sector. The OECD's analysis suggests that Iceland has a particularly broad and restrictive regulatory framework for professions relative to other countries in Europe and the OECD. Certain activities require multiple professional designations, compounding the burden on potential entrants to a profession and the associated costs for consumers.

As a result, this report makes several recommendations. First, it recommends that the government of Iceland undertake a broad review of all regulated professions (particularly those regulated under the Law on Industry no. 42/1978) to determine whether the restrictions remain justified given their potential economic costs. A case-by-case approach will be needed given the differing risks and policy issues across the broad range of professions that are regulated in Iceland. Second, the requirement for tradespeople to obtain a master tradesperson designation to perform certain activities should either be eliminated, or the designation made more accessible, again depending on the specific characteristics of the profession in question. Finally, this report identifies some opportunities to ease the regulatory burden and promote competition for eight professions in the construction sector, and two additional professions selected to demonstrate the scope of professional regulations in the Icelandic economy.

Tourism

The tourism sector has grown rapidly in the last decade in Iceland, with visitor numbers climbing from 459 000 in 2010 to 2.3 million at its peak in 2018. The sector has become a major contributor to the Icelandic economy, accounting for around 9% of GDP and 15% of employment in 2017. The competition assessment in this sector has found several regulatory barriers to competition and opportunities to ease the administrative burden for businesses offering tourism-related activities. These opportunities have taken on new importance in the wake of the Covid-19 epidemic, which has severely curtailed the tourism sector. A procompetitive regulatory framework that avoids unnecessary costs and enables flexibility will be crucial for a sustainable recovery.

Tourism activities could benefit from an easing of several administrative burdens identified in the report. The OECD proposes eliminating duplicative licensing requirements for certain tour operators, and lifting foreign ownership restrictions that may limit investment in sea angling tours. In the restaurant and accommodation sector, this report proposes assessing whether licensing requirements impose undue costs on small businesses, abolishing accommodation standards that are not enforced and have no clear policy objective, and replacing the restrictions on new accommodation establishments in Reykjavík with less distortive measures. The report also proposes measures to encourage competition when granting concessions or licences to operate in protected areas. Finally, the report proposes abolishing physical location and indemnity insurance requirements that impose undue burdens on car rental businesses.

Air transportation is a vital part of Iceland's tourism sector: nearly every international tourist arrives in Iceland via Keflavik International Airport and commercial flights provide year-round accessibility to various parts of the country. However, Keflavik Airport is among the least cost-efficient and most expensive airports in Europe, including when compared to airports with a similar traffic mix, size and climate. This inefficiency is also exhibited at the airport group level, as Isavia, which owns and operates all airports in Iceland, is less cost efficient than other airport groups in Europe. The OECD's analysis suggests that the regulatory and ownership framework for airports in Iceland may be contributing to this outcome. In particular, they do not constrain prices or costs for airport services in Iceland, to the detriment of consumers.

In light of these concerns, this report makes several policy recommendations to help improve the competitiveness of the sector and make air travel passengers better off. In particular, the government of Iceland could consider introducing an alternative airport ownership and operating model that would enable airport operators to bid in open competitive tenders for the management of Icelandic airports. Further, recognising that inter-airport competition in Iceland is unlikely in the short-term and may in any case not be sufficient to result in more competitive outcomes, the report recommends regulating tariffs for airport services. Last, the report proposes revising future concessions of commercial activities in order to improve the competitiveness of specialised retail, food, beverages and bus transport services in Keflavik International Airport.

Taxis are also a vital contributor to tourism in Iceland, particularly for transportation in and around Reykjavík. The regulatory framework for taxis in Iceland is being revised in response to an inquiry by the European Free Trade Association Surveillance Authority, which monitors compliance with European Economic Area (EEA) rules in Iceland. While these revisions will address some of the substantial barriers to competition present in the current framework, and reflect in part the fundamental changes brought by the introduction of ride sourcing applications, further changes will be necessary to ensure a procompetitive environment for taxi services, and reduce the burden on market participants. This report recommends that the required course for taxi drivers be shortened, and that requirements that are unrelated to passenger safety and traffic laws be removed. Further, the government of Iceland should assess whether the course costs are excessive, particularly for those seeking to drive part-time. The report also recommends that limitations on firms owning multiple taxi licenses be abolished, and that taximeter exemptions be widened to allow for ride sourcing business models to be introduced to Iceland.

Conclusion

In sum, Iceland has numerous opportunities to encourage competition and reduce administrative burdens in the construction and tourism sectors. The 438 recommendations set out in this report provide a starting point for setting Iceland on a path to economic recovery following the Covid-19 crisis, and will contribute to a more flexible environment for businesses, new employment opportunities, higher productivity, and stronger economic growth in the years to come. Taken together, the OECD estimates the recommendations in this report could generate in excess of EUR 200 million in benefits per year, around 1% of Iceland's GDP.

1 Assessment and recommendations

This competition assessment review identifies and analyses regulatory barriers to competition as well as administrative burdens in the Icelandic construction and tourism sectors. Both of these sectors play a fundamental role in the Icelandic economy. Construction in Iceland faces the dual challenge of high costs, given the transportation costs incurred for imported construction materials, and high demand, given recent growth trends in tourism arrivals and the population of Reykjavík. Unnecessary barriers to competition and administrative costs can compound these challenges, resulting in higher housing prices, underemployment in the construction sector, and lower economic growth more broadly. Tourism has grown rapidly in the past decade, and has become a major contributor to the Icelandic economy. However, the growth potential of this sector could be stifled if regulations restrict competition beyond what is necessary to achieve policy objectives, or if it imposes avoidable costs on market participants.

The recommendations made as part of this project take on a new urgency due to the economic crisis resulting from the Covid-19 pandemic, which is likely to affect the tourism sector in particular. While the pandemic has not been fully eradicated at the time of writing this report, all governments will face the challenge of planning for a sustainable economic recovery, as highlighted in the OECD's June 2020 Economic Outlook (OECD, 2020[1]). In particular, during 2020, Iceland's Gross Domestic Product (GDP) is forecast to decline by 11%, and unemployment is forecast to rise to 9% (OECD, 2020[1]). Procompetitive regulatory reform, which can encourage growth, increase productivity and enable flexibility, is a key policy tool for the government as the Icelandic economy adjusts to a new reality. Given the importance of the construction and tourism sectors to the Icelandic economy, the recommendations in this report should contribute to Iceland's economic recovery in the wake of this crisis.

This chapter sets out the analytical approach used in this project (Section 1.1), highlights available evidence about the broad economic benefits of competition (Section 1.2), provides a summary of the recommendations made in the following chapters (Section 1.3) and provides an estimate of the economic benefits of implementing these regulations (Section 1.4). A complete listing of all of the barriers to competition identified, and the OECD's recommendations, is contained in Annex B.

1.1. Analytical approach

Laws and regulations are key instruments in achieving public-policy objectives, such as consumer protection, public services and environmental protection. However, when they are overly restrictive or onerous, a comprehensive review can help identify problematic areas and develop alternative policies that still achieve public objectives at lesser harm to competition.

This competition assessment project has identified and evaluated regulations in two sectors: construction (including professions active in the sector) and tourism. The assessment of the construction sector includes planning regulation, building regulation and regulations concerning building materials, facilities, equipment and standards. In addition, the project looked at the competition impacts of regulated professions in construction sector. The assessment of the tourism sector includes land and air passenger transportation, restaurants and accommodation, and protected natural areas.

This report identifies regulatory barriers, including those that restrict entry to a market, constrain firms' ability to compete and treat competitors differently. This report also highlights other types of restrictions, such as administrative burdens that, while not competition distorting in themselves, may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question, as discussed further in Section 1.3 below.

For the purposes of this project, the OECD compared the relevant regulatory framework with that in eight reference countries (the "reference countries"): four Nordic countries (Denmark, Finland, Norway, and Sweden) as well as Ireland, the Netherlands, New Zealand and the United Kingdom. These countries were chosen for their geographical and/or cultural/economic similarities with Iceland.

The methodology followed in this systematic exercise is summarised in Annex A, which also describes the stages of the project and provides further details of the OECD competition assessment methodology.

For illustrative purposes, this report converts Icelandic króna to euros at a rate of 135 ISK/EUR unless otherwise noted. This rate is an approximation of the average rate for 2019, as per the European Central Bank (n.d.[2]).

1.2. The benefits of competition

This competition assessment project aims to identify regulations that may unduly restrict market forces and, in doing so, harm the country's growth prospects. In particular, the project identifies restrictions that:

- are unclear, meaning they may be applied in an arbitrary fashion or lack transparency
- prevent or hinder new firms, including small-and medium-sized businesses, from accessing markets
- allow a limited number of firms (or individuals in the case of regulated professionals) to earn greater profits than they otherwise would, for reasons unrelated to their underlying productivity or the quality of their products or services
- cause consumers to pay more than they otherwise would.

Each restriction is likely to have an impact well beyond individual consumers in the sectors assessed. When customers can choose, firms are forced to compete with each other, innovate more and be more productive (Nickell, 1996[3]; Blundell, Griffiths and Van Reenen, 1999[4]; Griffith, Harrison and Simpson, 2006[5]; Aghion et al., 2004[6]). Further, industries in which there is greater competition experience faster productivity growth. These conclusions have been confirmed by a wide variety of empirical studies, as summarised in OECD (2014[7]). Competition stimulates productivity because it allows more efficient firms to enter and gain market share at the expense of less efficient firms.[1] Other important benefits of competition include lower consumer prices (Griffith and Harmgart, 2008[8]), greater consumer choice (Min, 2014[9]; Autorité de la concurrence, 2020[10]), and higher quality products and services (Boik and Takahashi, 2020[11]).

In addition to the evidence that competition promotes growth, many studies have shown there are other positive effects from more flexible product market regulation (PMR). These studies analyse the impact of regulation on productivity, employment, research and development (R&D) and investment, among other variables (Cette, Lopez and Mairesse, 2019[12]). At the firm and industry level, restrictive product market regulation has been shown to be associated with lower multifactor productivity (MFP) levels (Nicoletti and Scarpetta, 2003[13]; Arnold, Nicoletti and Scarpetta, 2011[14]). This result also holds at the aggregate level (Égert, 2016[15]). Further, anticompetitive regulations have an impact on productivity that goes beyond the sector in which they are applied and this effect is more important for the sectors closer to the productivity frontier (Bourlès et al., 2013[16]). Specifically, a large part of the impact on productivity goes through the channel of investment in R&D (Bourlès et al., 2013[16]). Innovation and investment in knowledge-based

capital, such as computerised information and intellectual property rights (IPRs), are also negatively affected by stricter product market regulation (Andrews and Criscuolo, 2013[17]; Andrews and Westmore, 2014[18]). Andrews, Nicoletti and Timilotis (2018[19]) show that competitive pressure, as measured by lower regulatory barriers, encourages firms in services sectors (such as retail and road transport) to adopt digital technologies, such as cloud computing, for example.

Greater flexibility in product market regulation can also lead to higher employment. Cahan and Kramarz (2004[20]) found that after deregulating the road transport sector in France, employment levels in road transport increased at a faster rate than before deregulation. A 10-year, 18-country OECD study concluded that small firms that are five years old or less on average contribute to about 42% of job creation (Criscuolo, Gal and Menon, 2014[21]). Hence, there are benefits from removing unnecessary barriers to entry to encourage new firms to enter to, among other things, support job creation. This can also reduce income inequality. As noted in OECD (2015, p. 86[22]), *"such a disproportionately large role by young firms in job creation suggests that reducing barriers to entrepreneurship can contribute significantly to income equality via employment effects".*

There is some evidence that lifting anti-competitive regulations can also reduce income inequality in other ways. One study found that less restrictive product market regulation improved household incomes and reduced income inequality (Causa, Hermansen and Ruiz, 2016[23]). There is also evidence that barriers to competition can contribute to the accumulation of resources by the wealthiest segments of society at the expense of others. Ennis, Gonzaga and Pike (2019[24]) assessed the redistributive effects of market power in eight countries. They found that market power benefits the wealthiest households by providing them with rents and that the share of wealth of the top 10% of households derived from market power is between 12% and 21%. Finally, Ekland and Lappi (2018[25]) studied the impact of PMR on the persistence of profits in the long term, finding that regulations that raise barriers to entry can protect incumbents' above-average profits. The authors found that more stringent product market regulation, as measured by the OECD PMR indicator, is associated with persistent profits. The results described above hold in a variety of settings, but the specific estimates may differ depending on the country. For instance, Égert (2017[26]) quantified the impact of structural reforms, including PMR and labour market reform, in a large sample including both OECD and non-OECD countries, and found that *"stringent product market regulations will have a three-time larger negative impact on MFP in countries with per capita income lower than about 8000 USD (in PPP terms)"*.

In summary, anti-competitive regulations that hinder entry and expansion in markets may be particularly damaging for the economy because they reduce productivity growth, limit investment and innovation, harm employment creation, and may favour a certain group of firms over other firms and consumers, with consequences for income inequality. Removing regulatory barriers to competition was the overall aim of this project, whichwas carried out by the OECD with the support of the Icelandic Competition Authority (ICA). The rest of the chapter outlines the main findings from the project.

1.3. Administrative burdens

In the course of its review, the OECD has identified numerous examples of provisions which, while not directly restrictive of competition, impose administrative burdens and costs on market participants. These include: (i) direct costs, such as application fees, (ii) indirect costs, such as lawyers' fees when assistance is required to navigate complex regulatory environments, and (iii) non-monetary costs that can have significant monetary implications, such as time needed to complete paperwork, or delays to business processes while approval is pending. Lengthy or demanding procedures, particularly when they are the result of inefficiencies or a lack of clear guidance, can have fundamental effects on the success of businesses and their investment decisions. They can also discourage entrepreneurship.

Beyond their impact on individual businesses, administrative burdens can have broader effects on consumers, and economic productivity more generally. They can unnecessarily dampen competition to the extent that they impose costs on potential entrants, and in particular discourage smaller operators from

entering a market. Heavy administrative procedures can also indirectly favour larger players that have the resources to obtain professional compliance assistance, operate more sophisticated record-keeping operations, or cover direct costs. They may also make it more difficult for alternative business models to emerge if they reinforce incumbents' way of doing business, for instance by unnecessarily codifying business procedures or when it is not possible to submit licence applications online. Added costs may be passed on to consumers, who may be harmed by more limited innovation and less market contestability. As a result, this report makes numerous recommendations to address the administrative burdens identified. Efforts to address these burdens can follow several key principles:

- **Processes should be clear**, in terms of timelines, information to be provided, fees to be paid, and key contacts. The criteria used to grant approvals or review applications should be transparent, objective and widely available (including online). The scope of stakeholder consultations, and their duration, should be clear.
- **Processes should be simplified**, as far as possible. When multiple authorities are involved, market participants can be provided with a "one-stop shop", so that they deal with only a single point of contact. Duplication should be avoided, both in terms of the information requested from participants and the different steps of a process. Digital application submission portals and digital review processes can help achieve these results.
- **Processes should be timely**, since overly long processes can create disincentives for entry, and impose undue costs on market participants, with consequences for competition more broadly.
- **Processes should be justified by a well-defined policy goal**, and should not exceed what is required to achieve the goal.

1.4. Main recommendations from the Competition Assessment Project

The sectors covered by this review accounted for about 17.7% of Gross Domestic Product (GDP) and 23.5% of employment in Iceland in 2017. Consequently, lifting barriers to competition in these sectors could be expected to have a significant economic impact.

The OECD identified 676 potentially harmful restrictions in the 632 legal texts[2] selected for assessment. In total, the report makes 438 specific recommendations to mitigate harm to competition (see Table 1.1). These recommendations are listed in Annex B of the report. Key recommendations are highlighted below.

Table 1.1. Summary of the barriers to competition analysed and recommendations made

	Construction				Tourism	Total
	Planning	Building regulations*	Building materials	Professions**		
Potential restrictions identified	108	191*	67	81	229	676
Recommendations made	70	149*	44	53	122	438

Notes: * Building regulations includes consideration of 79 mandatory Icelandic standards.
** Includes two additional professions not related to construction that were included as indicative of the overall breadth of the regulations on professions in Iceland.

1.4.1. Planning

Planning processes

- The OECD recommends that the government of Iceland reviews the entire process involved in preparing and amending development plans (particularly municipal and local plans), aiming to simplify and clarify the procedures (and associated timing) and reduce the steps required without forfeiting consultation. In doing so, the government should consider the recommendations and observations provided in the OECD report on "Governance of Land Use in OECD Countries" (OECD, 2017[27]), especially regarding the recommendations on more flexible approaches to planning. In particular, this review could consider whether:
  - The approval process for amendments could be shortened, or the review stage for separate authorities could be consolidated.
  - The need for applications to change a plan could be mitigated by transitioning away from single-use land zoning and toward zoning requirements that focus on negative externalities or nuisances from a given type of land use.
  - Development plans could be consolidated in order to enhance flexibility and timeliness while maintaining transparent consultation procedures. For example, the Netherlands has transitioned to a single national plan framework.
  - Municipalities should be mandated under the Planning Act No. 123/2010 to consider competition impacts when preparing and amending development plans.

Certain planning requirements raise substantial costs

- The relevant authorities should assess whether there are ways to reduce the significant costs associated with complying with planning and land use requirements while still achieving the required objectives. In particular, it should assess whether:
  - The street construction fee is higher than necessary, and moreover, whether there may be less distortionary ways of collecting revenue to fund road infrastructure (i.e. that do not fall solely on construction projects).
  - The parking space requirements contained for new building in local and municipal plans in the Reykjavík Capital Area are appropriate given the area's objectives regarding sustainable urban mobility.

Rules for plot allocation may restrict access to plots

- Municipalities should review the process and rules for allocating plots to clarify the process and to improve the supply of plots in response to changes in demand. In particular, this review could consider abolishing or clarifying the requirements for municipal council consent when transferring plots, and construction history requirements. Plot allocation rules should not unnecessarily restrict the transfer or return of plots, or favour more established players over new entrants. Further, the government of Iceland could assess whether municipalities should be required to consider competition impacts when allocating plots.

1.4.2. Building regulations

Inconsistencies in how building inspectors interpret building legislation

- To address inconsistencies of interpretation between building inspectors and establish a more consistent understanding and application of the building legislation, the government of Iceland should consider the following options or a combination of them:
  - continuous training of building inspectors
  - making inspection manuals available to all inspectors, and considering supplementing these resources with additional guidelines, instructions or handbooks transparency mechanisms and clear appeals processes to ensure accountability of building inspectors.

The application process for building permits is unclear and burdensome

- The government of Iceland should simplify and clarify the application process for building permits. There should be clear timeframes and it should be clear which requirements need to be fulfilled. As Iceland is one of the most digitalised countries in the world, applicants should be able to hand in all documentation digitally, which could achieved for example through the uniform adoption of the HCA's Construction Portal (without additional or duplicative submission mechanisms) by all municipalities. Digital registration could also apply for the liability declarations for professionals.
- The requirements associated with building permits should be risk-based according to the type of building and planned construction job. To achieve this, the government of Iceland should classify buildings based on factors such as their usage, complexity in construction, size and societal importance. The government of Iceland should then vary the application process for building permits to reflect this classification, and the type of construction to be undertaken. Alternatively, or in addition, smaller, less complicated projects could go through a fast track process.

Notifications are burdensome

- The requirement for construction notifications in cases exempt from building permits should be abolished, or if the legislator deems it necessary for safety reasons, then the procedure should be simplified:
  - Notifying parties should be able to notify online, and it should also be possible to hand in the necessary documentation online.
  - There should be a strict timeframe for the building inspector to comment on the notified project.
  - If the notifying party has not received comments within said timeframe, then they should be able to assume that their project has been accepted.
  - When and which professionals are needed should also be clarified and should vary according to the type of project.

Detailed design requirements and Universal Design

- It is recommended that the government of Iceland consider whether the objectives underlying the current detailed design requirements may be better achieved with performance-based regulation rather than prescriptive requirements that limit the ways in which the relevant outcomes are achieved.

Standards

- The government of Iceland should consider the merits of making all mandatory Icelandic standards relating to the construction sector freely available. This could potentially improve compliance and reduce administrative burdens in the sector.

1.4.3. Building materials, equipment and facilities

Construction products regulation

- The government of Iceland should amend Law no. 114/2014 (i.e. Iceland's transposition of the EU CPR requirements) to bring it in line with the CPR requirements under EU law. That is, the CPR requirements on a Declaration of Performance (DoP) should only apply to construction products covered by harmonised European standards. There needs to be distinction between general information on the usability of the product and formal DoP of the product.
- In amending Law no. 114/2014, the government of Iceland could consider including certain exemptions for construction products that are not safety critical.

Transport subsidies

- The government of Iceland should review whether there are alternative ways to achieve the objectives of Law no. 160/2011 on Regional Transport Aid (Article 5, paragraph 1) that are less distortionary for competition in respect of building products (and other products covered by the provision).

Licensing of facilities and equipment

- The government of Iceland should make the necessary amendments to the legal framework to allow the relevant agencies (including, for example, the Administration of Occupational Safety and Health (AOSH), the Environmental Agency, and the District Commissioners) to co-operate to allow businesses and individuals to obtain all relevant licences in one place, in a so-called one-stop shop.
- The government of Iceland should also review the requirements around the inspection and registration of machine parts, to ensure that such requirements are necessary to achieving the required objectives. In doing so, the government of Iceland should consider exemptions for equipment that do not raise significant health or safety concerns, especially given that in practice the AOSH does not enforce the requirements except for larger equipment, such as big tanks and boilers.
- Currently, only validated individuals can inspect facilities and equipment, and the validation process can involve delays given the course is only offered once a year. The government of Iceland should consider simplifying the process for validation by removing the requirement to undertake the three-day course where the individual already has the required qualifications.

Service providers for fire safety equipment

- The requirement for employees of service providers for fire safety equipment to be supervised by a master tradesperson should be abolished, and replaced with the ability to be supervised by any qualified tradesperson.

Outdated or obsolete regulations

- Regulation no. 202/1952 on Health and Safety Measures when Spray Painting, and Regulation no. 204/1972 on Safety Precautions in Construction Work, should be amended or repealed to take account of changes in the industry since these regulations were passed.
- The government of Iceland should remove the following regulations from the legal Gazette to avoid legal uncertainty:
  - Regulation no. 204/1972 on Safety Precautions in Construction Work
  - Regulation no. 937/2001 on Compensatory Measures Regarding Cement Transport
  - Regulation no. 431/1994 on Business with Building Material.
- Further, in Law no. 46/1986, the government of Iceland should replace references to Regulation no. 580/1995 with Regulation no. 1005/2009.

1.4.4. Professions

The overall framework for licensed professions in Iceland

- The government of Iceland should undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978. This review should evaluate the policy objective for regulating each of the listed professions, and whether the current restrictions are proportionate to the underlying policy objectives. In at least some cases, the policy concerns motivating the adoption of these restrictions may be difficult to identify, or may be outdated, for example, where consumers can more easily overcome information asymmetries through Internet resources. They may also be better addressed through the active enforcement of consumer protection laws. Further, in other cases, regulations focusing on outputs may be more appropriate (e.g. regulating food safety instead of food preparation professions). In these cases, the reserved activities should be narrowed or abolished.

Master tradespersons

- The government of Iceland should revise the current framework for master tradespersons. The approach could be tailored to the specific requirements, qualifications and risks associated with each trade, and ensure that any retained reserved activities are justified by a clear safety or liability objective. Three possible approaches include:
  - Option A – make it easier for a tradesperson to become a master: Accelerating the master qualification process, eliminating coursework requirements for master tradespersons that are unrelated to essential technical skills, such as human resource management, bookkeeping and marketing. In other words, the coursework requirements should be solely comprised of technical skills needed for the unique role and responsibilities of the master tradesperson. At the same time, consider permitting qualified tradespersons to exercise some currently reserved tasks, such as training apprentices.

    This option would be most appropriate in cases where (i) master tradespersons gain essential technical skills through the certification process, (ii) these skills cannot be easily included in the course of study for tradespersons, and (iii) the remaining reserved activities require these skills for safety or liability reasons.
  - Option B – allow qualified tradespersons to perform the activities currently reserved to masters: Abolish the special privileges and responsibilities accorded to masters and grant them to tradespersons, including the requirement for a master tradesperson to hire tradespersons, sign on to projects and oversee apprentice training. Thus, tradespersons with recognised

qualifications (including those qualified in EU or EEA jurisdictions) should be permitted to carry out these tasks.

This option would be most appropriate in cases where the current master tradesperson qualification process does not provide essential technical training to candidates, or where this training could instead be included in the training process for tradespersons.

- Option C – abolish the entire licensing scheme for the profession, including the regulatory framework for masters: Abolish the special privileges and responsibilities accorded to masters altogether. This option would be most appropriate in cases where the government review of the regulated professions suggests that a given profession should not be subject to reserved activities.

Carpentry, electrical and plumbing tradespeople

- Consider abolishing the reserved activities associated with licensed carpenters and plumbers. If deemed necessary, additional targeted measures regarding insurance and bonding, voluntary certification schemes, and training strategies to ensure trades schools cover specific content, could be put in place.
- Consider whether it is necessary for a candidate to take a tradesperson examination if their original vocational certificate covers the same content (for electricians and, if reserved activities are retained, carpenters and plumbers).

Construction managers

- Make all qualified tradespersons eligible for the role of Construction Manager I.

Licensed designers

- Consider eliminating the course requirement (and associated cost) for licensed designers, while ensuring the exam covers all requisite knowledge.

Real estate agents

- Consider reducing the educational requirements to obtain authorisation to act as a real estate agent (in particular by eliminating the coursework requirements related to accounting).
- Consider introducing additional pathways to become a real estate agent (e.g. through an examination and professional experience) or reducing the work experience requirement for those who meet educational and examination requirements.
- Abolish ownership restrictions for real estate agencies, and consider less restrictive means of protecting consumers and addressing conflicts of interest (e.g. conflict of interest rules for real estate agents, liability insurance requirements, or consumer protection law enforcement).

Bakers

- Abolish the reserved activities and protected title for bakers.

Photographers

- Abolish the reserved activities and protected title for photographers.

Architects and engineers

- Consider abolishing the current protected title frameworks for architects and engineers. If deemed necessary, alternative measures (such as replacing protected title with an insurance or bonding scheme) could accomplish the policy objective through less restrictive means.

1.4.5. Tourism activities

Tourism transport licence

- Abolish the requirement for a tourism transport licence when vehicles with a capacity of less than nine passengers are used for tourist transport by licenced travel agencies or daytrip vendors.

Special equipped vehicles licence

- Abolish the requirement to hold a special equipped vehicles licence and allow for any licence holders under the Law on the Icelandic Tourist Board to transport passengers in vehicles for less than nine persons.

Nationality requirements for sea angling tours

- Assess whether the nationality requirements under the second licence for sea angling tours are required, given that the licence only allows touristic tours where the catch size is limited and commercialisation of the catch is prohibited.

Accommodation standards

- Abolish the accommodation standards contained in Chapter 2 of Regulation No. 1277/2006 on Restaurants, Accommodation and Entertainment.

Limits on repurposing buildings as accommodation establishments

- Municipalities should remove restrictions on repurposing buildings as accommodation establishments. If other policies are required to achieve the desired objectives, municipalities should endeavour to pursue policies that do not have the same distortionary impacts on the ability of the sector to respond to changes in demand and supply.

Protected areas

- Introduce a procurement framework for public parks to ensure that service operators are selected according to a public tender. The criteria for awarding the concessions should be public and non-discriminatory, with clear, transparent criteria.

1.4.6. Transportation related to tourism

Airport ownership

- Explore ways to enhance the incentives for the operator of Keflavik Airport to seek cost effectiveness and increase competitiveness. Two potential approaches to do so could be:
  - Implement an alternative ownership model, such as a management contract or a concession model, in which the government of Iceland could retain ownership of airport assets and open a competitive tender for the management of Keflavik (for which Isavia could bid).

  - Develop a long-term plan to promote inter-airport competition in Iceland. This could be achieved by opening separate competitive tenders for the management of the main domestic airports in Iceland (e.g. Reykjavik, Akureyri), under the condition that the awarded operators expand existing terminals, invest in new infrastructure and seek to develop international routes.
- Notwithstanding these recommendations, further regulatory changes may be required to ensure that Isavia is not able to take advantage of any market power in the provision of airport services in Iceland, as discussed in the following two recommendations.

Regulation of airport tariffs

- Introduce ex ante incentive regulation of airport tariffs, such as dual-till price or revenue cap regulation, by providing the Icelandic Transport Authority with the requisite independent powers and resources. The Government of Iceland may also consider defining a clear mandate specifying Isavia's main economic and public policy objectives, in order to supplement regulatory efforts.

Concession of commercial activities

- Isavia should revise future concession contracts for the provision of food, beverages, specialised retail and bus transport services at Keflavik International Airport, namely by:
  - Eliminating any awarding criteria that aim to maximise the value of concession fees paid by the concession operators. Instead, Isavia could consider alternative criteria that are more likely to benefit consumers, such as the price charged to consumers, the minimum volume of sales and quality measures (e.g. investment incurred by the operator).
  - Reducing turnover fees that are not related to variable costs incurred by Isavia on behalf of the concession operators.
  - Defining the lease term by taking into consideration the minimum level of investment that the private operator must incur, which ideally should be foreseen in the concession contract.

Professional competence requirements for taxi drivers

- Coursework not related to passenger, driver and public safety, such as bookkeeping, should be eliminated from the requirements for taxi licences.
- Consider measures to reduce the cost of the course for taxi drivers in light of the reduced curriculum.

Limits on holding taxi licences

- Allow taxi licences to be held by businesses as well as individuals, and allow businesses to own multiple taxi licences.

Taxi meters and pre-negotiated prices

- Exemptions from taximeter requirements should explicitly allow for the use of alternative pricing schemes of the type commonly used by ride-sourcing services – i.e. providing an initial fare estimate that is subject to some variation on the basis of transparently disclosed factors (e.g. variations in route).

Car rentals

- Abolish the requirement for car rental operators to have one fixed establishment open to the public in order to start operations. In addition, the government could consider whether further reforms are needed to enable alternative business models for car rentals and car-sharing to emerge.
- Abolish the requirement for car rental operators to have general indemnity insurance (i.e. in addition to vehicle insurance).

1.5. Benefits of lifting barriers

The OECD recommendations address specific restrictions and administrative burdens identified in the legislation covering the construction and tourism sectors. The expected benefit from the recommendations is directly linked to lifting those restrictions and the consequent positive effect on competition in the relevant sectors. It was not possible to quantify the effects of all the individual restrictions identified, either due to a lack of data, or because of the nature of the regulatory change. However, drawing on the methodology outlined in Annex A, and using statistical data for each sector and subsector (either from Statistics Iceland or from Eurostat), we have estimated that the recommendations detailed in this report, if implemented, could be expected to bring a conservative benefit for the Icelandic economy of around EUR 200 million (about 1 % of Iceland's GDP) per year, as set out in Table 1.2 below. Moreover, the full implementation of the recommendations set out in this report is expected to deliver positive long-term effects on employment, productivity and growth. The cumulative and long-term impact on the Icelandic economy of lifting the restrictions identified should not be underestimated.

Table 1.2. Summary of estimated annual impact by sector

Sector / restriction	Benefit (EUR million)	Number of corresponding recommendations
Tourism	51.8	121
Construction	148.6	316
Total	200.3	437
% of GDP	1.1%	

Note: For details on the methodology, see Annex A.
Source: OECD analysis

The substantial benefits highlighted above underline the value of competition assessment as an ongoing economic policy tool. In particular, the competition assessment methodology set out in the OECD's Toolkit can serve as the basis for future regulatory reform efforts focusing on other sectors. The continuing use of competition assessment can help spread awareness among government ministries and regulatory authorities about the value of competition, and the need to ensure that laws and regulations do not unnecessarily restrict competition. Further, the Toolkit can be used to examine policy and legislative proposals before they are adopted in order to assess their potential impacts. That is, as part of an ex ante regulatory impact assessment to be undertaken when developing or revising policy and regulation. Due to its close co-operation and contributions to the OECD project team, the Icelandic Competition Authority has acquired experience with the competition assessment Toolkit, which will be valuable for future such exercises.

Prioritisation of recommendations

The OECD has identified a set of high-impact recommendations that could be considered implementation priorities, both in the short-term (recommendations that can be implemented in a relatively short period of time, notwithstanding any required legislative changes) and the medium-term, as set out in Table 1.3 below.

Table 1.3. Potential implementation priorities

Potential short-term implementation priorities	Potential medium-term, high-impact implementation priorities
Construction and construction professions: • Ensure uniform adoption of the HCA Construction Portal • Consider abolishing reserved activities for carpenters and electricians • Consider abolishing the protected title for architects and engineers • Revise the master tradespersons framework for carpenters, electricians and plumbers, either abolishing masters' special privileges or making it easier to become a master • Make all qualified tradespersons eligible for Construction Manager I roles **Other professions:** • Abolish reserved activities for bakers and photographers. • Conduct a preliminary review to identify any other professions for which reserved activities regulation are not clearly justified by market failures, and thus should be abolished **Airports:** • Develop a framework for ex ante incentive regulation of airport tariffs, to be introduced in the medium-term **Tour operators:** • Abolish the requirement to obtain duplicative tourism transport and special equipped vehicles licenses **Taxis:** • Eliminate unnecessary course requirements for taxi drivers • Allow taxi licenses to be held by businesses, and allow businesses to own multiple taxi licenses • Ensure taximeter exemptions allow ride-sourcing pricing schemes	**Construction:** • Simplify and accelerate development planning processes • Review the street construction fee and parking space requirements • Introduce lighter or fast-track processes for building permits according to the building type and project risk • Promote building inspection consistency through training, manuals, and clear appeals processes • Consider introducing performance-based design requirements to replace the detailed design requirements that currently exist in the building regulations **Professions:** • Conduct a broad review of regulatory requirements for professions to determine whether reserved activities, restricted title, and master tradespersons frameworks could be narrowed, abolished, or made more accessible **Hotels:** • Remove restrictions on repurposing buildings as accommodation establishments and consider less distortionary alternatives **Airports:** • Consider implementing an alternative ownership model for Icelandic airports and develop a plan to promote inter-airport competition

The OECD has identified these potential implementation priorities because they involve clear and straightforward changes (especially for the short-term priorities, including recommendations related to **taxis**, **bakers** and **photographers**), and/or because they are expected to bring significant benefits to the Icelandic economy. The latter will depend on the scope of the competition barrier to be removed and the relative size of the subsector as well as its linkages with the broader the Icelandic economy. The largest subsectors analysed (based on 2017 turnover), and the potential implementation priorities that affect them, are as follows[3]:

- **Construction:**
  - construction of residential and non-residential buildings (EUR 1 462 million)
  - electrical, plumbing and other construction installation activities (EUR 427 million)
  - building completion and finishing (EUR 233 million)
  - other specialised construction activities (EUR 252 million)
- **Hotels:**
  - hotels and similar accommodation (EUR 716 million)
- **Airports**:
  - service activities incidental to air transportation (EUR 370 million)
- **Tour operators**:
  - tour operator activities (EUR 287 million).

Further, the broad review of regulated **professions** recommended in this report would be expected to deliver significant benefits in multiple sectors across the Icelandic economy, in addition to those estimated above.

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Notes

[1] Increased productivity from competition may arise as a result of both static and dynamic gains. Static gains follow from eliminating inefficiencies as the monopolists facing competitive pressures cease to live the "comfortable life". Dynamic efficiency improvements arise, for example, because competition improves the ability of owners or the financial market to monitor managers, by enhancing opportunities for comparing performance, enhancing the incentive to innovate to gain market share or because competition leads managers to work harder to maintain profits (Nicoletti and Scarpetta, 2003[13]).

[2] Including laws, regulations, rules, instructions, parliamentary resolutions, codes of conduct, tariffs, bylaws and ordinances, comprising 358 pieces of legislation in the construction sector and 274 pieces of legislation in the tourism sector.

[3] 2017 turnover figures from EUROSTAT- Structural Business Statistics. Further details on data and sector scope are set out in Annex A.

2 Overview of the construction sector

As in most economies, the construction sector is a key sector in Iceland. Apart from its large contribution to gross domestic product (GDP), the construction sector has strong upstream and downstream links with other economic activities and can contribute to the development of, for example, public and private investment projects, trade and manufacturing. Further, a well-developed construction sector can contribute to a higher quality of life for a country's citizens. In particular, better housing and public infrastructure are associated with higher levels of happiness and satisfaction.[1]

This chapter provides an economic overview of the construction industry (Section 2.1), as well as the regulatory environment (Section 2.2). It acts as a background to frame the discussion on competitive impediments identified in the sector that are discussed in Chapter 3, on planning regulations, Chapter 4, on building regulations, Chapter 5, on building materials, facilities and equipment, and Chapter 6 on professions. Given the significance of the construction sector to the Icelandic economy, reforms to this sector could be expected to have a broad impact. Such reforms might be particularly important to a sustainable recovery to the Icelandic economy in the wake of the current Covid-19 economic crisis.

2.1. Economic overview of the construction sector

The OECD defines construction as comprising:

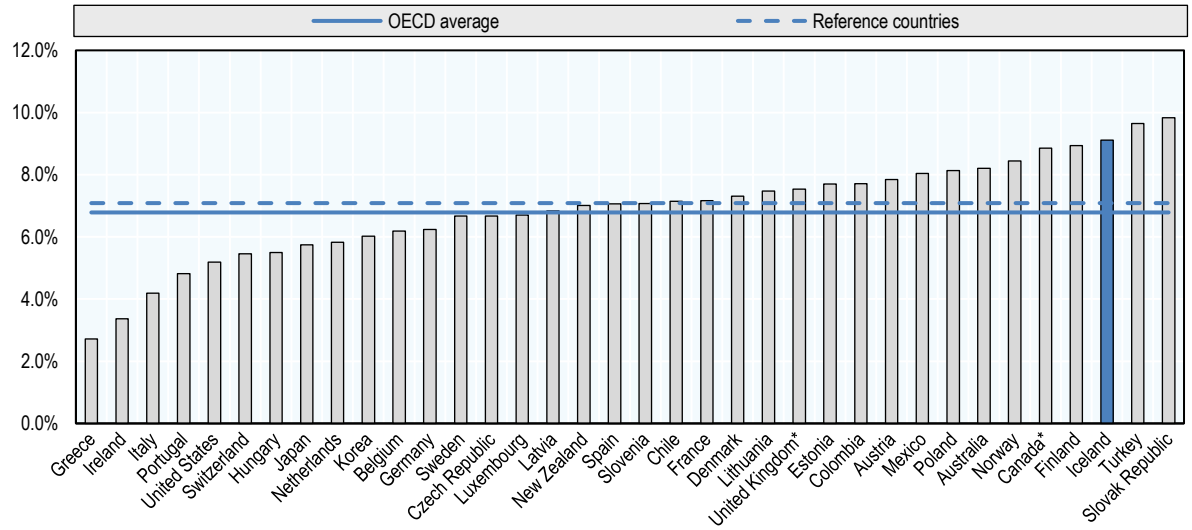
> *… economic activity directed to the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams and so forth.*[2]

For the purposes of this report, and as requested by the government of Iceland, we have used a broader definition of construction, which also includes activities related to building materials, real-estate agencies and architectural and engineering activities.[3]

Iceland's construction sector, as defined for the purposes of this report, accounted for around 9% of Iceland's GDP in 2017 in terms of gross value added (GVA), which was above the OECD average of 6.8% (Figure 2.1), and for 8.1% of the total employment in Iceland in 2017, slightly below the OECD average of 8.4% (Figure 2.2).

Figure 2.1. The total construction sector represents around 9% of total GDP in Iceland

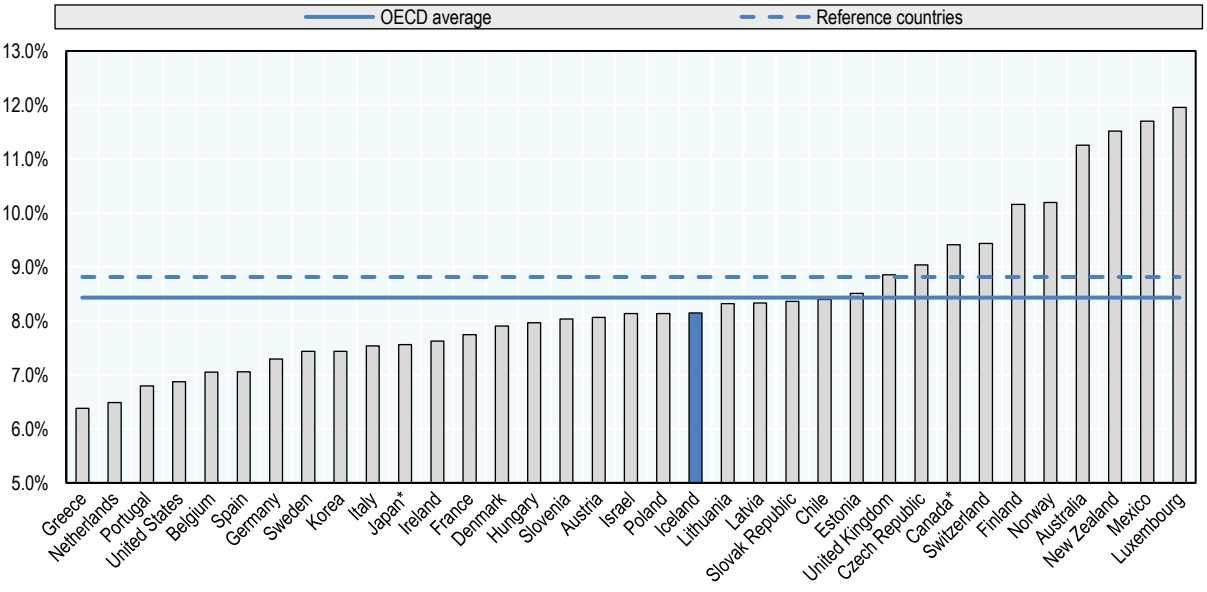
Gross value added (GVA) in % of GDP, 2017 values



Notes: * values for 2016 used in the case of Canada and the United Kingdom. Data included ISIC categories "Construction" (VF) and "Architectural and engineering activities, technical testing and analysis" (V71). OECD average does not include Israel due to missing data.
Source: "Value Added and its Components by Activity, ISIC rev4", *National Accounts of OECD Countries*, OECD Publishing, Paris (https://stats.oecd.org/, accessed on 26/05/2020).

Figure 2.2. Construction as a share of employment in Iceland is below the OECD average

Persons employed in the construction sector (% total), 2017 values



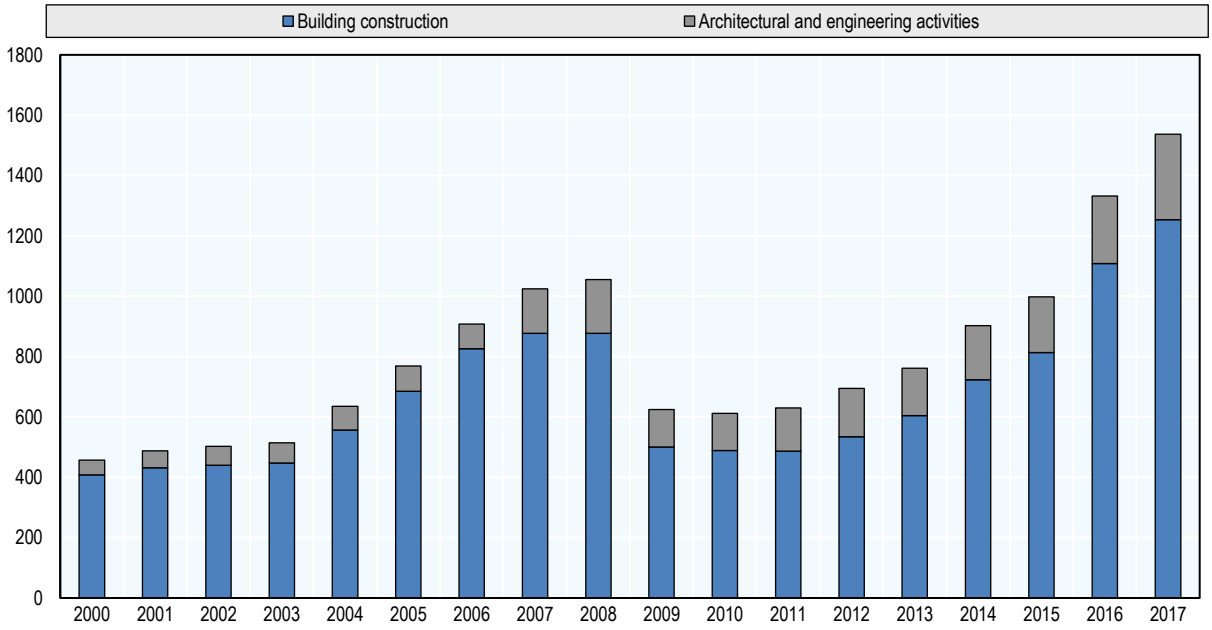
Note: * 2013 values for Canada; 2015 values for Japan. Data included ISIC categories "Construction" (VF) and "Architectural and engineering activities, technical testing and analysis" (V71). OECD average does not include data for Turkey and Colombia due to missing data.
Source: "7A. Labour input by activity, ISIC rev4", *National Accounts of OECD Countries*, OECD Publishing, Paris (https://stats.oecd.org/, accessed on 26/05/2020).

While the 2008 economic crisis had a substantial negative effect on the Icelandic construction sector, construction activity increased in the period from 2011 to 2017, with GVA increasing from around EUR 630 million to almost EUR 1 540 million, representing an annual growth rate of 14.4% (Figure 2.3). Growth has been unsteady over the period from 2000 to 2016: after a first stage of growth above the OECD average (2000-2008), its contribution to GDP decreased rapidly during the financial crisis (2008-2010), but started to recover afterwards, surpassing the OECD average in 2016 (Figure 2.4).

The number of new residential buildings fell abruptly after the financial crisis and, to date, has not recovered completely (Figure 2.5). It is too soon to say what the overall impact of the Covid-19 economic crisis will be on the construction sector, but it is likely to be negative, especially as the downturn in the tourism sector and the economy more broadly will likely reduce demand for new construction. Of course, government policies and spending could stimulate demand to the extent that such policies or spending target the construction sector.

Figure 2.3. The gross value added of total construction activities has been growing since 2011

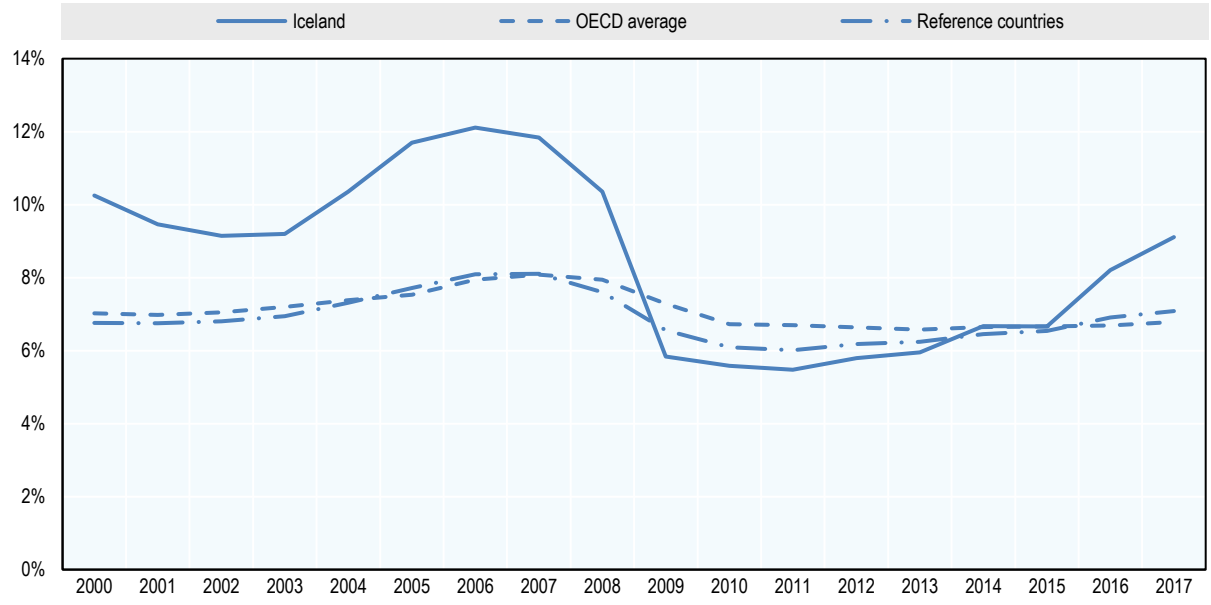
Gross valued added of the construction sector, million EUR (current prices)



Note: Data included ISIC categories "Construction" (VF) and "Architectural and engineering activities, technical testing and analysis" (V71). The original data is in ISK. We retrieved the average exchange rate for 2019 from the European Central Bank (EUR 1 = ISK 137.28) at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-isk.en.html
Source: "Value Added and its Components by Activity, ISIC rev4", National Accounts of OECD Countries, OECD Publishing, Paris (https://stats.oecd.org/, accessed on 15/05/2020).

Figure 2.4. The Icelandic GVA (% GDP) from the construction sector has surpassed the OECD average during the past few years

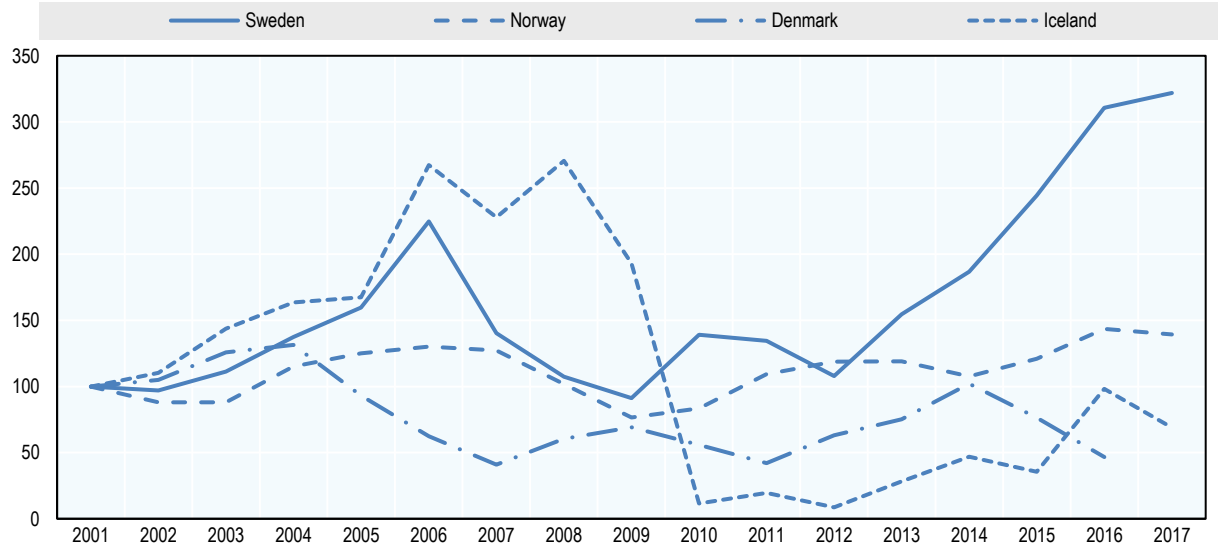
Gross value added (% GDP) of total construction activities



Note: Data included ISIC categories "Construction" (VF) and "Architectural and engineering activities, technical testing and analysis" (V71). OECD average does not include Israel due to missing data.
Source: "Value Added and its Components by Activity, ISIC rev4", *National Accounts of OECD Countries*, OECD Publishing, Paris (https://stats.oecd.org/, accessed on 26/05/2020).

Figure 2.5. The number of new residential buildings fell abruptly after the financial crisis in Iceland

Total Dwellings and Residential Buildings (2001 = 100)



Source: FRED Economic Data (https://fred.stlouisfed.org/) and Statistics Iceland (https://www.statice.is/), accessed on 26/05/2020.

Taking into account data received from Statistics Iceland, we have detailed information by subsector on revenue, GVA and employment across the construction sector (Table 2.1). The subsectors "Manufacture of basic metals" and "Construction of residential and non-residential buildings" are particularly important, as they represent 70.4% of total revenue. Regarding market concentration, on average, the top five market players in each subsector represent almost 60% of revenue and 63% of GVA.

The sector provides work for more than 15 000 people, representing almost 7% of Iceland's total working population. The subsector "Construction of residential and non-residential buildings" has the most employees, generating 45% of total employment in the sector.

Table 2.1. On average, the top five market players represent almost 60% of the total revenue

Revenue, gross operating surplus and number of employees for activities in the construction sector (2017)

	Revenue (EUR Million)	Top 5 (%)	Gross operating surplus (EUR Million)	Top 5 (%)	Number of Employees	Top 5 (%)
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	31.2	52.8%	3.7	61.9%	206	46.6%
Manufacture of paints, varnishes and similar coatings, printing ink and mastics	11.1	100.0%	0.9	100.0%	44	100.0%
Manufacture of articles of concrete, cement and plaster	125.0	87.1%	20.9	87.7%	499	84.0%
Manufacture of other non-metallic mineral products n.e.c.	69.8	100.0%	13.8	100.0%	175	100.0%
Manufacture of basic metals	1,603.7	99.7%	245.2	99.8%	1930	98.6%
Manufacture of electrical equipment	79.7	98.0%	1.5	138.4%	209	92.3%
Development of building projects	29.1	99.5%	3.4	109.9%	24	98.2%
Construction of residential and non-residential buildings	1,284.0	26.2%	179.5	24.8%	6760	18.0%
Plastering	47.6	19.1%	7.0	23.4%	409	13.8%
Joinery installation	50.3	15.3%	8.7	15.7%	595	10.3%
Roofing activities	9.8	66.1%	1.8	64.7%	56	64.1%
Other specialised construction activities	211.6	33.5%	43.6	26.2%	962	20.0%
Wholesale of wood, construction materials and sanitary equipment	118.7	54.1%	16.7	66.1%	286	44.2%
Buying and selling of own real estate	42.4	44.3%	19.1	53.0%	76	50.1%
Real estate activities on a fee or contract basis	68.9	22.5%	14.5	27.4%	379	15.5%
Architectural activities	65.2	28.1%	12.8	34.5%	577	23.3%
Engineering activities and related technical consultancy	252.3	52.8%	35.2	37.7%	1847	56.5%
Total	4 100		628		15 033	
Average	241	58.8%	37	63.0%	884	55.0%

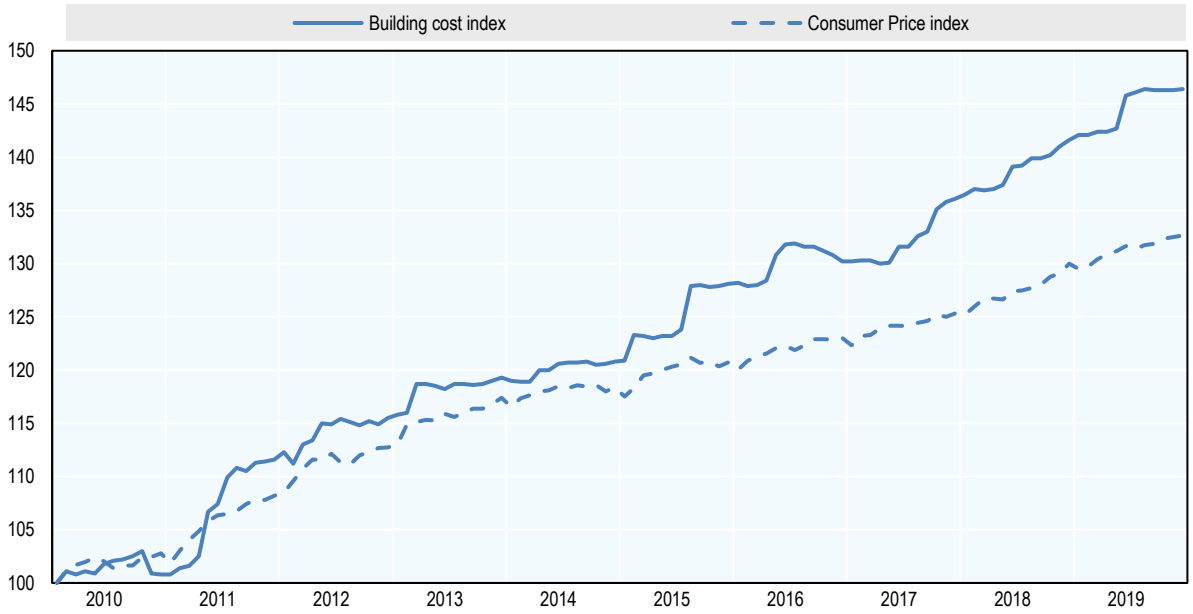
Note: The original data is on ISK. We retrieve the average exchange rate for 2019 from the European Central Bank (EUR 1 = ISK 137.28) at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-isk.en.html
Source: Data received from Statistics Iceland.

The post-2008 recovery of the construction sector was partly fuelled by rising demand for new hotels, as tourism in Iceland grew dramatically over this period (see Chapter 7).[4] As at 2018, the number of hotel rooms in the capital area was forecast to increase from around 5 000 in 2017 to 7 000 rooms in 2022 (Arion Research, 2018[1]). Investment in residential housing also contributed to the recovery of the construction sector.[5]

Fuelled by this strong demand, construction prices have been rising faster than inflation since 2011, as measured by the Consumer Price Index (Figure 2.6). Housing prices have also been rising above the OECD average since 2010 (Figure 2.7). Increased inbound tourism and factors such a rise in short-term rentals via online platforms such as Airbnb, boosted demand for new construction.

Figure 2.6. Building costs are rising faster than inflation

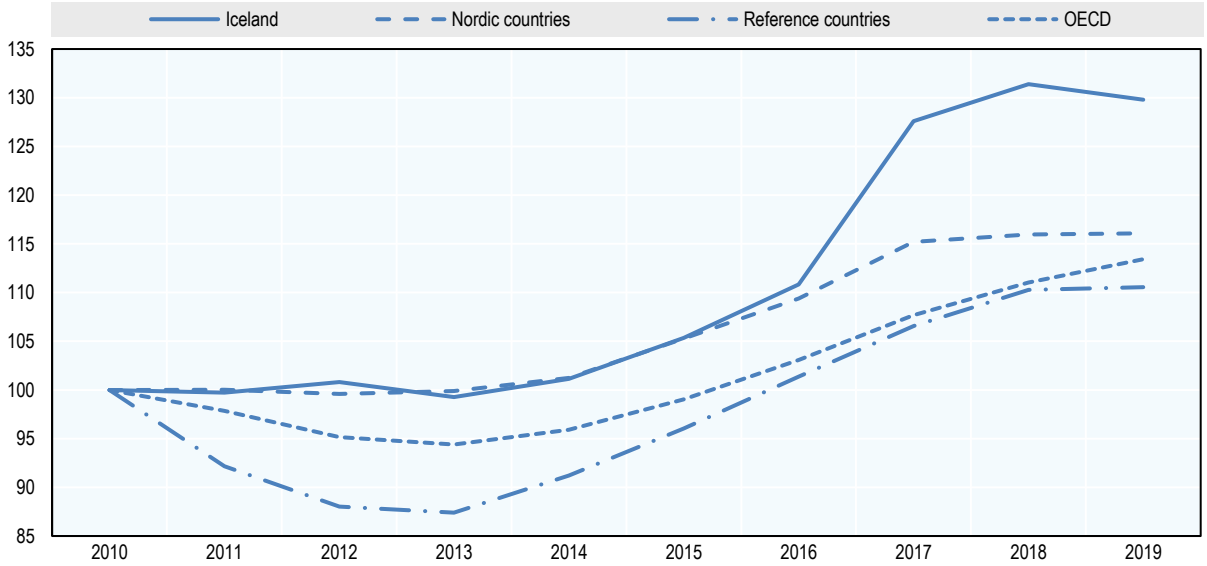
Building cost index versus Consumer price index (January 2010 = 100)



Note: Own calculations for Consumer price index based on information reported on Statistics Iceland website.
Source Statistics Iceland (https://www.statice.is/, accessed on 04/06/2010).

Figure 2.7. Icelandic rental prices have been growing faster than the OECD average

Rental prices (year 2010 = 100)



Source: https://data.oecd.org/price/housing-prices.htm (accessed on 01/06/2020).

Finally, a strictly regulated environment and high regulatory standards are contributing to higher costs. Stakeholders report a stringent regulatory environment for permits in the sector, some of which may be overlapping either in scope or intent (see Chapters 3 and 4 on planning and building regulations).

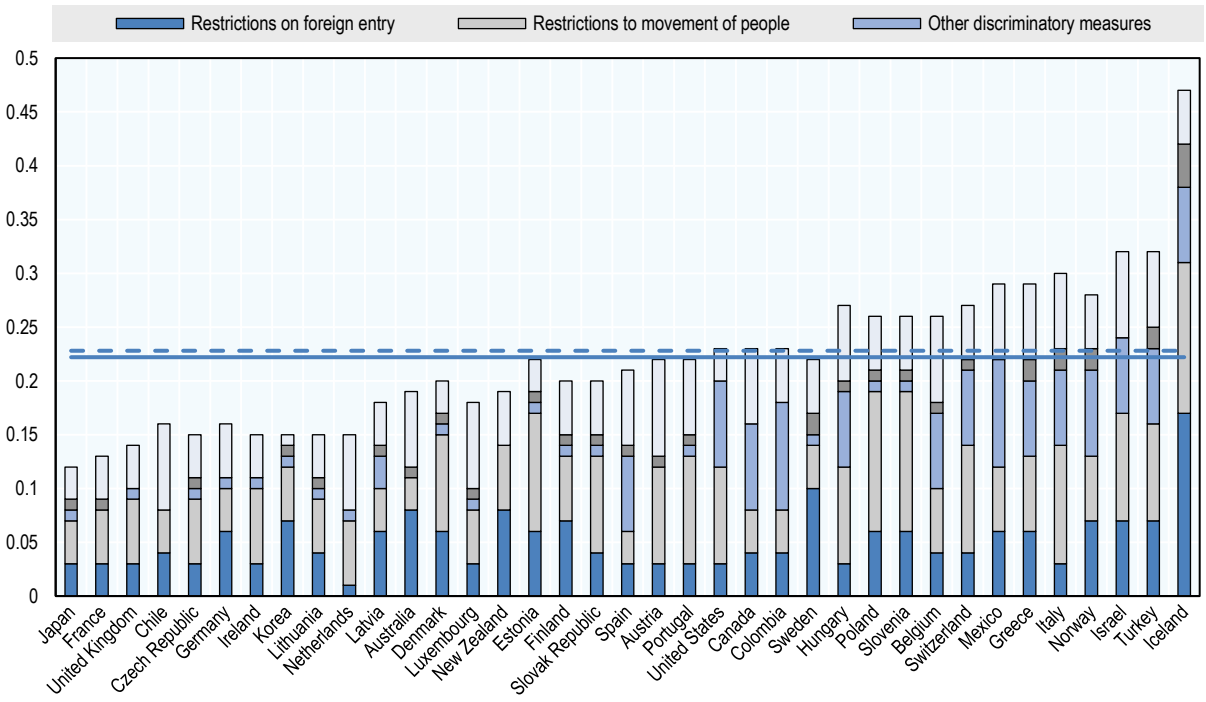
2.2. Regulatory environment

The construction sector remains highly regulated with high barriers to entry. The OECD's Services Trade Restrictiveness Index (STRI) shows that construction services, engineering services and architectural services in Iceland are more restrictive to trade than the OECD average, or the average for the reference countries (Figure 2.8, Figure 2.9, Figure 2.10). As for barriers to competition, Iceland's construction and engineering services score particularly poorly (Figure 2.8).

This highly regulated environment is confirmed by the OECD's Product Market Regulation (PMR) index, where Iceland scores a total value higher than the average for both the OECD and the reference countries (Figure 2.11).

Figure 2.8. Construction services are the most restrictive of anywhere in the OECD

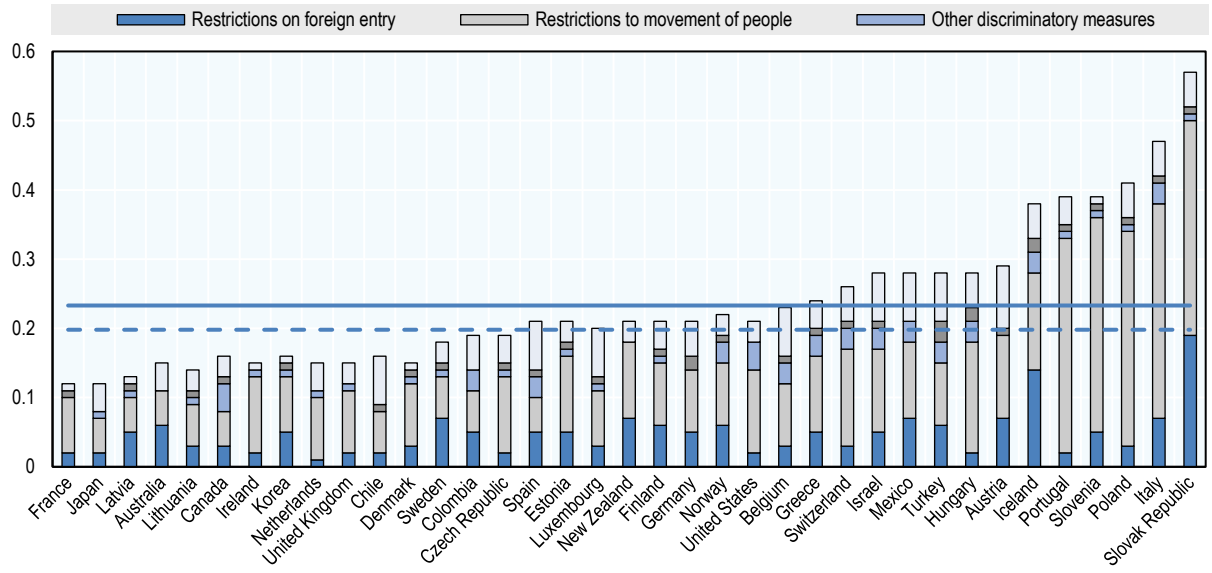
Services Trade Restrictiveness Index (STRI) by policy area: Construction services (2019)



Note: The STRI is an evidence-based diagnostic tool. It provides a snapshot of services trade barriers in 22 sectors across 45 countries (over 80% of global services trade). The STRI is between zero and one, one being the most restrictive. They are calculated based on the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.
Source: OECD Services Trade Restrictiveness Index (http://www.oecd.org/tad/services-trade/services-trade-restrictiveness-index.htm, accessed on 27/06/2020).

Figure 2.9. Engineering services are restrictive, especially for foreign providers

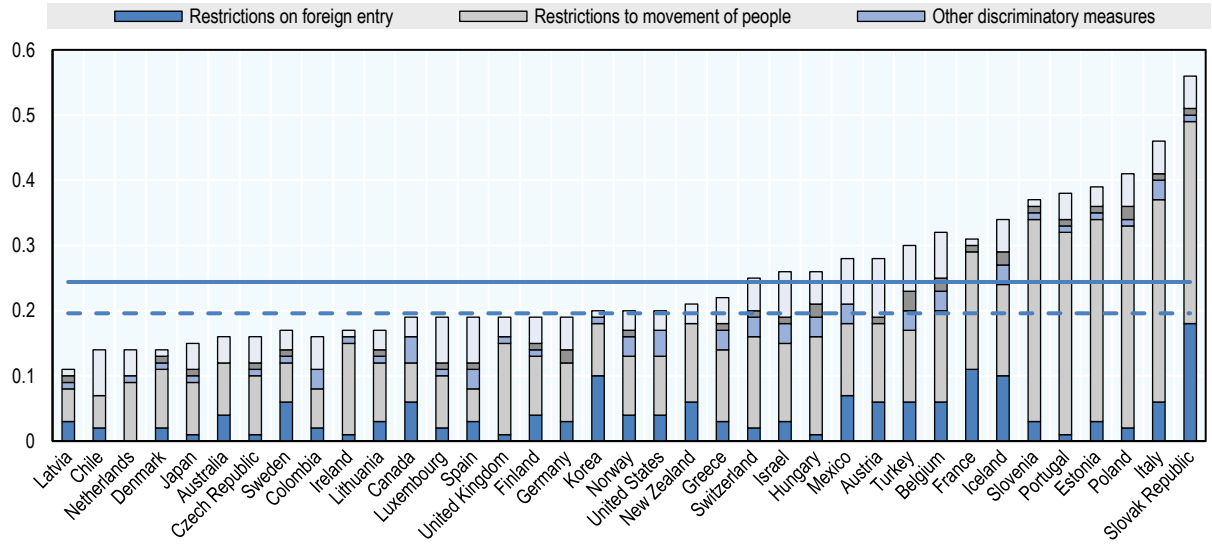
STRI by policy area: Engineering services (2019)



The STRI is an evidence-based diagnostic tool. It provides a snapshot of services trade barriers in 22 sectors across 45 countries (over 80% of global services trade). The STRI is between zero and one, one being the most restrictive. They are calculated based on the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.
Source: OECD Services Trade Restrictiveness Index (http://www.oecd.org/tad/services-trade/services-trade-restrictiveness-index.htm, accessed on 27/06/2020).

Figure 2.10. Restrictions to movement of people is an important barrier for architecture

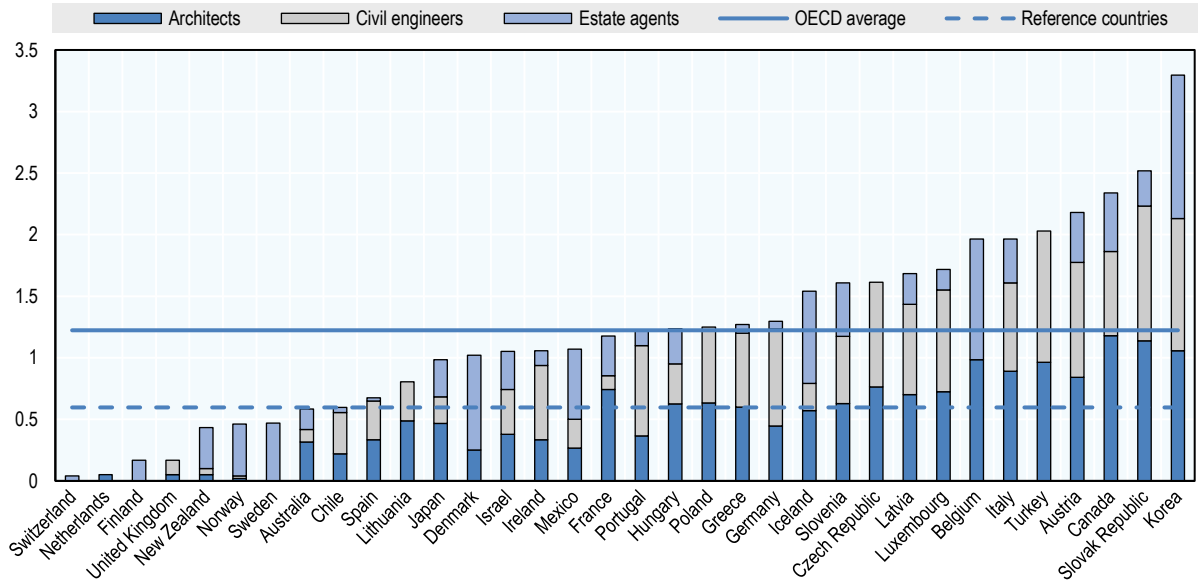
STRI by policy area: Architectural services (2019)



The STRI is an evidence-based diagnostic tool. It provides a snapshot of services trade barriers in 22 sectors across 45 countries (over 80% of global services trade). The STRI is between zero and one, one being the most restrictive. They are calculated based on the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.
Source: OECD Services Trade Restrictiveness Index (http://www.oecd.org/tad/services-trade/services-trade-restrictiveness-index.htm, accessed on 27/06/2020).

Figure 2.11. Architects, Engineers and Real-estate-agents are heavily regulated in Iceland

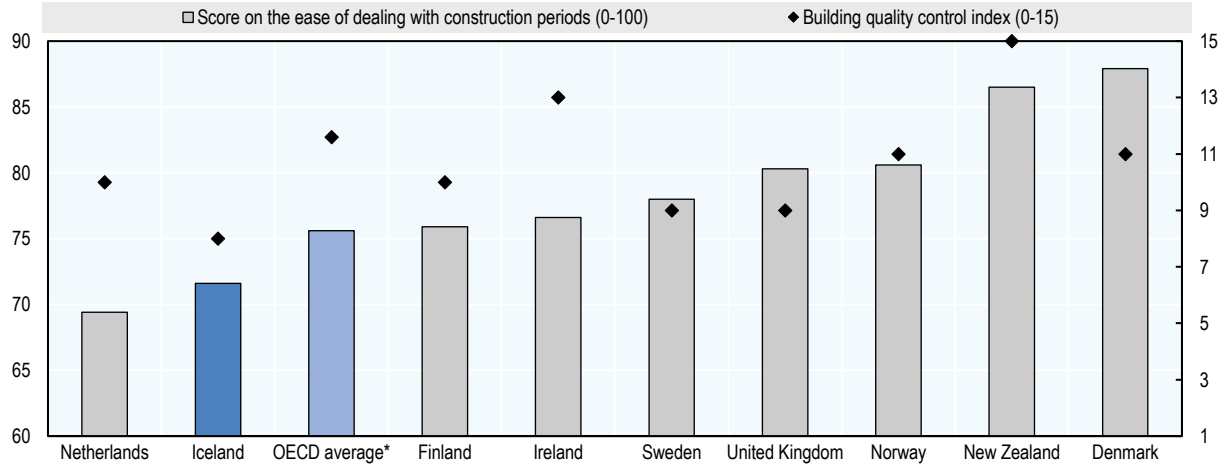
Product Market Regulation (2018 values)



Note: Higher values mean more stringent regulation.
Source: OECD PMR indicators (https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/, accessed on 04/06/2020).

Iceland also ranks poorly when we analyse the process for obtaining a building permit, namely in terms of the number of procedures, timeframe and cost (World Bank, 2020[2]). Overall, Iceland's score for dealing with construction permits is below the OECD and reference country average (higher scores correspond to better performance) (Figure 2.12). In terms of the number of procedures required to obtain a permit, Iceland demands more than twice the number of procedures than Denmark (17 versus 7), and it is above the average of the reference countries (11) (World Bank, 2020[2]). Further, this does not appear to result from higher quality controls; Iceland scores the lowest value among the reference countries and it is below the OECD average for quality control.

Figure 2.12. Iceland ranks poorly in terms of construction permits and quality control



Note: Higher values correspond to better performances. OECD average corresponds to the OECD high-income countries.
Source: Retrieved from World Bank (2020[2]) for each corresponding country.

References

Arion Research (2018), *Tourism in Iceland: Soft landing or a belly flop?*. [1]

World Bank (2020), *Doing Business 2020*. [2]

Notes

[1] http://www.oecdbetterlifeindex.org/topics/housing/

[2] https://stats.oecd.org/glossary/detail.asp?ID=422

[3] In terms of ISICrev4 codes, the activities included are: Construction (VF); Wholesale trade, except of motor vehicles and motorcycles (V46), Real estate activities (VL), Architectural and engineering activities, technical testing and analysis (V71)

[4] https://icelandmag.is/article/boom-hotel-construction-reykjavik-has-reached-its-peak-will-begin-slow-down-2020

[5] https://icelandmag.is/article/economy-continues-grow-investment-and-residential-construction-major-drivers

3 Planning and land use

The entirety of Iceland is subject to planning requirements and housing construction cannot go forth unless it is in accordance with the relevant development plans in the area, which are the key devices for managing land use in Iceland. The purpose of this chapter is to discuss the regulatory framework associated with planning in Iceland to the extent that this has an impact on competition in the construction sector. Specifically, this chapter focusses on those planning provisions that were found to be the most likely to be competition distorting, or to raise the most significant administrative burdens. Much of this chapter focusses on the particular regulations and requirements that apply in the Reykjavík Capital Area, which includes Reykjavík and its bordering towns, given it is home to two-thirds of the Icelandic population.[1]

First, the chapter provides an overview of the relevant planning regulations, processes and framework, as well as the key authorities (Section 3.1). In particular, it notes the role of development plans in regulating how land can be used and what construction can be built in certain areas. In reviewing the process for amending municipal and local development plans, the project team found there is a lack of clarity, both in terms of timing and requirements, as well as a high level of burden. Hence, one of the recommendations for planning is that the government of Iceland review the entire process involved in preparing and amending development plans to simplify and clarify these processes. Next, the chapter looks at several specific types of planning and land use requirements that may impact competition in the construction sector, including street construction fees and parking space requirements (Section 3.2), and plot allocation rules (Section 3.3). Given the potential for street construction fees and parking space requirements to significantly raise construction costs, the chapter recommends that the relevant authorities review whether there are less distortionary ways to achieve the underlying objectives of these requirements. Regarding plot allocation rules, it is recommended that the government of Iceland review whether there is a way to clarify the process and improve the supply of plots in response to changes in demand.

3.1. Development plans

3.1.1. Regulatory framework

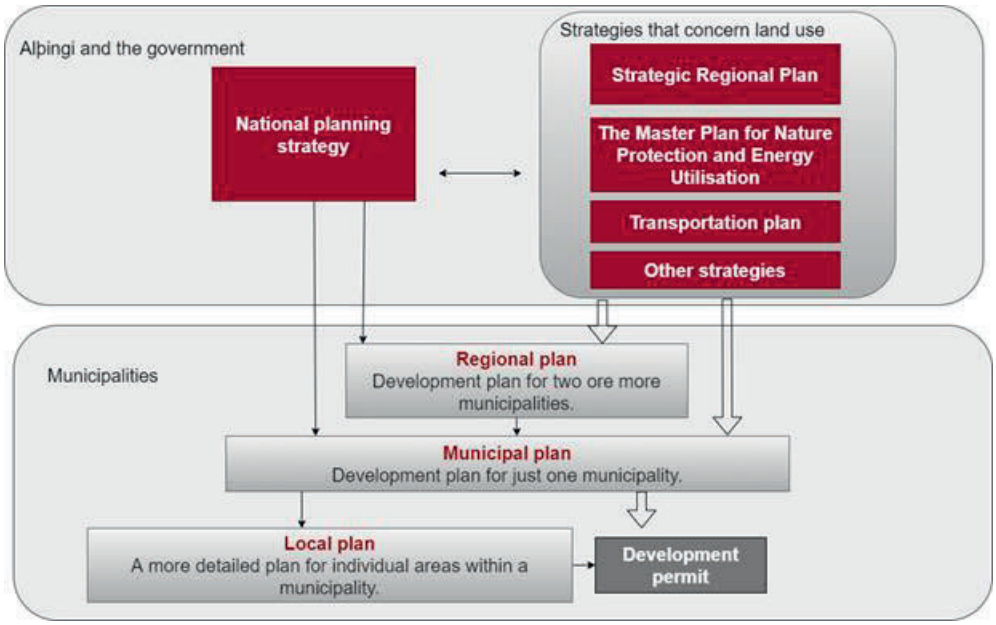
This subsector includes all legislation relevant to the planning system. The framework legislation that defines the planning system in Iceland is contained in the Planning Law, which is an act adopted by the Icelandic Parliament, Alþingi. Further important details regarding planning are contained in the Planning Regulation, which is an ordinance adopted by the government. Other laws that affect planning are the Law on Environmental Impact Assessment and the Law on the Assessment of the Effects of Certain Plans and Programmes on the Environment.[2]

Iceland uses a hierarchical system of development plans. The highest-level planning document, which operates at a national level, is the National Planning Strategy (NPS). Then, at a municipal level, there are three types of development plans: the regional plan, the municipal plan, and the local plan. This is shown in Figure 3.1. Specifically:

- The **NPS** is a policy document that runs for a twelve-year period, incorporating integrated public sector plans on transport, regional affairs, nature conservation, energy efficiency and other land use issues, aiming for sustainable development.

- The **regional plan** is a joint development plan of two or more municipalities on common interests or regional priorities, such as on rural development, transport, or water protection. A regional plan is compulsory in the Reykjavík Capital Area, but optional elsewhere in the country. There are currently six regional plans in force in Iceland.
- The **municipal plan** is the key planning instrument in Iceland. It covers the entire municipality and sets out policies and decisions on the future use of land and settlement arrangements. It sets out whether specific areas are residential or industrial, and outlines the municipal council's policy on transport, service systems and environmental issues within the municipality.
- Supporting the municipal plan is the **local plan**, which covers specific areas within a municipality. The local plan is based on the municipal plan and contains further details on its implementation. It sets out conditions for the development of settlements and the environment, such as the size, location and use of houses. It also sets out conditions about the appearance of the settlements, such as details on the design of buildings and the use of materials. It can also contain parking space requirements within the area. Provisions on land and public space, such as street squares, playgrounds and public parks can also be laid out in a local plan.

Figure 3.1. Organisation of the planning system in Iceland



Note: This diagram shows the hierarchy between the development plans.
Source: The National Planning Agency (n.d.[1]).

For the purposes of this chapter, the analysis has focussed on those types of development plans that are most relevant for the construction sector; municipal plans and local plans. All construction of houses is subject to a building permit, as is described in Chapter 4 of this report. A building permit will not be granted unless the proposed construction is in accordance with relevant development plans in the area. In some cases, this will require an individual or business to request that the relevant municipality make changes to the relevant local or municipal plan in order for the proposed construction project to be authorised. In practice, stakeholders noted that the need for amendments to a local plan is a particularly common roadblock for individuals or businesses constructing houses. This can arise for even minor issues such as when a small addition for example, a garage, or the use of a particular building material or paint colour, does not meet the requirements in the local plan. The need for amendments to a municipal plan is not as

common but can also be a possible obstacle to construction. This might occur when a new housing construction requires land to be re-zoned for residential purposes, for example.

According to information provided by the National Planning Agency (NPA), there are numerous amendments made to existing development plans each year. For example, the number of new development plans or amendments made to existing development plans in the Reykjavík Capital Area are shown in Table 3.1.

Table 3.1. Number of new development plans or amendments in the Reykjavík Capital Area

Type of amendment	2015	2016	2017	2018	2019
New local plans	11	22	17	11	25
Major amendments to a local plan	94	96	135	121	104
Minor amendments to a local plan	80	100	122	112	141
New municipal plans	-	-	1	1	1
Major amendments to a municipal plan	2	11	9	16	8
Minor amendment to a municipal plan	-	2	2	-	2

Source: Based on statistics provided by the NPA.

Relevant authorities

The Ministry for the Environment and Natural Resources (MENR) is responsible for the preparation of a draft NPS which is submitted to Alþingi as a parliamentary resolution. However, the MENR entrusts the NPA to prepare the draft NPS. The NPA is a state authority under the MENR. The NPA's role is to implement the planning law and the planning regulation. In addition, the NPA is responsible for confirming and publishing municipal plans.

Municipalities are the main planning authorities in Iceland. They are responsible for the preparation and approval of regional plans, municipal plans, and local plans. In Iceland there are 72 municipalities. All municipalities are required to elect a planning committee, which is responsible for managing planning matters. All municipalities are furthermore required to employ a planning officer to oversee all preparation and administration concerning development plans for the municipality.

Those with legally protected interests can appeal administrative decisions regarding local plans or development permits to the Environment and Natural Resources Appeals Board.

Municipal plans

The process for preparing a new municipal plan is comprehensive, requiring consultation with the public, neighbouring municipalities and other public authorities. The process for making major amendments to a municipal plan is the same. As described above, the municipal plan is a development plan that covers the entire municipality and sets out policies and decisions on the future use of land and settlement arrangements in that area. An amendment to a municipal plan could be required for an individual or a business that wishes to build a residential house in an area that is specified as an industrial area, for example. There are examples of amendments being made to a municipal plan following a request by a private party. However, the procedures do not include a formal way for a developer to initiate a process for amending a municipal plan. Any amendments to a municipal plan must be initiated by the relevant municipal council.

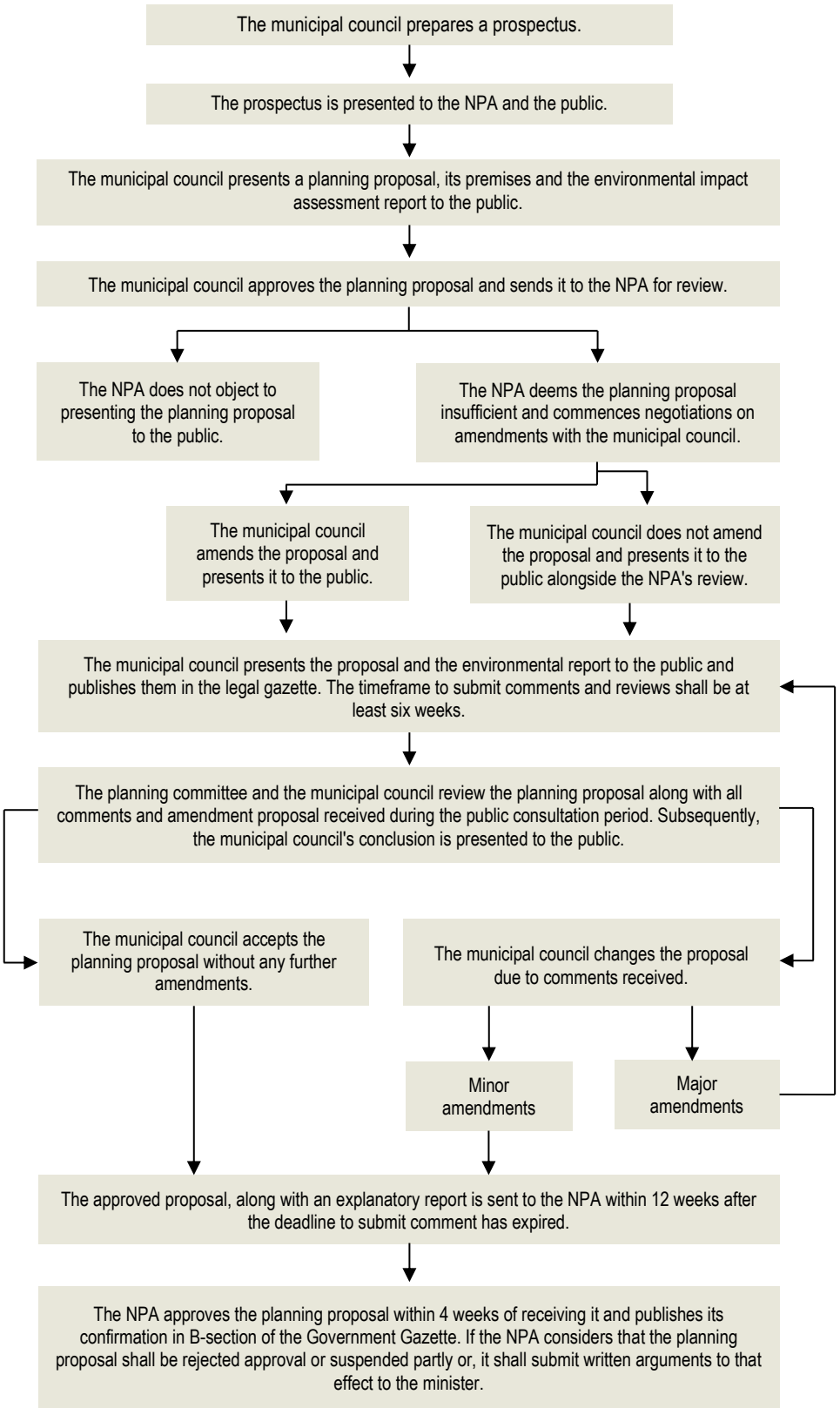
The process for amending a municipal plan involves several steps. The first step is the compilation of a prospectus. The prospectus must state the priorities of the municipal council, information on the premises and existing policy, and the intended planning process. The prospectus is presented to the public and comments sought from the NPA. The planning law does not specify a timeframe for this step – in other

words, no set public comment period is specified in the legislation. Following the first step, the municipal council prepares a planning proposal that must also be presented to the public. The municipal council then decides whether to approve the proposal, in which case it is sent to the NPA for an initial review (at which point it can require amendments). The planning proposal is then subject to a minimum six-week consultation period after being published in the legal gazette, online and in other prominent media. Once the public consultation period expires, the proposal is reviewed by the municipality's planning committee and then again by the municipal council. If approved, the municipality then submits the proposal again to the NPA within 12 weeks of the public consultation period, and the NPA has four weeks to approve the proposal and publish it in the Government Gazette. These steps are set out in detail in Figure 3.2.

Local plan

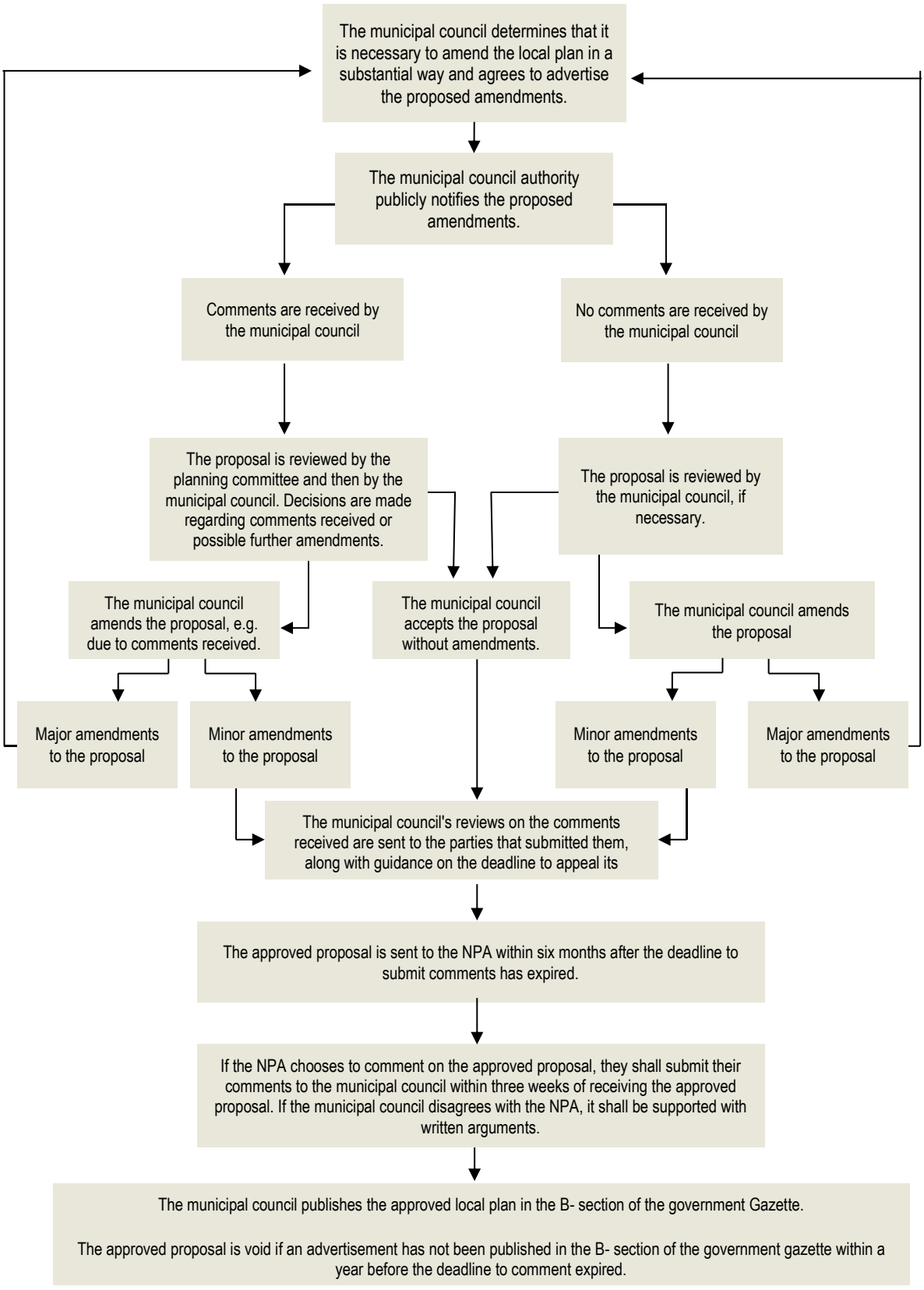
As with the municipal plan, the process for preparing a new local plan or making major amendments is comprehensive, involving public consultation that is not subject to clear timeframes. As described above, the local plan is based on the municipal plan and contains further details on its implementation including details on the size, location, use and design of houses, as well as public spaces such as street squares, playgrounds and public parks. Requiring amendments to a local plan is a common roadblock for individuals or businesses constructing houses. In particular, while amendments to municipal plans are only required for changes to land use, amendments to local plans can be required for a wide range of reasons, including slight deviations from specified aesthetic design requirements. The process for amending a local plan is similar to that for a municipal plan. It requires at least one public consultation period and multiple approvals, as detailed in Figure 3.3.

Figure 3.2. Process for preparing or making major amendments to a municipal plan



Source: Adapted from information provided by the NPA (2011[2]).

Figure 3.3. Process for making major amendments to a local plan



Source: Adapted from information provided by the NPA (2013[3]).

3.1.2. Harm to competition

Numerous stakeholders have indicated that the process for amending municipal and local development plans can cause unpredictable delays and hold up construction for an uncertain amount of time. Stakeholders also noted that many local development plans are highly detailed and inflexible, meaning that amendments are often required, even for relatively small issues. Our analysis and stakeholder comments suggest that the amendment process is burdensome, time consuming and costly. The process is particularly burdensome since there are several opportunities for stakeholders and the public to comment on the proposed changes without clear timeframes attached to these consultation processes.

The official recital for these requirements highlights the importance of consultation with stakeholders and residents during planning preparation. The NPA has, moreover, emphasised that the planning process is a democratic process and stressed the importance of effective consultation with the public and stakeholders. Notwithstanding this, the lack of clear or binding timeframes and deadlines in the process makes predicting the duration of the process challenging. Not taken into account here is all the time needed to prepare the required documents such as the prospectus, the planning proposal and the final municipal or local plan, and the time for the municipality to review all comments received. Navigating the process for requesting amendments to a municipal or local plan, and waiting for such amendments to be made, can be particularly burdensome for small to medium-sized enterprises, who may not have the same resources as larger firms. As noted by the OECD (2008, p. 37[4]):

> *The time cost of delay for a company is not simply the interest rate that it pays on borrowed funds while waiting for approval; it is the opportunity cost of its funds, which is higher than the interest rate. If the opportunity cost of money is 15 % per year, and planning adds 3 years to the time to opening a new site, as is possible with complex projects with appeals, the cost of delay is 52% of the initial investment.*

The burdensome process for amending local development plans has also been recognised by a government task force on improving the housing market in Iceland.[3] In particular, the task force noted that this complex and time-consuming process causes delays in the construction of residential housing and increases construction cost. Therefore, the task force recommended, among other things, simplification of planning regulation and shortening of public consultation periods (Task Force on Improving the Housing Market in Iceland, 2019[5]). The costs associated with these planning processes are not unique to Iceland. The OECD (2017[6]) identifies that land use is highly regulated in all OECD countries. The OECD Land-Use Governance Survey that was conducted in 32 OECD countries in 2015 and 2016 identified 229 different types of plans. A common concern mentioned by academic experts from the 32 OECD countries that were surveyed were shortages of affordable housing and slow and bureaucratic planning processes. According to the OECD (OECD, 2017, p. 63[6]), strong evidence suggests that more extensive regulation of land use hinders new development. Empirical evidence furthermore shows that stringent land use restrictions contribute to higher housing prices (OECD, 2017, p. 98[6]).

Administrative burdens, while not competition distorting in themselves, increase costs to operators, including opportunity costs from the time spent on procedures. They may lead to delays and reduce the opportunities to maximise efficiency, while increasing operating costs for existing market participants. Moreover, the administrative burden may reduce or even prevent new entry into the market and hinder the efficiency and competitiveness of the market segment in question. The Recommendation of the OECD Council on Regulatory Policy and Governance recognises the importance of clear timelines and quick resolution of regulatory approval processes (OECD, 2012, p. 29[7]). Furthermore, the OECD has concluded that, at times, excessive land use restrictions serve to raise the costs of entry, delay entry or prevent entry.

Another issue that has been raised previously by the Icelandic Competition Authority (ICA) is that municipalities do not take competition impacts into consideration in developing local and municipal plans and in their plot allocation processes. For example, in 2017 the ICA published four opinions on competition in the fossil fuel market (ICA, 2017[8]; ICA, 2017[9]; ICA, 2017[10]; ICA, 2017[11]). These highlighted, among

other things, planning restrictions in the City of Reykjavík regarding which plots can be used as petrol stations. The ICA was concerned that these restrictions could reduce entry and exit, and ultimately reduce competition between road fuel retailers in Reykjavík. More generally, the City of Reykjavík did not find that it should have to consider competition impacts when developing local and municipal plans, or in allocating plots. In contrast, the Ministry of the Environment and Natural Resources was of the view that competition concerns are included in the current Planning Act No. 123/2010, and hence, should be considered by municipalities in developing local and municipal plans. The ICA recommended that the City of Reykjavík removes the identified restrictions to competition in the fuel market, and that the Ministry of the Environment and Natural Resources amend Planning Act No. 123/2010 to clarify that competition considerations shall be taken into account in the implementation of the Act, including by municipalities. Furthermore, the ICA recommended that when municipalities are designing or preparing new rules, they should include a competitions assessment, referring to the OECD Competition Assessment Toolkit.

3.1.3. Recommendation

The OECD recommends that the government of Iceland reviews the entire process involved in preparing and amending development plans (particularly municipal and local plans), aiming to simplify and clarify the procedures (and associated timing) and reduce the steps required without forfeiting consultation. In doing so, the government should consider the recommendations and observations provided in the OECD report on "Governance of Land Use in OECD Countries" (OECD, 2017[6]), especially regarding the recommendations on more flexible approaches to planning. In particular, this review could consider whether:

- The approval process for amendments could be shortened, or the review stage for separate authorities could be consolidated.
- The need for applications to change a plan could be mitigated by transitioning away from single-use land zoning and toward zoning requirements that focus on negative externalities or nuisances from a given type of land use (OECD, 2017, pp. 62-67[12]).
- Development plans could be consolidated in order to enhance flexibility and timeliness while maintaining transparent consultation procedures. For example, the Netherlands has transitioned to a single national plan framework (OECD, 2017, p. 61[12]).
- Municipalities should be mandated under the Planning Act No. 123/2010 to consider competition impacts when preparing and amending development plans.

3.2. Street construction fee and parking space requirements

3.2.1. Regulatory requirements

The street construction fee is established in the Law on Street Construction Fees and further implemented in the Regulation on Street Construction Fees. It is a tax on new buildings or extensions to older buildings that funds the construction and maintenance of local roads. The tax is collected by the municipalities, which are responsible for the construction and maintenance of all roads, except for highways, within their territory.[4] Therefore, the purpose of this tax is to raise revenue for the municipalities to fund the construction and maintenance of roads within their territory. The law states that the amount of this tax shall be 15% of the estimated building cost per square meter according to the building cost index, which is calculated and published by Statistics Iceland based on the Law on the Building Cost Index.[5] However, the law allows for municipal councils to issue ordinances, prescribing a lower percentage. Moreover, they can prescribe different percentages based on the type of building. Therefore, the amount of the tax can vary between different municipalities and between different types of buildings.[6] According to the ordinances, all

municipalities within the Reykjavík Capital Area collect the full 15% tax on the building cost of detached houses but some collect a lower percentage for terraced houses or multi-unit houses.[7] An overview of the percentage of the estimated building cost, and the fee per square meter, collected across the municipalities within the Reykjavík Capital Area for the various building types is provided in Table 3.2.

Table 3.2. Street construction fees within the Reykjavík Capital Area in May 2020

Percentage and fees per square meter, May 2020

Type of building	Reykjavík	Hafnarfjörður	Garðabær	Kópavogur	Mosfellsbær	Seltjarnarnes
Detached houses %	15%	15%	15%	15%	15%	15%
Detached houses (EUR/m^2)	EUR 259	EUR 259	EUR 259	EUR 259	EUR 259	EUR 259
Terraced houses, semi-detached houses and chain houses (%)	11.30%	15%	12%	10.30%	15%	15%
Terraced houses, semi-detached houses and chain houses (EUR/m^2)	EUR 195	EUR 259	EUR 207	178 EUR	EUR 259	EUR 259
Multi-unit houses (%)	5.40%	15%	8.40%	4.90%	15%	15%
Multi-unit houses (EUR/m^2)	EUR 93	EUR 259	EUR 145	EUR 85	EUR 259	EUR 259

Source: Based on ordinances on street construction fee issued by the municipalities in the Reykjavík Capital Area and the building cost index for May 2020 (Hagstofa Íslands [Statistics Iceland], n.d.[13]).

The tax is due early in the construction process, on either the day of the allocation of the plot by the municipality or the day a building permit is issued by the municipality. Even though the street construction fee is to be allocated to the construction and maintenance of streets and other street structures within the municipality, the law clearly states that it is a tax and not an administrative fee.

In addition to the street construction fee, many new constructions, especially in the Reykjavík Capital Area, are required to build a minimum number of car parking spaces alongside any new construction, as outlined in the relevant local plan. An exemption can be granted upon the payment of a parking space fee, which is set at the estimated cost of constructing the required number of parking spaces in the relevant municipality. As far as we are aware, this provision has only been implemented in Reykjavík.

3.2.2. Harm to competition

The street construction fee raises costs for all house construction across the market, which is ultimately borne by consumers. As described above, the tax can be up to 15% of the estimated building cost. As an example of the total cost, the amount of the fee for constructing a 250 square meter detached house in any of the municipalities within the Reykjavík Capital Area in January 2020 was ISK 8 898 458 [EUR 64 820]. From an economic perspective, this fee raises the marginal cost of construction. The higher cost of building affects consumers in several ways. First, it means an additional cost to the project owners that will be, partly or as a whole, incorporated into the final price of the building. Second, if builders restrict the construction project because of the higher cost, this translates into lower revenues and fewer jobs for workers on building sites.

The OECD understands that municipalities in Iceland are responsible for a significant part of the road infrastructure within their territory, and this needs to be funded in some way. However, having this cost fall on new construction (including extensions and renovations) inflates the costs of such construction. Such costs contribute to the already high housing costs in the Reykjavík Capital Area. In that context, the OECD refers to the government's declaration on housing from 28 May 2015, on proposed steps to improve the conditions for the development of the housing market. One of the steps introduced was that the municipalities' charges for plot allocations and street construction fees should be re-evaluated, aiming to lower the cost of construction (Forsætisráðuneytið [Prime Minister's Office], 2015[14]).

While there does not appear to be an internationally accepted best practice for funding road infrastructure, a number of options are available, including: taxes on vehicle fuel; toll rings (such as in Norway); vehicle licence fees (which are common in many countries); an annual vehicle excise duty (such as in the United Kingdom); user-based charges such as vehicle-distance traveled charges; charges on new vehicles; sales taxes, and; congestion charges. Some of these methods of funding may be less distortionary than the current street construction fee. The street construction fee appears particularly burdensome given its high level and the fact that it applies to all construction projects, not just those which increase demand for road infrastructure (i.e. construction that increases housing density).

Regarding the parking space costs or fee, according to Reykjavík municipality's tariffs, the estimated cost of constructing a parking space is ISK 1 850 000 [EUR 13 476]. Hence, this requirement can further raise the cost of housing construction significantly, which is ultimately passed on to the final consumer in the form of higher housing costs. While these requirements have a clear policy justification, it is important they accord with the municipality's objectives regarding sustainable urban mobility. If such requirements are set too high, this can raise construction costs unnecessarily; if set too low, there can be negative impacts where there is insufficient provisioning of parking spaces (OECD, 2018[15]; Franco, 2020[16]).

3.2.3. Recommendation

The relevant authorities should assess whether there are ways to reduce the significant costs associated with complying with planning and land use requirements while still achieving the objectives. In particular, it should assess whether:

- The street construction fee is higher than necessary, and moreover, whether there may be less distortionary ways of collecting revenue to fund road infrastructure (i.e. that do not fall solely on construction projects).
- The parking space requirements for new buildings contained in local and municipal plans in the Reykjavík Capital Area are appropriate given the area's objectives regarding sustainable urban mobility.

3.3. Plot allocation

3.3.1. Legal framework

Accessibility to a building plot plays a vital role in the construction sector. We understand that a significant proportion of building plots in the Reykjavík Capital Area are owned by the municipalities, which means that municipality decisions regarding plot allocation can have a substantial impact on access to building plots, and thus the supply of housing and places of business. There are no special laws in Iceland on municipal plot allocations. However, under a recent amendment to the Law on Housing no. 77/1998, the municipalities are responsible to ensure supply of building plots. Allocation of plots by a municipality is an administrative decision and therefore the municipalities must abide by the Administrative Procedures Law no. 37/1993. Within the Reykjavík Capital Area, three municipalities have issued plot allocation rules to govern their decisions.[8]

3.3.2. Harm to competition

Stakeholders noted that a lack of access to building plots is an impediment to new construction in the Reykjavík Capital Area. In particular, given that municipalities own a large share of building plots in this area, the rules and processes governing plot allocation may be limiting the amount of construction in the Reykjavík Capital Area. This, among other things, is having an adverse impact on housing prices in the Reykjavík Capital Area, where house price affordability remains an ongoing concern (OECD, 2019[17]).

Further, stakeholders noted that the process for allocating plots is not very clear, and the rules guiding the process can change frequently. In reviewing the rules governing decisions on plot allocation, we identified a number of conditions and restrictions that may further hinder the efficient release of plots. For example:

1. In Kópavogur, it is not permitted to transfer a plot allocated by the municipality without the consent of the municipal council. Additionally, it is not possible to return the plot to the municipality without the municipal council consent, which can only be given under special circumstances.
2. If a legal entity is applying for a plot of land in Hafnarfjörður, the applicant must include information on its "immaculate construction history".

Not allowing for a plot to be transferred to a third party or returned to the municipality is an exit barrier. It can create artificial scarcity because those who have been allocated plots cannot return them freely or transfer them to a third party if they decide not to start or finish their building project. This can therefore raise prices. As noted by the OECD (2019, p. 2[18]):

> *Barriers to exit, like barriers to entry, weaken the market discipline mechanisms of the competitive process, which act to relocate resources from one market or firm to another according to changing conditions. This can lead to less efficient firms staying in the market. As a result, resources (both financial and human capital) become trapped in existing firms instead of being relocated to their most efficient use.*

There is no official recital for this provision, but it is our understanding that the policy objective is to ensure that the municipality retains control of the process and only allocates plots to those individuals and legal entities that are ready to commit fully to construction. However, this provision is disproportionate to the policy objective and acts as a binding constraint on the free allocation of plots in the Kópavogur municipality.

The provision that requires that a legal entity applying for a plot in Hafnarfjörður must submit documentation with information on their "immaculate construction history" may also distort competition to the extent that it could potentially favour well-established legal entities. This can result in the exclusion of newer businesses that do not yet have a construction history. There is no official recital, but it is our understanding that the policy objective is to prevent the allocation of plots to unreliable actors that may have a history of bad practices such as safety violations or employment protection legislation violations. Nonetheless, this requirement is disproportionate to the policy objective to the extent that it could preclude new entrants from accessing plots in the Hafnarfjörður municipality.

Another issue that has been raised previously by the ICA (see Section 3.1.2) is that planning restrictions in the City of Reykjavík, and allocation of plots, could reduce entry and exit, and ultimately reduce competition between road fuel retailers in Reykjavík. Furthermore, in 2009, the ICA published an opinion on planning, plot allocations and competition (ICA, 2009[19]). The ICA recommended the use of open tender systems when allocating plots, implementing measures to support entry of new or smaller businesses and removing or preventing anti-competitive obligations in land lease agreements.

3.3.3. Recommendation

Municipalities should review the process and rules for allocating plots to clarify the process and to improve the supply of plots in response to changes in demand. In particular, this review could consider abolishing or clarifying the requirements for municipal council consent when transferring plots, and construction history requirements. Plot allocation rules should not unnecessarily restrict the transfer or return of plots, or favour more established players over new entrants. Further, the government of Iceland could assess whether municipalities should be required to consider competition impacts when allocating plots.

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Notes

[1] The Reykjavík Capital Area refers to Reykjavík and its bordering towns, Kópavogur, Garðabær, Seltjarnanes, Mosfellsbær and Hafnarfjörður.

[2] These laws are in large part implementations of EU directives.

[3] The task force was appointed by the Prime Minister on 4 December 2018. On January 19, 2019, the group submitted 40 proposals for action, intended to increase the supply of affordable housing, reducing the total housing and transport costs, lower construction costs and shorten construction time, promote rent protection and improve the quality data on housing.

[4] According to the Law on Roads no 80/2007.

[5] According to the Law on the Building Cost Index, Statistics Iceland shall calculate and publish the building cost index. The base of the index is decided by Statistics Iceland in consultation with the Icelandic Innovation Center. It is based on the cost of a certain "index house", which is 18 residential apartments in the Reykjavík Capital Area. Every month, a number of companies and retailers selling products and services in the construction sector submit their results of a price survey to Statistics Iceland. The index is calculated at mid-month prices and applies for a period of time from the first day of the month following the month of calculation (Hagstofa Íslands [Statiscs Iceland], 2018[20]).

[6] Detached houses, terraced houses, semi-detached house, chain houses and multi-unit houses.

[7] Six municipalities within the Reykjavík Capital Area have issued the following ordinances on street construction fee; the Ordinance on Street Construction Fee in Reykjavík municipality no 725/2007, the Ordinance on Street Construction Fee in Hafnarfjörður municipality no 242/2016, the Ordinance on Street Construction Fee in Garðabær municipality no 862/2007, the Ordinance on Street Construction Fee in Kópavogur municipality no 322/2013, the Ordinance on Street Construction Fee in Mosfellsbær municipality no 496/2017 and the Ordinance on Street Construction Fee in Seltjarnarnes municipality no 976/2019.

[8] Reykjavík, Hafnarfjörður and Kópavogur.

4 Building regulations

This chapter discusses building regulations, a key part of the regulatory framework for the construction sector. The focus is on housing, rather than industrial construction. Not only is housing important to the Icelandic economy (see Chapter 2), buying or building a home is, for many, the most significant financial investment that a person will make in their lifetime. Houses are also, especially in a cold climate such as Iceland, where people spend much of their time. This chapter, which covers restrictions in the Law on Buildings and the Building Regulations (see Section 4.1 for the regulatory framework), touches upon a vast array of issues. Not only do these regulations establish a minimum how-to guide on building a house, they also specify how to build a safe structure that is universally accessible. The regulations also lay the groundwork regarding liability, insurance, as well as energy conservation and environmental protection, both for new builds and renovations.[1] They also establish the process for obtaining building permits and the notifications framework, which applied when a building permit is not required.

Since building inspectors are key to ensuring compliance with the building regulations, the chapter first looks at the regulatory regime for qualifying as a building inspector (Section 4.2). While these requirements are onerous, we consider that they are proportional to the high degree of expertise required of building inspectors. However, there are inconsistencies in how building inspectors interpret the regulations. Section 4.2 hence suggests several options for the government of Iceland to consider to improve consistency and accountability. Section 4.3 then considers the onerous processes and requirements involved in obtaining building permits and recommends that the application process be simplified and clarified, and electronic lodgement facilitated. In addition, it recommends that building permit requirements should vary according to the type of building and the potential safety risks. The notifications framework is reviewed next (Section 4.4). Finding it to be overly onerous, given it is intended to act as a lesser burden than the building permit process, this section recommends that the government of Iceland consider abolishing the system or simplifying it significantly. Section 4.5 then considers detailed design regulations, which were found to be highly prescriptive and likely to increase costs and constrain consumer choice. Hence, it is recommended that the government of Iceland consider whether these objectives could be better achieved with performance-based regulation. Last, the chapter notes that multiple building standards are mandatory under Icelandic law. To improve compliance and reduce compliance costs, the government of Iceland could consider making mandatory Icelandic standards freely available (Section 4.6).

4.1. Regulatory framework

This chapter covers the articles in the Law on Buildings No. 160/2010 (Law on Buildings) and the Building Regulation No. 112/2012 (Building Regulation) that relate to applying for a building permit; notifications to the “building inspector”; rules for submitting designs to the building inspector, and; mandatory building standards. Technical regulations dealing with the specification of materials or safety were mostly excluded from the analysis; this includes regulations on fire safety, ramps, electricity, gas, and energy conservation.

The Law on Buildings is an act adopted by Althingi, the Icelandic Parliament. The Building Regulation is an ordinance adopted by the government to clarify the Law on Buildings and specify its meaning and objectives. The regulations also contain mandatory provisions in the form of standards, some of which are EU-standards but also Icelandic standards. Over 55 mandatory standards apply across the construction

sector (see Section 4.6).[2] In addition, to give guidance and instruction on the application of some of the more prescriptive articles, the Housing and Construction Authority (HCA) has made instructions, checklists and handbooks for both the regulated as well as the supervisory bodies.

The project team found that the Building Regulation often repeats the articles of the Law on Buildings rather than providing additional details to assist with interpretation and compliance.[3] Stakeholders have commented that the reason for this is that a non-specialist using the Building Regulations should be able to use the document as a stand-alone reference. However, this significantly lengthens an already lengthy regulation.

4.1.1. Authorities

The Ministry of Social Affairs in Iceland is responsible for administration and policymaking for all housing and construction affairs as prescribed in the Law on Buildings. The HCA assists the ministry with these duties. The HCA's duties further include, among other things, ensuring consistency in construction supervision and making instructions, guidelines and handbooks in the field, in collaboration with the municipalities and relevant stakeholders. The HCA also operates an electronic database regarding construction across Iceland, and issues building permits in a few specific instances. The municipalities also play a role in administering the relevant legislation. They can appoint a committee that discusses building permits before the building inspector reviews them. Further, the municipalities are responsible for hiring and supervising building inspectors. Building inspectors issue building permits and oversee construction in the relevant municipality.[4] In addition, other authorities are involved in relation to mandatory building standards, as discussed in Section 4.6.

4.2. Building inspectors

A building inspector is an independent person of authority hired by the municipality to work on its behalf. The municipality has supervisory obligations regarding the building inspector's duties, and so must ensure that they obey the law concerning their supervision of construction according to the Law on Buildings.[5] Building inspectors must supervise buildings that they issue building permits for, according to the Law on Buildings. The HCA supervises buildings that are exempt from the building inspector's supervision. Those buildings are the small subset of buildings that are built outside of municipalities or in security and defence areas. Hence, building inspectors are the most relevant authority for the analysis in this chapter. The building inspector needs to be accredited or alternatively the inspection of designs can be outsourced to an accredited agency.[6] The option of outsourcing to an accredited agency is, among other things, intended to allow building inspectors the option of getting more specialised supervision for especially challenging or complicated construction projects.[7]

4.2.1. Harm to competition

The process for becoming a building inspector is onerous and time consuming. The regulation stipulates that building inspectors must be licensed designers. Becoming a licenced designer requires several steps, as set out in Section 6.2.5 (Chapter 6). First, they must finish a degree in a specific field (e.g. engineering or architecture) and then receive authorisation to exercise the profession from the relevant minister. They must then work for a minimum of three years in their respective field under the supervision of a licenced designer and they then must pass an exam issued by the HCA. Prospective building inspectors then cannot start work until their hire has been notified to the HCA. Building inspectors must also have accreditation to be able to oversee design documents if this task has not been outsourced to inspection agencies that have the required accreditation and a working licence from the HCA.

However, high educational and training requirements for building inspectors are justifiable considering the vital role they play as a supervisory body according to the Building Regulations, and given their role in achieving the objectives of the overarching legislation.[8] These high educational requirements will potentially be even more important if the government of Iceland chooses to adopt performance-based regulation as recommended under Section 4.5 (Meacham, 2010[1]).

Despite the high educational and training requirements, there are still differences in how building inspectors interpret the relevant regulations, which may lead to inconsistencies in their application. There are currently 76 building inspectors working in Iceland (Mannvirkjastofnun, 2020[2]). They all interpret the Law on Buildings and the Building Regulation according to their understanding of the regulations. As yet, there is no complete centralised guidance to interpreting the legislation and the building regulation is frequently revised.[9] Understandably, this has led to inconsistencies in application between the different municipalities, an issue often raised by stakeholders during consultation. The nature of the construction industry is such that delays and different interpretations can result in increased costs as well as, in the worst-case scenario, discriminatory outcomes. The inconsistent application of regulations also risks undermining their objectives.

To ensure both consistent interpretation and sufficient qualification of building inspectors, the regulators have made accreditation mandatory.[10] However, to date, this has not been implemented. Instead, the current process appears to add an administrative burden for building inspectors without guaranteeing a shared understanding and application of the Building Regulation.

Additional measures have been put in place to encourage harmonised building inspections. In particular, we understand that inspection manuals for construction have been published with specific guidance about design document review and site inspections. However, these resources are only digitally available for municipalities using the HCA's online Construction Portal (Byggingargátt), and we understand that several municipalities do not (as described in Section 4.3 below). At the same time, designers and building managers have been granted the ability to conduct self-inspections for certain simple designs and construction projects. Nonetheless, stakeholders continue to report concerns about inconsistencies for those projects that still require building inspections.

4.2.2. Recommendations

To address inconsistencies of interpretation between building inspectors and establish a more consistent understanding and application of the building legislation, the government of Iceland should consider the following options or a combination of them:

- continuous training of building inspectors
- making inspection manuals available to all inspectors, and considering supplementing these resources with additional guidelines, instructions or handbooks[11]
- transparency mechanisms and clear appeals processes to ensure accountability of building inspectors.

Ensuring consistent application of the regulations can provide greater market certainty and accountability. This, in turn, can make it more feasible for new investors to invest in construction.

Continuous education of building inspectors is also an extremely important part of a performance-based regulatory system that requires a high level of competency for reviewers (Meacham, 2010[1]). Continuous education can likewise help the building inspectors to keep abreast of the frequent changes to the Building Regulation and underpin the subjectivity that they must apply in their decisions.

Clear, accessible guidance and transparency of inspection and application processes keep all involved more accountable for their actions (The World Bank, 2019[3]).

4.3. Building permits

4.3.1. Regulatory requirements

The Law on Buildings requires that to start construction for a building, digging for a building foundation, making changes to a building, changing the structure of a building, changing the plumbing, moving or demolishing a building, one needs to obtain a building permit.[12] According to the Law on Buildings, a building is any grounded human-made build, such as houses, other structures or shelters, power plants, geothermal systems, sewerage collection constructions, bridges in urban areas, and large signs. Buildings are also considered to encompass temporary dwellings meant to house persons for at least four months.[13] A building permit is a written authorisation from the permit issuer. At the municipality's discretion, the building permit may have been discussed by a municipality-appointed committee before being reviewed by the permit issuer. The permit issuer is either a building inspector or the HCA. The focus in this project is on permits issued by building inspectors, as other permits are outside the scope of the project. There are some exemptions to the building permit requirement for smaller construction projects, but many of these still need to be notified to the permit issuer (notifications are discussed in the next section).[14]

Receiving a building permit is a regulatory challenge. According to the regulation, before applying for a permit, the applicant must hire at least one designer that is licenced to make main designs[15], a building manager and four master tradespeople. If the permit is for the construction of a house, the applicant has to employ designers with four further special design licenses.[16] Building a house is a significant undertaking, but even for smaller projects, such as changing the ducting of a flat, one would still need to hire at least six licensed professionals to receive the required building permit.[17]

The HCA has introduced an online Construction Portal (Byggingargátt), which has been operation for approximately two years. This portal allows owners and designers to submit building permit applications and all design documents electronically. However, the implementation of the portal is at the discretion of each municipality, and we understand that several municipalities have not yet incorporated the Portal into their own document management system. Thus, we understand that the process remains lengthy and onerous in terms of administrative burden.

The application for a permit must include all the relevant designs and reports, on paper if required by the building inspector;[18] information on who is the managing designer, building manager, master electrician, master mason, master carpenter and master plumber; written consent of co-owners or others, as needed; as well as any other information that the "building inspector deems necessary". A written liability declaration from the building manager and masters of trade as well as documentation in the database of the HCA of their respective quality control systems is also required. Finally, the building inspector needs to receive an overview from the managing designer on the internal control for the project and a signed report on the responsibility of every other licensed designer. The building permit will then not be issued unless the applicant has paid the building permit fees and other requisite fees unless the due date of said fees is not until after the building permit has been issued.

4.3.2. Harm to competition

The requirement to engage multiple licenced professionals before even applying for a building permit, and irrespective of the type of work to be done, imposes a high administrative burden and added cost, especially for smaller jobs. Having to hire so many licenced professionals, (a licenced designer, four master tradespeople and a licenced building manager) so early in the construction process can be taxing for the applicant. Further, because there is no set timeframe regarding how long it will take to process the application, optional discretionary parts that could increase said timeframe, and no certainty of getting a permit, there is much uncertainty around the terms under which to hire the licenced professionals, especially the master tradespeople. Stakeholders have also commented that there is a shortage of

licenced tradespeople in some of the required fields, which can further delay an application. Stakeholders have further noted that because of the wide range of construction projects that require a building permit, in some cases there is no need for all the required master tradespeople. For example, an applicant wishing to make changes to a load-bearing wall without any electricity would still be required to hire a master electrician just to apply for a building permit. Having the same requirements across a wide range of different types of buildings and construction jobs results in a disproportionate burden for smaller projects in particular. The need to hand in a declaration of liability for these professionals is also an administrative burden.

These requirements to hire multiple licenced professionals are not mirrored in the Nordic Countries. The Swedish building regulations do not, for example, require that designs are made by a certified architect or designer, the same goes for Denmark.[19,20] In Norway, the requirements are more project-specific.[21] There is, for instance, a possibility for self-builders ("selvbygger"), where those building for personal use take responsibility for the construction without needing to fulfil all the same requirements as someone who was building in a professional capacity.[22]

There are also a number of provisions in relation to applying for a building permit that raise administrative burdens and/or create legal uncertainty. First, the inconsistent implementation of the Construction Portal and the ability for building inspectors to request paper copies of designs can unnecessarily add costs. The building inspector must inspect and sign all the main designs. This is considered appropriate to the policy objective of ensuring adequate safety. However, because the building inspector can choose whether to request all designs on paper, this can still impose an excessive administrative burden. This may be especially problematic where the building inspector makes changes to the designs requiring them to be printed multiple times. If paper designs have to go back and forth numerous times, this could result in unnecessary time delays as well as cost. This is something that could easily be avoided with electronic administration.[23] Second, under Article 2.4.1., paragraph 1(d), building inspectors are authorised to request any information that they deem necessary for the application of the building permit. The article does not offer a complete list of information that might be required but it mentions possibilities such as comments from the fire brigade or other supervisory bodies. Obtaining such information can be very time consuming and, because of the vague wording, it is challenging to anticipate such information beforehand.

4.3.3. Recommendations

The government of Iceland should simplify and clarify the application process for building permits. There should be defined timeframes and it should be clear which requirements need to be fulfilled. As Iceland is one of the most digitalised countries in the world,[24] applicants should be able to hand in all documentation digitally, which could achieved for example through the uniform adoption of the HCA's Construction Portal (without additional or duplicative submission mechanisms) by all municipalities. Digital registration could also apply for the liability declarations for professionals.

The requirements associated with building permits should be risk-based according to the type of building and planned construction job. To achieve this, the government of Iceland should classify buildings based on factors such as their usage, complexity in construction, size and societal importance.[25] The government of Iceland should then vary the application process for building permits to reflect this classification, and the type of construction project to be undertaken. Alternatively, or in addition, smaller, less complicated projects could go through a fast track process.

These measures could ease both the application process and cost, as well as enforcement costs. Further, these changes could lead to more stability and predictability in the market, as well as easier access for new entrants to the construction market, especially smaller operators and owner-builders.

4.4. Construction notifications

4.4.1. Regulatory requirements

The articles describing when a building permit is necessary imply that almost all types of construction require a building permit. However, there is an article in the Law on Buildings allowing the minister to make some exemptions. The minister has made a number of exemptions for simpler projects. These exemptions are listed in the Building Regulation and fall into three categories:

- construction and changes that do not need any notification or permission
- construction and alterations that require permission from neighbours (or other owners, for example, in apartment buildings)
- construction or changes that need to be notified to the building inspector.

The following sections focus on the third category of exemptions; those that require notification to the building inspector, since the first two categories of exemptions are relatively straightforward and do not raise specific competition issues.

4.4.2. Harm to competition

According to the official policy objective of the Law on Buildings, the purpose of the law is to allow the minister to exempt some types of construction and changes to buildings from requiring a building permit, to provide a more straightforward and faster process in these circumstances, while still securing the safety of the general public.[26]

Stakeholders have indicated that the policy objective has not been achieved. They argue that the notification process is complicated and unclear, and that notifications are required even for straightforward projects. For instance, according to the Building Regulation, one would have to notify changes to kitchen cabinetry and minor changes to the outside of a house. Other construction jobs that require notification are more proportional to the policy objective[27] but the notification procedure itself is in reality just a different type of permit. The wording of the regulation makes it clear that one cannot start any work that needs notification without notifying first. The notification procedure then prohibits the notifying party from beginning construction until they have received consent from the building inspector. This goes against the policy objective of not needing a building permit for the exempted constructions, changes and alterations.

The notification procedure requires the notifying party to hire licensed designers to prepare statements, arguments and other relevant designs and information to demonstrate that the project does not require a building permit or go against the development plans. Needing to hire licenced designers for projects like changing kitchen cabinetry or making minor changes to the outside of housing can be very expensive and time consuming for the notifying party. For example, stakeholders have commented that for the smallest changes that need to be notified, one would have to hire one licenced designer to work for a minimum of 8-16 hours (that would include communications with the building inspector). As the hourly rate for licenced designers ranges from ISK 15 000 to ISK 25 000 (EUR 109-182), the final cost would be at least ISK 120 000 (EUR 873) for the designer work alone. Stakeholders have further commented that because of these costly and rigorous requirements, that there is little to no compliance from project owners and negligible enforcement of these articles.

Further, the timeframes for notification are somewhat unclear and create uncertainty. The article explains that the building inspector can request 20 extra days in addition to the 20 days allowed to examine the information provided by the notifying party. The wording is, however, not clear on what happens if the building inspector does not give consent or rejects the notified project. This, combined with the fact that the notifying party is not allowed to start construction until after the building inspector approves the project, leads to additional uncertainty.

4.4.3. Recommendations

The requirement for construction notifications in cases exempt from building permits should be abolished, or if the legislator deems it necessary for safety reasons, then the procedure should be simplified:

- Notifying parties should be able to notify online, and it should also be possible to hand in the necessary documentation online.
- There should be a strict timeframe for the building inspector to comment on the notified project.
- If the notifying party has not received comments within said timeframe, then they should be able to assume that their project has been accepted.
- When and which professionals are needed should also be clarified and should vary according to the type of project.

This would result in less legal uncertainty and more stability in the market. Simplifying the procedure would also mean that project owners would be more likely to notify their projects which in turn would secure the underlying policy objective of ensuring the safety of the construction in question, without having to incur substantial compliance and enforcement costs.

4.5. Detailed design requirements and universal design

4.5.1. Regulatory requirements

The Building Regulations include highly detailed requirements for housing construction, design and materials. This includes, but is not limited to: the order of rooms in a house or flat; how large windows should be, and; a requirement that houses should be built in an "aesthetically pleasing way".[28] The universal design requirement, which aims to ensure safety and access for all, regardless of disabilities, is a basis for further detailed prescriptions in the regulation.[29]

One of the policy objectives in the Law on Buildings is that access and use of buildings should be secured for everyone, regardless of disability and even in unusual circumstances (e.g. if there is a fire in the building).[30] There is no official recital for the Building Regulation. However, as it is an ordinance aimed to clarify and specify what is established in the Law on Buildings, our understanding is that the policy objective is the same. Iceland has also ratified the United Nations Convention on the Rights of Persons with Disabilities as well as the Nordic Charter on Universal Design (Nordic Council of Ministers, 2018[4]). The convention and the charter both aim to ensure, among other things, access and use of buildings and other constructions for disabled persons.

4.5.2. Harm to competition

Regulations should be clear and easy for the reader to understand and act upon. In drafting regulations, there is a balance to be struck between providing sufficient guidance and limiting choice and innovation in how the objectives of the regulation can be met. In this respect, stakeholders raised concerns that parts of the Building Regulation are so prescriptive as to limit consumer choice in how to achieve the intended outcome. In particular, Part 6 of the Building Regulation sets out rules regarding access inside and around buildings as well as their internal organisation. Many of these requirements are written in a very detailed and prescriptive way. This means that the persons or firms who need to adhere to the regulation have limited or no choice when building, modifying or changing a house. Strict prescriptive regulations can also counteract the policy objective of access for everyone by limiting the options that disabled persons might have to design their own homes in a way that suits their particular circumstances.

Further, according to stakeholders, the detailed and limiting wording of some of the articles in the Building Regulation increases the costs of construction and makes it challenging to design cheaper housing. One

example is Article 6.7.4, paragraph 1 (a-d) of the Building Regulation. This article dictates that a new basement apartment can only be built if one of the walls of the apartment is not submerged and faces south, southwest, southeast or west and the adjacent room to that wall must then be the living room. Stakeholders claim that this article minimises their chances of having basement apartments in buildings, as it requires specific types of plots in order to meet these requirements. There a numerous other examples for the rules relating to universal design (see Box 4.1).

This legislation imposes uniform, detailed and stringent rules that are not necessary for achieving their stated purpose.[31] Not only can such rules raise costs and hinder choice, overly technical rules can also increase the risk of non-compliance (OECD, 2000, p. 16[5]). This can lead to inequality between different players in the market where the ones that comply bear a higher regulatory burden than those who do not. In extreme cases, prescriptive legislation has been found to invite evasion and creative adaptation of the rules, where less honest players take advantage of possible loopholes for their benefit (OECD, 2000, p. 17[5]).

Performance-based regulation offers an alternative approach. Performance-based regulation is descriptive regulation that specifies the required outcomes rather than prescribing how to reach those outcomes. In respect of the universal design principles, the Swedish, Danish and Norwegian building regulations have all attempted to solve the same policy objective as the Building Regulation, but have done so through performance-based regulation.[32] This approach is further supported with guidelines and instructions that outline various ways for the regulations to be met (Frits Meijer, 2010[6]). This approach gives individuals and firms more options to choose from and more ways to be innovative.

Conforming to the Building Regulation, the HCA has issued instructions to explain some of the provisions of the regulation. The objective being that the instructions should make compliance with the regulation easier. Currently, these instructions are listed separately from the regulation on the HCA's web page and give a widely varying degree of information.[33] The instructions should be easily accessible and easy to find when in need of further explanation (The World Bank, 2019[3]). In both Denmark and Sweden, the guidelines for the regulation are listed alongside the building regulations.[34,35]

Box 4.1. Prescriptive articles regarding Universal Design

To fulfil the policy objective of accessible housing for all, the building regulations have several articles describing the qualities required of designs so that they secure this objective. Some of the articles are overly prescriptive. An example of such an article is Article 6.4.2 of the Building Regulation. The wording of the article is:

> *Exterior doors shall require no more force to open than 25N on the handle and no more than 40N on the door. If the building requires universal design, then there must be a horizontal landing in front of all doors 1.5m x 1.5m unless the traffic is heavy then 1.8m x 1.8m. There shall be automatic opening switches no further away than 0.5 m from the keyhole of the door and shall be at around 1m high. There shall be at least 0.5m of operating space on the keyhole side of doors, and the threshold shall be no higher than 25mm. The floor of balconies and veranda can be no lower than 100mm that of the flooring of the building and there shall be a bevel to the threshold.*

This article contains very detailed requirements for how doors and doorways should be designed. While such an approach may meet the policy objectives, it limits choice, it may increase costs, and it may be quite onerous to enforce. In contrast, performance-based regulations are more likely to meet the objectives without disproportionately limiting choice or increasing costs.

Such an approach is used in the Swedish Building Regulation, where the wording of the corresponding article is:

> *Accessible and usable doors and gates shall be designed to ensure they can be easily opened by people with limited mobility. Handles, control devices and locks shall be located and designed to ensure they can be used both by people with limited mobility and people with limited orientation capacity.*

To counter the open wording of the article in the Swedish regulation, there are very detailed general recommendations. The users of the regulations can use these guidelines to understand what is expected and needed for door and gate design to ensure the policy objective while it still allows for innovation and consumer choice.

Source: The Swedish National Board of Housing, Building and Planning (Boverket) (2019[7]).

4.5.3. Recommendations

It is recommended that the government of Iceland consider whether the objectives underlying the current detailed design requirements may be better achieved with performance-based regulation rather than prescriptive requirements that limit the ways in which the relevant outcomes are achieved.

Performance-based regulations give individuals and firms options of how they comply with the law, allowing them to identify the best solution for them and their circumstances. Performance-based regulations also promote innovation and adoption of new technology, which would benefit the intended policy objective. Well-written performance-based regulations can also simplify and clarify requirements as they can be written in terms of the underlying objectives rather than in large amounts of detailed, prescriptive standards (OECD, 2002, p. 135[8]).

One risk of performance-based regulations is that they can be vague and ambiguous. Those required to follow the regulation need to be able to develop and implement ways to comply with the regulation based on a clear understanding of the objectives and standards of the regulation. Published guidelines can facilitate compliance by providing a method to comply and certainty of compliance while allowing innovative individuals and firms a chance to take a different approach. Policymakers and regulators need to have a

clear understanding of the capabilities and qualities of the regulated group when developing guidelines and safe harbours (OECD, 2002, pp. 135-136[8]).

4.6. Standards

A standard is a document that provides rules, guidelines or characteristics for activities, or their result, for common and repeated use (ISO, n.d.[9]). They are usually established by consensus, and approved by a recognised body. The issue of standards is relevant to the construction industry in Iceland since there are a number of mandatory standards that are referenced in the various legal instruments that apply to the sector. The various levels of standards that operate in the sector, as well as the relevant governing bodies, are discussed below. Following that, the costs imposed by requiring market participants to purchase mandatory standards are discussed insofar as this is an administrative burden that may raise costs in the sector.

4.6.1. European standards

A European standard is one that has been adopted by one of the three recognised European standardisation organisations, i.e. the European Committee for Standardization (CEN), the European Committee for Electro technical Standardization (CENELEC) and the European Telecommunications Standards Institute (ETSI). These organisations set standards for products, services or systems. Following a proposal by an interested party and acceptance by the respective European body, a European standard is developed by experts and, after consultation at the national level, is published in the Official Journal of the EU.

Some European standards are harmonised. This means that they are developed and adopted by standardisation mandates. European standards developed in response to a mandate are referred to as harmonised European Standards. As discussed in Section 4.2, a number of harmonised European Standards apply to construction products, and these underpin the EU Construction Products Regulation. In contrast, European Standards that have not been harmonised may be applied by EEA member states, but are not compulsory.

4.6.2. National standards

According to Article 3 of Law no. 36/2003 on Standards, standards are generally not legally binding unless they are referred to in the relevant legislation (Parliament, 2003[10]). However, numerous standards are referred to in the Building Regulation and other legislation in the construction sector, which makes them legally binding.

Icelandic Standards (IST) is the national standards body of Iceland. It is an independent association whose role by law is the publication of Icelandic standards and the representation of Iceland in international and regional standards bodies along with services to the Icelandic market, including businesses, the Icelandic Government, the educational sector and consumers. IST is a member of CEN, CENELEC and ETSI, and the International Organization for Standardization (ISO). IST is partially funded through a service agreement with the Icelandic government, partially through direct sales of standards, and partially through special funding of projects. At present, all standards that apply to the construction sector have to be bought directly from IST, and they are sold under the condition that the buyer may only use, save and print the standard for use at one's workstation.

Between 2000 and 3000 standards are published on average each year in Iceland, but very few of them have been made for Iceland or translated into Icelandic. As of now, only 120 standards have been made in Iceland that are purely Icelandic. The rest, around 23 000, originated outside of Iceland but have been confirmed as Icelandic standards. The number of translated standards, taking all standards under IST into

account, is now around 60. Standards are only translated if buyers are willing to fund the translation. Therefore, only the standards that are in significant use have been translated, such as the ISO 9001 Quality Control Systems; ISO 55001 Asset Management System, and; ISO/IEC 27001 Information Technology, to mention a few.

4.6.3. Harm to competition

The requirement that construction operators must purchase the rules that they are legally obligated to abide raises costs and may reduce regulatory compliance in the construction sector. Purchasing all of the legally binding standards referred to in legislation relating to the construction sector in Iceland would cost ISK 1 308 000 [EUR 9 170]. Purchasing all of the purely Icelandic standards that are mandatory would cost ISK 121 000 [EUR 848]. All operators covered by these requirements must bear this cost, which is likely to be particularly burdensome for smaller operators.

Further, when the Icelandic legislator has referred to standards in domestic laws and regulations, the standards are given a certain legal status. Everyone is obliged to build according to these many different standards, yet they are not freely available. According to the Rule of law[36], the law should be publicly available. Laws, including mandatory standards, are intended to guide conduct and that is undermined if they are not freely available to the public. The Rule of Law requirements of transparency and accessibility have an additional significance: they require that citizens be aware of what is required of them and of any basis on which they are liable to be held to account (Waldron, 2016[11]). While building standards are not freely accessible to the public in many countries, such standards are in many cases not mandatory but considered best practice. Where standards are mandatory, arguably there is a case for making those standards freely available to all.

There are international examples of mandatory standards being made available for free through government funding. For example, the standard ÍST 85:2012 was made freely accessible for all via a contract between the Ministry of Welfare[37] and IST. That standard is freely available on the internet and if people want a hard copy they only pay for the costs of printing it. Another example of building standards being made available for free comes from New Zealand, which is one of the reference countries. The Ministry of Business Innovation and Employment (MBIE) in New Zealand funded the cost of the standards, partnering with Standards New Zealand, which had a mandate to work with the regulator and the industry to make more standards freely available to the public and enable better access, increasing the wellbeing of New Zealanders (Standards New Zealand, 2019[12]). In December 2017, MBIE also funded five building standards in order to increase the usage of standards and to remove financial barriers to compliance with the Building Code of New Zealand. This initiative makes New Zealand a leader among the few countries offering free access to building standards (Building Performance, 2019[13]). Such measures were put in place in response to concerns of building practitioners in New Zealand that the cost of standards could be a barrier to applying best practice (Building Performance, 2019[13]). As soon as the MBIE made five building standards available free of charge, there were 15 000 downloads in the first 18 months (Building Performance, 2019[13]). Further, according to information from the Swedish National Board of Housing, Building and Planning (Boverket), the Swedish versions of the Eurocodes are free and publicly available. Furthermore, the Swedish Building Regulation refers to some standards in the form of general advice, and these are not mandatory.

There are also examples from the United Kingdom. The British Standards Institution (BSI), that performs the National Standards Body (NSB) activity in the UK, has also published many building standards for free. An example is BIM ISO 19650, a standard made free for download due to sponsorship from the Department of Business, Energy & Industrial Strategy (BEIS) and the Building Information Modelling. Other standards have been made public and free, usually due to their social necessity, such as PAS 91:2013+A1:2017 on Construction Prequalification Questionnaires, PAS 2050:2011 on Carbon Footprint, PAS 440 on Responsible Innovation and PAS 1180 on Guidelines for developing and assessing control systems for

automated vehicles. Following the Covid-19 outbreak, BSI has worked with international standards organisations to make 12 standards accessible for the purposes of organisations that are involved in the UK Covid-19 response, relating to resilience of businesses, risk management, management and more (British Standards Institution, 2020[14]).

4.6.4. Recommendation

The government of Iceland should consider the merits of making all mandatory Icelandic standards relating to the construction sector freely available. This could potentially improve compliance and reduce administrative burdens in the sector.

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Notes

[1] The official recital for the Law on Buildings No. 160/2010 explains the wide scope of the law and the protective objective of it and the derivative legislation.

[2] The analysis of these provisions will be in a later chapter.

[3] See for example article 19. par. 1 in Law on Buildings No. 160/2010 and Article 3.2.1 par. 1 in the Building Regulation No. 112/2012

[4] Articles 4 to and including 8 in Law on Buildings No. 160/2010

[5] See article 7 of the Law on Buildings No. 160/2010

[6] The Icelandic Patent Office is in charge of accreditations according to law No. 24/2006.

[7] Article 3.3.1 in the Building Regulation No. 112/2012

[8] Article 2.8.1 in the Building Regulation No. 112/2012

[9] Since the Building Regulation No. 112/2012 was issued in December 2012, it has been revised eight times.

[10] Article 19. par. 1 in Law on Buildings No. 160/2010 and Article 3.2.1 par. 1 in the Building Regulation No. 112/2012

[11] Simple and open access to the relevant regulations can enhance accountability both for private and public sectors. (The World Bank, 2019[3])

[12] Article 13. in Law on Buildings No. 160/2010

[13] Article 3. par.1 (12) in Law on Buildings No. 160/2010

[14] Article 2.3.5 in the Building Regulation No. 112/2012

[15] To become a licenced designer that is allowed to design main designs one has to be either an aricitect or a constructin architect

[16] The designers need to have the following licencing; for main designs, bearing capacity design, electricity design and ventilation design. One designer could have all of the licences but more commonly, only one or a combination of two.

[17] A ducting designer, a master mason, a master plumber, a building manager, a master carpenter and a master

[18] In 2018 the requirements for building permit applications were lessened. Before that time all designs, both main and special designs, needed to be signed by the permit issuer before a building permit could be issued. After the provision was amended, only the main designs had to be inspected by the permit issuer before the building permit could be granted. The official recital stated that this is meant to simplify the process of applying for a building permit while still securing the safety requirements. See official recital for changes to Law on Buildings Number 160/2010 https://www.althingi.is/altext/148/s/0259.html

[19] See the Swedish Building Regulations: https://www.boverket.se/contentassets/a9a584aa0e564c8998d079d752f6b76d/konsoliderad_bbr_2011-6.pdf and in Denmark there is only a requirement to have certified construction engineers when the building falls under certain categories. https://bygningsreglementet.dk/Administrative-bestemmelser/Krav/7_19

[20] According to staff at Boverket, the National Board of Housing, Building and Planning in Sweden, there are no requirements or qualifictions made by municipalites in order to sign off drawings for building permits and designs and drawings are usually signed by the person in charge of the construction or responsible for its making.

[21] See instructions from the Norwegian Building Authority https://dibk.no/verktoy-og-veivisere/atte-steg-fra-ide-til-ferdig-soknad/

[22] See Article 6-8 in the Norwegian building regulation https://dibk.no/byggeregler/sak/2/6/6-8/

[23] According to Eurostat, 99% of Icelanders are regular internet users. The Icelandic society is therefore already digitally inclusive. https://ec.europa.eu/eurostat/databrowser/view/tin00028/default/table?lang=en

[24] According to Eurostat, 99% of Icelanders are regular internet users. The Icelandic society is therefore already digitally inclusive. https://ec.europa.eu/eurostat/databrowser/view/tin00028/default/table?lang=en

[25] This type of categorisation is used in Finland. According to staff at the Finnish Ministry of Environment, the municipal building supervision authority determines a difficulty class for each construction project according to the Land Use and Building Act and the Government Decree on the determination of difficulty classes of building design tasks. These classes are minor, conventional, difficult and exceptionally difficult. The Finnish Ministry of Environment has published guidelines on these difficulty classes. See the unofficial translation from Finnish of the Government Degree: https://www.ym.fi/download/noname/%7BDD73F987-65B8-424E-A4D0-68E8BE00A2E0%7D/124801 and the Guidelines: https://www.ym.fi/download/noname/%7B6FAD37FC-9022-454E-948C-FC9CB984159C%7D/124805

[26] See discussion regarding article 9 in the bill that became the Law on Buildings No 160/2010. https://www.althingi.is/altext/139/s/0082.html

[27] I.e. building a garage or an extension to a house that is up to 40 m^2.

[28] See, respectively, article 6.7.1. par. 4, article 6.7.2. par 3 and article 6.2.1 in the Building regulation Number 112/2012

[29] Article 1. par. 1 (e) and article 3. par. 2 in Law on Buildings No. 160/2010

[30] Article 1. par. 1 (e) and article 3. par. 2 in Law on Buildings No. 160/2010

[31] There is no official policy objective for the Building Regulations. Still, the policy objective for Article 6.7.4 par. 1 (a-d) seems to be to secure that the inhabitants can enjoy as much light as possible. This article fails to achieve that as many other variables can hinder or facilitate this policy objective other than just which way the wall in question faces. E.g. the balcony for the apartment above.

[32] All of the mentioned Countries are part of the Action Plan for Nordic Co-operation on Disability 2018-2000 from the Nordic Coundicl of ministers and have also also ratified the United Nations Convention on the Rights of Persons with Disabilities (Nordic Council of Ministers, 2018[4])

[33] In some cases, the instructions add little to the article of the Building Regulation they are meant to explain further, for example, Instructions no. 6.7.4., where the article from the regulation is just listed as written, and one drawing is the only instruction. Occasionally, the instructions serve their purpose and explain very well how to execute the requirements of the article, for examples the instructions for the articles on universal design.

[34] See information on the Danish Building Regulation: https://bygningsreglementet.dk/

[35] See information on the Swedish Building Regulation: https://www.boverket.se/sv/lag--ratt/forfattningssamling/gallande/bbr---bfs-20116/

[36] The Rule of Law is a concept in jurisprudence that refers to the formal qualities that law must have in order to serve its primary purpose of affecting human conduct, such as being public and accessible.

5 Building materials, facilities and equipment

Regulations associated with building materials, facilities and equipment can affect competition in the construction sector in Iceland. In particular, they can increase costs and administrative burdens, and reduce choice, in certain input markets to the construction sector. The purpose of this chapter is to identify areas in which changes to existing regulations in these sub-sectors could improve competition, and hence, reduce costs and improve consumer choice in the sector. The chapter starts with an overview of the regulatory framework (Section 5.1) before going into the substantive issues.

In respect of building materials, the chapter looks at the impacts of: i) Iceland's adoption of the European Construction Products Regulation (CPR) (Section 5.2), and; ii) transport subsidies (Section 5.3). Regarding the CPR, while the objectives are clear and justified, the way that the some provisions of the CPR have been transposed in Iceland are overbroad and impose greater compliance costs than necessary. Hence, the chapter recommends that the government of Iceland make changes to this legislation to bring it in line with the CPR. Regarding transport subsidies, manufactures in rural parts of Iceland can apply for subsidies to cover higher transport costs, which can distort competition in this sub-sector. It is recommended that the Icelandic government consider alternatives to achieve the underlying objective in a way that does not distort competition.

There are a number of registration, inspection and licensing requirements that apply to certain facilities and equipment in the construction sector (Section 5.4). Some of the inspection requirements (for example, for smaller and non-safety critical parts and equipment) do not seem proportional to the safety risks, and the government of Iceland should consider removing these requirements. There are also a number of qualification and supervision requirements for inspection authorities in this sub-sector, which the government of Iceland should review or remove. Further, licensing procedures are unclear and involve multiple agencies. The government of Iceland should make amendments so that these approvals can be provided in a "one-stop shop" to reduce administrative burden and uncertainty. Regarding requirements to hold a driver's licence before obtaining a machine operating licence, the government of Iceland should consider removing this requirement for machines that will not travel by road. Further, the government of Iceland should remove a series of prescriptive requirements regarding tractors, which currently unduly restrict innovation and consumer choice. Last, the project team found a number of obsolete and outdated regulations. The government of Iceland should revise or revoke these (Section 5.5).

5.1. Regulatory framework

For the purpose of this chapter, building materials include all materials and products needed for housing construction that are manufactured in Iceland, excluding fixtures and fittings. Iceland is not a mass producer of construction products because of the small size and geographic position of the country, and almost all products used in construction are imported.[1] Nonetheless, some brands of fire doors, windows, fixtures and cabinets, handrails, modular units and pre-fabricated housing units, among other things, are made in Iceland. Other examples of materials manufactured in Iceland are Styrofoam, mineral wool for

insulation of buildings, concrete and glass. Properties of these materials (weight, bulk or fragility) make imports unprofitable since they can easily be manufactured in Iceland. In addition, the chapter considers regulations relating to building facilities and equipment including health and safety requirements, and licencing requirements for operating certain types of vehicles and other machinery.

Due to the fact that Iceland does not manufacture a great volume or range of construction products or building materials, there are only a few relevant laws or regulations. The main law is a general law on all construction products (Framework Law no. 114/2014). The law is partially a transposition of the Construction Products Regulation no. 305/2011 of the European Parliament and the Council (CPR), which lays down harmonised conditions for the trade and marketing of construction products across the European Economic Area (EEA).[2] EU regulation is outside of the scope of the project, except to the extent that the Icelandic transposition and implementation harms competition (see Section 5.2). Further specific regulations on certain building materials or construction products are rare. Timber and timber products are regulated by Law no. 95/2016 and Regulation no. 823/2016 on Timber and Timber Products, though no particular competition issues were found in these regulations. However, a number of outdated regulations were uncovered, as discussed in Section 5.5.

The transport of building materials falls within the same legislative framework as passenger transport (Law no. 28/2017 on Passenger Transport and Cargo Transport by Land, also discussed in Chapter 8 on transport related to tourism), in addition to more specific regulations regarding certain types of vehicles, and provisions on licences. Environmental provisions that apply in this sector mostly incorporate EU legislation; therefore, we made no recommendations in relation to these provisions.

Reflecting the broad scope of the regulation, many separate authorities are involved in regulating the sector. Several ministries have a role, including: the Prime Minister's Office; the Ministry for the Environment and Natural Resources; the Ministry of Education, Science and Culture; the Ministry of Finance and Economic Affairs; the Ministry of Health; the Ministry of Industries and Innovation; the Ministry of Social Affairs and finally; the Ministry of Transport and Local Government. Furthermore, there are several regulatory bodies that issue authorisations and licences in the sector, including: the Housing and Construction Authority (HCA); the Environmental Agency; the Administration of Occupational Safety and Health (AOSH); the Transport Authority; the District Commissioner, and; the Fire Brigade.

5.2. Quality of construction products

This section considers the quality control requirements that apply to construction products manufactured in Iceland. Such requirements are transposed from relevant EU legislation, and allow compliant building materials/products to be sold across the EEA under the "CE" marking (Conformité Européenne in French). While the scope of this project does not extend to the content of EU legislation, the way that the regulation has been transposed and implemented in Iceland raises some concerns, as discussed below.

5.2.1. Regulatory framework

Building materials and products that are manufactured in Iceland have to fulfil the requirements set by the CPR and Law no. 114/2014 on Construction Products, which transposes the CPR regulations into domestic legislation. According to the CPR (European Union Law, 2011[1]):

> *This Regulation lays down conditions for the placing or making available on the market of construction products by establishing harmonised rules on how to express the performance of construction products in relation to their essential characteristics and on the use of CE marking on those products.*

The main objective of the CPR is to facilitate the consolidation of the EEA for construction products with, *inter alia*, simplification and clarification, and to increase the credibility of the legislative framework for construction products (Tobe Nwaogu, 2015[2]).

The Declaration of Performance (DoP) is key to achieving the objectives of the CPR by providing the necessary transparency to facilitate the free flow of construction products within the EEA. In particular, the DoP sets out information on the performance of construction products encompassing: mechanical resistance and stability; fire safety; hygiene, health and environment; safety and accessibility; noise protection; energy use, heat retention, and; sustainable use of natural resources (Caballero González, 2017[3]).

Harmonised European standards, which are adopted via standardisation mandates, provide a technical basis to assess the performance of construction products. There are around 400 such standards, covering a broad range of construction products (Tobe Nwaogu, 2015[2]). They enable manufacturers to draw up the DoP and affix the CE marking. The CE marking then signifies that the construction product is consistent with the data provided in the relevant DoP, has been assessed according to the relevant standard, and can be legally placed on the market of member states of the EEA (EURALARM, 2015[4]; European Commission, n.d.[5]; UK National Standards Body (BSI), 2012[6]).

5.2.2. Harm to competition

The scope of this project does not extend to assessing or recommending changes to transposed EU law; therefore, the focus of this section is on the incorrect transposition of the provision, and its implementation.

The Icelandic legislation has a broader scope than the EU CPR, which creates legal uncertainty and unnecessary administrative burden. According to EU 35/2011 if a construction product is not covered by harmonised European standards, the manufacturer is not allowed to obtain a DoP. However, according to Chapter III of the Icelandic legislation, it is mandatory to obtain a DoP, even though that chapter deals with construction products that no harmonised standards cover and the product cannot get a CE label. This is not in accordance with EU law and creates legal uncertainty for operators in the market. The HCA have raised this issue with the Ministry of Industries and Innovation and the HCA are not enforcing this legislation due to this problem of transposition. Further, the article is written vaguely, which creates further legal uncertainty. This could potentially deter investors and thereby reduce or prevent new entry into the sector, thereby restricting supply and diminishing competition in the sector. In addition, when manufacturers are required to obtain an unnecessary DoP, which is very costly, it can raise costs, which could ultimately lead to fewer operators in the market. Furthermore, the legislation incorrectly uses the concept DoP, for example in article 13 of the law. There needs to be a distinction between DoP and general information on the usability or performance of the product.

There are a number of examples where countries have transposed the CPR into domestic legislation more precisely, including in Sweden and Denmark. In these countries, it is mandatory for manufacturers to obtain the DoP in order to get the CE label for only those construction products covered by the harmonised European standards, but not for other construction products (National Board of Housing, Building and Planning, 2019[7]; Danish Transport, Construction and Housing Authority, n.d.[8]). Further, in these countries, the legislation is supported with additional information for market participants. For example, MSA Construction Denmark maintains a website that provides information about the rules for the CE marking, which also provides a question-and-answer service (Danish Transport, Construction and Housing Authority, n.d.[8]). In addition, it has held numerous information campaigns and it collaborates with Danish Standards to ensure continuous information flow in the area of CE marking (Tobe Nwaogu, 2015[2]). Similarly, in 2013, prior to the CPR entering into force, Sweden had a mass information campaign on the CPR that was aimed at manufacturers, but also importers, distributors and consumers (Tobe Nwaogu, 2015[2]).

Compliance costs for the CPR are especially high in Iceland given there is a lack of domestic testing infrastructure, requiring manufacturers to send their products overseas for compliance testing. In particular, none of the official notified inspection bodies under the CPR are located in Iceland.[3] This compares, for example, with some 119 bodies in Germany, six in Sweden, eight in Norway, and ten in Denmark (Tobe Nwaogu, 2015[2]). In practice, construction products manufactured in Iceland do not always meet all the requirements set by law given the high compliance costs and difficulties in enforcing the requirements given the same lack of domestic testing infrastructure. The HCA is aware of these issues, and it is working on developing solutions to these problems. Notwithstanding this, given the small size of the Icelandic construction product market, and the relatively low safety risks of many of the products produced in Iceland, simplified procedures for non-safety critical products could be implemented to reduce compliance costs. Such an approach has been applied in the United Kingdom (UK National Standards Body (BSI), 2012[6]).

5.2.3. Recommendations

The government of Iceland should amend Law no. 114/2014 (i.e. Iceland's transposition of the EU CPR requirements) to bring it in line with the CPR requirements under EU law. That is, the CPR requirements on DoP should only apply to construction products covered by harmonised European standards. There needs to be distinction between general information on the usability of the product and formal DoP of the product.

In amending Law no. 114/2014, the government of Iceland could consider including certain exemptions for construction products that are not safety critical.

5.3. Transport subsidies

Subsidies are a direct or indirect payment to businesses or individuals, often in the form of cash payments from the government or targeted tax benefits. In certain circumstances, subsidies can offset market failures caused by externalities to improve economic efficiency. However, in other circumstances, subsidies can distort competition, especially where they do not address externalities. Even if subsidies are created with good intentions in mind, in some circumstances they can have a negative long-term effect on the market (Cappelow, 2020[9]). This chapter looks at government subsidies for regional manufacturers that are intended to address the increased transport costs associated with holding regional premises. Such provisions intend to support development in regional areas outside of the capital.

5.3.1. Regulatory framework

According to Law no. 160/2011 on Regional Transport Aid (Article 5, paragraph 1), subsidies are available for manufacturers that are situated far from domestic markets or ports, given that the high transportation costs they will need to incur may make them less competitive. The objective of this Act, found in Article 1, is to support the manufacturing industry and employment development in the countryside by offsetting the transport cost of producers located far from domestic markets or export ports.

Iceland is very sparsely populated and most of the population lives in the capital. In recent decades, there has been a move away from the countryside and to the capital, leaving many small towns underpopulated or soon to be deserted. There are few job opportunities outside the capital area. Therefore, the government has looked at ways to increase the incentive for firms to operate in the countryside, including by offering transport subsidies.

The Icelandic Regional Development Institute (Is. Byggðastofnun) receives the applications for subsidies according to the law, and the Financial Management Authory (Is. Fjársýsla ríkisins) handles payment of the subsidies. The number of applicants for transport subsidies varies year to year but averages around 65 per year. The number of applications are usually higher than the number of applicants, since many of

the bigger operators in the market apply for subsidies for different divisions or departments of their companies (see Table 5.1).

Table 5.1. Transport subsidies, by year

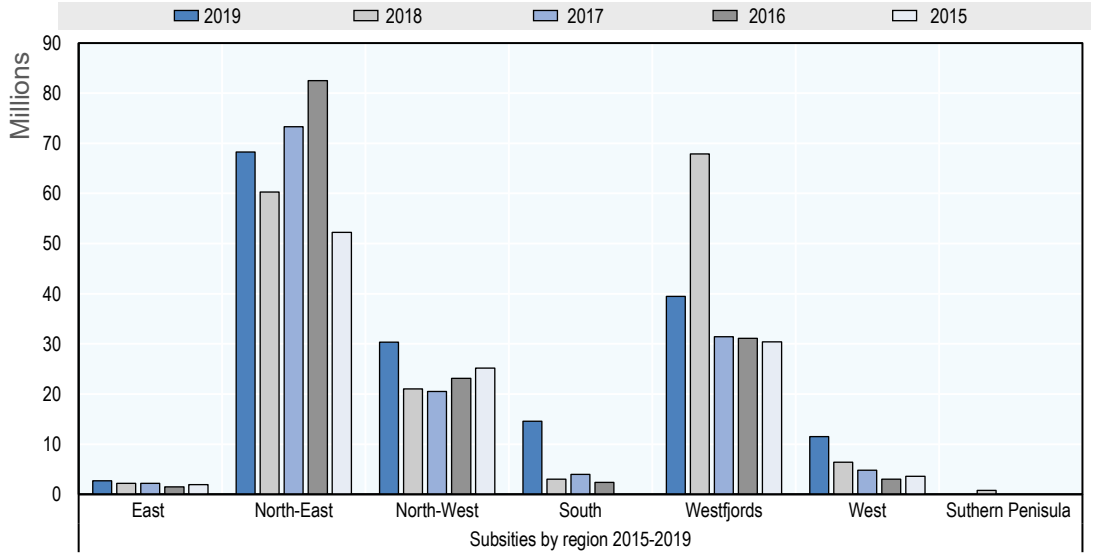
Year	Number of applicants	Number of applications	Approved	Rejected/withdrawn
2013	63	66	58	8
2014	67	70	65	5
2015	61	64	59	5
2016	64	65	62	3

Source: Data provided by the Ministry of Transport.

In 2019, a total of ISK 170 million [EUR 1.08 million] was spent on transport subsidies. Of that amount, ISK 3.1 million [EUR 19 750] went to the Icelandic Regional Development Institute to cover costs, and the rest, a total of ISK 166.9 million [EUR 1.06 million], was granted to applicants, representing 77.8% of the funding. This year's funding is ISK 166 million [EUR 1.05 million]. Up to the year 2019, subsidies were paid to applicants as soon as the applications were approved. However, in 2019, changes to the project, including the extension of the grants, both in the form of reductions in the minimum distance and the inclusion of vegetable producers, resulted in more applications being received. At the same time, it was not possible to pay subsidies in the same manner as previous years, as the law stipulates that the amount stated in the budget should be utilised for the project, and the project only. Therefore, subsidies are now paid out after all applications have been received and approved in order to estimate the total amount, then the grant will be split between all applicants.

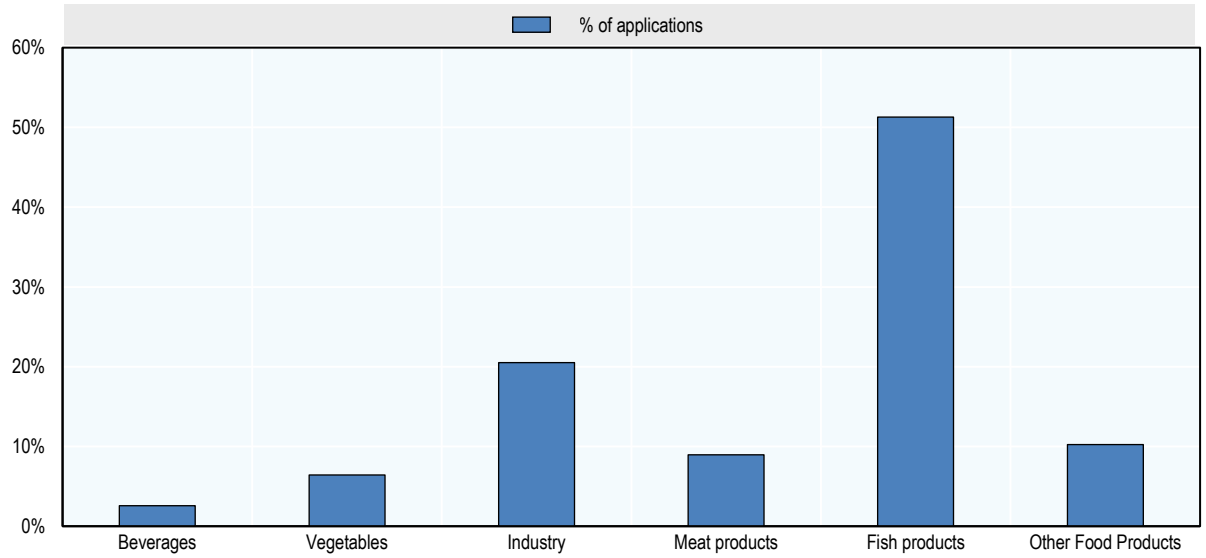
In 2019, the largest part of the subsidies funding went to the North East part of the country, representing 41% of the total amount (see Figure 5.1). Further, 51% of applications were for the production of fish products Figure 5.2. The amount of the 10 highest grants totalled ISK 82 100 000 million, where meat production was the largest factor (30%), with 50% of these grants coming from the North-eastern region.

Figure 5.1. Transport subsidies by region, 2015-2019



Source: Data provided by the Ministry of Transport.

Figure 5.2. Transport subsidies by sector, 2015-2019



Source: Data provided by the Ministry of Transport.

5.3.2. Harm to competition

Law no. 160/2011 on Regional Transport Aid (Article 5, paragraph 1) is discriminatory and reduces the ability of suppliers to compete on an even basis, since some manufacturers receive the subsidy and others do not. Further, subsidising companies based on their costs can increase the overall cost for everyone along the supply chain. Subsidies of this type are costly for society as a whole and consumers are usually the ones who ultimately pay for them through higher prices in downstream markets. There are likely to be less distortionary ways of achieving the underlying social objectives.

5.3.3. Recommendations

The government of Iceland should review whether there are alternative ways to achieve the objectives of Law no. 160/2011 on Regional Transport Aid (Article 5, paragraph 1) that are less distortionary for competition in respect of building products (and other products covered by the provision).

5.4. Licensing and authorisation requirements in the sector

5.4.1. Description and objective of the provisions

This section analyses the numerous provisions relating to licencing requirements found in different laws and regulations across the construction sector. Many different types of licences are required to be able to work in construction, whether the operator is a construction company, a business manufacturing building materials or products, or a service provider. The licences range from individual driver's licences, to operational licences for businesses handling dangerous materials or machinery. In order to establish a certain businesses, such as a business that uses complex equipment and machinery, multiple licences from different authorities are necessary before operations can commence. The main purpose of these licences is to protect the health and safety of workers and the public more generally. This chapter will focus on the construction-related licensing requirements that were found to be the most harmful to competition

or burdensome; it is not an exhaustive list of licencing requirements in the sector, nor their competitive impacts.

Specifically, this section will discuss:

- The licencing requirements set in Law no. 46/1980 on Facilities, Security and Hygiene at the Workplace.
- The licencing requirements and conditions set in Regulation no. 1067/2011 on Service Providers for Fire Safety Equipment.
- Several driving licencing requirements and driver safety requirements.

5.4.2. Requirements on facilities, security and hygiene in the work place

Law no. 46/1980 on Facilities, Security and Hygiene in the Workplace contains many requirements and obligations for businesses. The objective of each article is often hard to find, since the law has been amended many times over the years. However, the overarching aim of the law is to ensure the safety and well-being of people and objects in the workplace.

Anyone who intends to start a business or change the operations of an existing business needs to apply for an operating licence or seek the opinion of the AOSH on whether the proposed business is in accordance with the law (Article 95, paragraph 1 (Alþingi, 1980[10])). Applying for an operating licence involves handing in highly detailed information on the type of operations, the equipment used, the machines required and so on. Following that, an inspector, certified by the AOSH[4], must inspect the premises and equipment, and issue a certificate confirming that everything is in accordance with the law and the relevant safety requirements. All machines, machine parts, boilers, tanks and other equipment have to be inspected and then registered (Alþingi, 1980[10]). This is undertaken by the AOSH. According to the wording of the provision, there is no distinction between small, non-safety critical parts and larger, more dangerous ones. Some businesses must also acquire licences from other bodies in addition to the operating licence, such as from the Environmental Agency or the District Commissioners. The operating licence granted by the AOSH does not take effect until the applicant has acquired all the other licences needed.

Harm to competition

The processes involved in obtaining the various construction-related licences are both time consuming and expensive. Inefficient delivery of regulations can result in potential businesses not being created and unnecessary strains on those that exist. In particular, small and medium-sized businesses acutely feel the brunt of poorly designed regulations, since increased cost may force them to cease operating (OECD, 2020[11]). Further, the many layers of licences, validations, authorisation, registration and inspection seem particularly burdensome. Administrative burdens, while not competition distorting in themselves, increase costs to operators, such as opportunity costs from the time spent on procedures. They may lead to delays in starting construction projects, reduce opportunities to maximise efficiency, and increase operating costs for market participants. Moreover, where administrative burdens are substantial, this may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the sector in question. In assessing whether these administrative burdens appear justified, it is important to consider the objectives and purposes of the relevant licences. In this respect, the requirement for businesses that use dangerous and/or contaminating substances to hold a special operating licence seems proportional to the policy objective. In contrast, the need to have all machine parts, containers, boilers and structures of any kind inspected and registered appears excessive and unnecessary. These requirements impose a high burden on the developer and builder, as well as on the authority in charge of the inspections.

Further, the requirement that only validated individuals can inspect the premises, machine parts, boilers, tanks and other items mentioned in the law, could potentially reduce the competitiveness of the sector. In general, reserved activities restrict the supply of professional services in the market. This leads to higher

prices (in particular through output restriction) and less diversity and innovation (including with new techniques). Moreover, it may lead to poor matching between the type of professional services offered and the type of services demanded, as some services demanded require a lesser degree of specialisation from the individuals who provide them. These effects are aggravated by (additional) restrictions on entry into a certain profession. The process for validation can involve delays. According to the AOSH, applicants need to send an application and documents confirming that they have the relevant qualifications, and evaluation of applications takes about 2-6 weeks. One of the requirements for validation is completion of a 3 day course that is only held in January each year and costs ISK 71 300 [EUR 540 as at Feb 2020].

Recommendations

The government of Iceland should make the necessary amendments to the legal framework to allow the relevant agencies (including, for example, the Administration of Occupational Safety and Health (AOSH), the Environmental Agency, and the District Commissioners) to co-operate to allow businesses and individuals to obtain all relevant licences in one place, in a so-called one-stop shop. One-stop shops can improve service delivery, reduce transaction costs and improve economic welfare (OECD, 2020[11]).

The government of Iceland should also review the requirements around the inspection and registration of machine parts, to ensure that such requirements are necessary to achieving the required objectives. In doing so, the government of Iceland should consider exemptions for equipment that do not raise significant health or safety concerns, especially given that in practice the AOSH does not enforce the requirements except for larger equipment, such as big tanks and boilers.

Currently, only validated individuals can inspect facilities and equipment, and the validation process can involve delays given the course is only offered once a year. The government of Iceland should consider simplifying the process for validation by removing the requirement to undertake the three-day course where the individual already has the required qualifications.

5.4.3. Service providers for fire safety equipment

Regulation no. 1067/2011 sets high requirements for those who wish to offer services in relation to fire safety equipment. According to the regulation, in order to offer such services, one needs: a licence issued by the HCA; validation of their qualifications from the HCA; completion of a training course organised by the HCA; experience working under a master tradesperson; to possess certain equipment, and; to have a "sufficient number" of employees (Reglugerðasafn, 2011[12]). Before issuing an operating licence, the HCA must audit the equipment and the operations of the service provider. The operating licence is tied to one or more of the following areas of work: portable fire extinguishers; extinguishing systems; fire alarms; air quality measurements; smoke diving equipment, and; linear gap sealing.

To obtain an operating licence, the application also needs to have, according to the regulation, "a satisfactory quality control system that has been set up for the operation in accordance with the instructions of the HCA". A quality control system is a database that includes: confirmation of the relevant individual's qualifications; records on internal control; received design documents, and; various other records. The official recital states that the policy objective is to ensure disciplined working methods for those involved in the construction sector. To meet these requirements, a quality control system must be certified according to ÍST EN ISO 9001, or otherwise approved by the HCA. The quality control system must also be registered with the HCA. After an application for registration has been accepted by the HCA, the system has to be certified by an accredited agency. The HCA then accepts the quality control system if it fulfils all necessary requirements, and registers it.

Further, in order to provide services in relation to fire alarm systems, fire extinguishing systems and fire isolation, employees need to undertake specific training provided or endorsed by the HCA, and be supervised by a proscribed professional:

- To offer fire alarm system services, an employee must first complete a special training course held by the HCA. Further, the employee has to be supervised by a master electrician or another person with a similar education.
- To offer fire extinguishing system services, an employee must first complete a special training course held by the HCA, and has to be supervised by a master plumber or someone with a similar education.
- Employees of fire service providers working on fire isolation must have completed a special course that the HCA considers valid, and be supervised by a master electrician, plumber, carpenter or tinsmith.

Harm to competition

The processes to obtain a permit from the HCA are both time consuming and expensive for the applicant. The many layers of requirements imposed by the regulation are duplicative and may be excessive. While the costs and requirements associated with these licences might not necessarily constitute a barrier to entry, they do increase the administrative burden of businesses or individuals wishing to operate in these markets. While not competition distorting in themselves, administrative burdens can increase costs to operators and reduce efficiency.

The quality control system is an added cost because it must be registered with the HCA and it costs from ISK 26 100 to ISK 33 500 (EUR 190-244). After an application for registration has been accepted by the HCA, the system has to be certified by an accredited agency. The HCA then accepts the quality control system if it fulfils all necessary requirements, and registers it. Furthermore, the process can be delayed if the master tradesperson that has been hired to supervise does not have a quality control system in place. Stakeholders have mentioned that they go through the process and incur costs to have a quality control system registered but there is very little, if any, supervision of compliance with the quality control systems in place. Notwithstanding this, the requirement to have a quality control system in place appears to be proportional to the policy objective. That is, to ensure the safety of buildings by imposing disciplined working methods on those involved in the industry. However, it does not currently meet its objective due to lack of enforcement.

The need for employees to work under a master tradesperson appears to be unnecessarily restrictive and may limit the number of service providers available. In particular, it may prevent other fully qualified tradespersons from acting in certain roles, and may lead to higher prices. For example, a study conducted by Koumenta and Pagliero (2018[13]) for the EU concluded that licensing increases wages by 4 % on average and increases wage inequality. Further, as an example of the potential benefits from reforming these types of restrictions, in Germany, a decrease in entry requirements in several trades led to a substantial increase in the employment level. In particular, the probability of being self-employed after the deregulation in 2004 increased more than 40 % (Koumenta and Pagliero, 2018[13]). The economic impacts of overbroad professional regulations are further discussed in Section 6.1.3, and the role of master tradesmen more generally is discussed in Section 6.2.2.

Regarding the requirement to have a "sufficient number of qualified employees", the wording is vague and there is no specific measure for evaluating this. Specialists in the field should be trusted to ensure that they are well equipped and competent for the work. According to the HCA, it is possible for providers of these services to have only one employee, where this person holds the relevant qualifications and is responsible for the service. The provision is ambiguous (both in theory and in practice), has no objective criteria and creates legal uncertainty. Given this, it is therefore more likely to be applied differently between applicants on subjective grounds, which could potentially distort effective competition.

Recommendations

The requirement for employees of service providers of fire safety equipment to be supervised by a master tradesperson should be abolished, and replaced with the ability to be supervised by any qualified tradesperson.

5.4.4. Driver's licences and driver's safety

Law no. 77/2019 on Traffic aims to protect the life and health of both pedestrians and drivers. Accordingly, specific licences are required to control and/or drive all vehicles and machinery used in the construction sector (The Icelandic Parliament, 2019[14]).

To be able to operate a tractor or other similar machines, one needs a valid driver's licence. However, if operating a tractor for agricultural work, and the driver is older than 15 years of age, there is no need for a valid licence. On the other hand, machine operators, e.g. for bulldozers or excavators, must have a valid machine-operating licence, in addition to a normal driver's licence (whether using the machinery for agricultural or other work). To receive this licence, one must be at least 17 years old, have a driver's licence, and hold the required studies and training according to articles 3, 5 and 6 of Rule no. 198/1983, which vary depending on the size and weight of the machine in question.

Regulation no. 153/1986 on Tractors and Protection Mechanisms for Power Transmission puts in place certain requirements relating to the driver's safety. While the objective is not explained in the regulation itself, it is understood that the aim of the regulation is to ensure the safety and well-being of drivers and their surroundings. The detailed requirements include:

- The height from the ground to the machine's first step shall not be higher than 55 cm, and the distance between each step shall not exceed 30 cm (article 9, paragraphs 2 and 3).
- The vehicle needs to have at least two headlights that light up to 30 cm ahead, and there shall be at least two red reflectors, not further than 60 cm from each side of the vehicle (article 24, paragraph 1 and 2).
- The driver's seating area needs to allow at least 45 cm of space on each side, measured from the elbow to the centre of the steering wheel, and the height from the seat to the lowest part of the roof shall be at least 100 cm (when the seat is in its highest setting) (article 35).
- It is necessary to have at least 8 cm space from the steering wheel to another object, and the space between the back of the seat and the vehicle's structure needs to be at least 15 cm (article 35).
- When the safety structure of a vehicle deforms or needs repair, this can only be carried out by a firm that has been approved for this purpose by the AOHS (article 45).

Harm to competition

The need for a licence to operate machinery can constitute an administrative burden. Administrative burdens, while not competition distorting in themselves, increase costs to operators, including opportunity costs associated with the time spent on procedures. However, these requirements seem proportional to the policy objective given that they relate to heavy and complex machines that require certain qualifications and training to operate. Nonetheless, the need for a driver's licence on top of a machine operating licence may be unnecessary for machines that never go on the road (e.g. construction cranes). A number of stakeholders raised concerns with this requirement. While most Icelandic people hold driver's licences, some who seek work in the construction industry come from abroad and may not hold a valid driver's licence. Further, with a trend towards greener lifestyle choices, fewer people may choose to obtain a driver's licence going forward. Therefore, it might be considered unnecessary to take minimum of 17 driver's lessons, finish three driving schools, and pass a written and practical test for around ISK 200 000

– 250 000 [EUR 1 255-1 373] in order to operate a machine without ever using it to travel on a road (Transport Authority, n.d.[15]).

Last, the highly detailed requirements in Regulation no. 153/1986 are not clearly tied to the policy objectives of the regulation and risk limiting the supply of vehicles and machines that may equally meet the stated safety objectives. Where possible, performance-based regulations should be preferred above prescriptive regulation. Performance-based regulations are descriptive regulations that specify required outcomes rather than prescribing how to reach them. Such regulations give individuals and firms more options when choosing how to comply with the law. They also promote innovation and adoption of new technology, which could benefit the intended policy objective. Well-written performance-based regulations can also simplify and clarify requirements, as they can be written in terms of the underlying objectives rather than in large amounts of detailed, prescriptive standards (OECD, 2002, p. 135[16]).

Recommendations

The government of Iceland should review the merits of requiring individuals to hold a regular driver's licence in order to apply for a machine operating licence. This requirement could be adjusted to apply only to machinery that can travel by road.

The government of Iceland should abolish the prescriptive requirements contained in Regulation no. 153/1986. If the government of Iceland considers that further requirements are needed to ensure the safety of such vehicles and machines, such requirements should be performance-based rather than prescriptive, allowing the objectives to be achieved in a number of ways without unduly restricting choice.

5.5. Outdated and/or obsolete provisions

In addition to the issues raised above, in reviewing the relevant legislation, we found a number of old and possibly outdated regulations and rules including:

- Regulation no. 202/1952 on Health and Safety Measures when Spray Painting, which recommends the use of asbestos due to its fire resistance qualities.
- Regulation no. 204/1972 on Safety Precautions in Construction Work, which is outdated and cannot be found in the legal Gazette online.
- Furthermore, while reviewing the relevant legislation we came across legislation that is no longer legally binding or does not exist:
    - Regulation no. 937/2001 on Compensatory Measures Regarding Cement Transport was established in accordance with Law no. 62/1972, which was repealed in 2004. Therefore, it has no legal effect but is still in the legal Gazette.
    - Regulation no. 431/1994 on Business with Building Material, was made obsolete with Law no. 114/2014 on Construction Products, but the regulation itself was never abolished or removed from the legal Gazette.
    - In Law no. 46/1986, under Articles 47 and 49, the legislator refers to Regulation no. 580/1995, which never existed. Rule no. 580/1995 did exist, but was revoked in 2001 (to be superseded by Rule no. 761/2001, then replaced with Regulation no. 1005/2009 in 2009).

Having these regulations still in the legal Gazette creates legal uncertainty and ambiguity, which could have a negative impact on efficiency in the sector.

5.5.1. Recommendation

Regulation no. 202/1952 on Health and Safety Measures when Spray Painting, and Regulation no. 204/1972 on Safety Precautions in Construction Work should be amended or repealed to take account of changes in the industry since these regulations were passed.

The government of Iceland should remove the following regulations from the legal Gazette to avoid legal uncertainty:

- Regulation no. 204/1972 on Safety Precautions in Construction Work
- Regulation no. 937/2001 on Compensatory Measures Regarding Cement Transport
- Regulation no. 431/1994 on Business with Building Material.

Further, in Law no. 46/1986, the government of Iceland should replace references to Regulation no. 580/1995 with Regulation no. 1005/2009.

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Notes

[1] Although Iceland has three aluminium plants, with a total capacity of 800 000 tonnes per year, all of this production is exported. The aluminium produced is a purely raw commodity that requires further processing. Iceland is too small to make such processing profitable. Therefore, all aluminium products used in Iceland are imported in the required form or size for each individual product.

[2] The EEA Agreement enables Iceland to participate in the EU Internal Market. For an EU act to apply to the EEA States, the EEA Joint Committee must adopt a decision to incorporate the act into the EEA Agreement, as closely as possible to their date of entry into force in the EU to ensure coherence throughout the EEA. Once the EEA States approve the draft decision, the EFTA Secretariat forwards it to the European External Action Service (the EEAS), which coordinates the EU's part of the EEA process. When both sides have finalised their approval procedures, the EEA Joint Committee adopts the Decision incorporating the act. Decisions then enter into force, the annexes or protocols to the EEA Agreement are updated accordingly and the incorporated acts must be made part of the national legal order of the state (EFTA, 2019[17]).

[3] Before CPR came into force in 2013, Iceland had one notifed inspection body under the former Construction Product Directive.

[4] The service provider needs a validation from the AOSH before starting operation, according to Article 66 (a), paragraph 2.

6 Professions

Regulated professions are a feature of everyday life, from medical check-ups to taxi rides. Often, these professions are regulated because consumers lack the information or expertise needed to make informed decisions when seeking their services. Regulations can include restrictions on who can provide a professional service, how the service is provided, and the price charged. However, overbroad professional regulations also have a cost, borne out in empirical research, in terms of prices for consumers, and productivity and employment in the broader economy.

This chapter reviews the regulatory framework for a selection of professions in Iceland, primarily focused on the construction sector. The OECD's analysis suggests that Iceland regulates a broader set of professions than other countries in Europe and the OECD. In particular, there are several professions that are subject to restrictive entry requirements in Iceland, but which are not regulated in the reference countries, such as bakers and photographers. Moreover, in the construction sector, certain activities require multiple professional designations, which is significantly more restrictive than in the reference countries.

As a result, this chapter makes several recommendations. First, it recommends that the government of Iceland undertake a broad review of all regulated professions (particularly those regulated under the Law on Manual Industry no. 42/1978) to determine whether the restrictions remain justified given their potential economic costs. A case-by-case approach will be needed given the differing risks and policy issues across the broad range of professions that are regulated in Iceland. Second, the designation of master tradesperson, which applies to many of the regulated professions in Iceland, should either be eliminated or made more accessible, again depending on the specific characteristics of the profession in question. Finally, this chapter identifies some opportunities to ease the regulatory burden and promote competition for the following eight professions related to construction (an approach that could be followed in the review of the remaining professions, as recommended above):

- architects (*arkítekt*)
- carpenters (*smiður*)
- civil engineers (*byggingaverkfræðingur*)
- construction managers *(byggingastjóri)*
- electricians (*rafvirki*)
- licensed designers (*löggildur hönnuður*)
- plumbers (*pípari*)
- real estate agents (*fasteignasali*).

In addition, the chapter includes a discussion of two other regulated professions – bakers (*bakari*) and photographers (*ljósmyndari*) – which were included to illustrate the breadth of professional regulation in Iceland.

6.1. Background to the regulation of professions

6.1.1. Rationale for regulating professions

The regulation of professions often seeks to address the risk of market failures, which would otherwise lead to poor outcomes for competition and consumers. There are two potential market failures associated with professional services:

- **Information asymmetries** arise when there is an imbalance between buyers and sellers in the information and expertise needed to make a decision in a market. While producers will have more information than consumers about a product in almost every market, the imbalance in the professions can be severe enough to result in significant market failures.

  Taking an extreme example, patients generally do not have sufficient information to assess the diagnostic quality of a doctor. Patients may therefore use unreliable indicators of quality, such as the appearance of the doctor's office or the price a doctor charges (OECD, 2016[1]). Thus, a fully unregulated market would not function efficiently, since doctors would have no incentive to compete on quality and offer the best deal to consumers. In fact, the doctors offering consumers the highest prices (and worst deal) could be the most successful if consumers perceive price as an indicator of quality – an outcome referred to as adverse selection (OECD, 2016[1]). Further, in unregulated markets, individuals offering medical services could have an incentive to take advantage of information asymmetries and encourage patients to purchase products or services they do not need – an outcome referred to as moral hazard (OECD, 2016[1]).

  Products or services that exhibit information asymmetries fall into two categories: experience goods and credence goods. Experience goods are those whose quality cannot be observed until after a purchasing decision has been made. For instance, a client requiring new piping may not be able to fully assess the skills of a plumber before testing the final result. Credence goods are those whose quality may never be observable by consumers, even after the final sale or completion of a service. For example, poor-quality wiring work by an electrician may create inefficiencies or safety risks, but once it is concealed behind walls, consumers may not be able to identify any defects until there is a fault.
- **Externalities** associated with professional services can also lead to market failures, and thus inefficient outcomes. These externalities arise for example when low-quality services lead to costs for parties outside the professional-client relationship. For example, an architect without an understanding of the technical procedures for submitting a design to a municipality can lead to delays and impose costs on the municipality and staff (OECD, 2016[1]). Similarly, an unskilled engineer might produce a building design that is structurally unsound, leading to risks to adjacent buildings and passers-by. Conversely, high-quality architectural services can generate positive externalities, including a reduction in the burden on municipalities and safety for the community (OECD, 2018[3]).

6.1.2. Models of regulation for professional services

To address these market failures, professional service regulations seek to ensure a minimum level of quality for consumers. Specifically, they often take the indirect approach of regulating who is able to practice a profession, for example, based on academic qualifications and minimum professional experience. There are three primary models for this approach: (i) licensing with reserved activities; (ii) certification or protected title; and (iii) registration (Kleiner, 2000[4]; Ross, 2017[5]). In addition, insurance and bonding requirements are a more limited approach to regulating professional services. Each is described further below.

Licensing with reserved activities

Reserved activities are specific professional services that individuals are prohibited from providing unless they hold a licence (Kleiner, 2015[6]). Obtaining a licence can involve requirements such as a minimum level of education, attaining a given level of experience, passing an examination and paying registration fees (OECD, 2018[3]).

Under reserved activity regulation, consumers can only obtain the service from a licensed professional. Thus, this is the most restrictive form of professional services regulation. When the process for obtaining licences is costly, lengthy or burdensome, it can discourage individuals from entering the market.

The granting of reserved activities can be particularly restrictive when the number of licences available is limited. The rationale for such restrictions often goes beyond consumer protection, and generally involves an effort to guarantee licensed professionals with a given level of income. Such restrictions are harmful, since limits on the number of professionals can drive up prices, limit consumer choice, create shortages and limit the incentive for firms to compete.

Multiple licensing requirements can be imposed within a single profession, creating either a hierarchy of professionals with different rights, or a range of different specialisations. For example, in Iceland, licensed tradespeople can undertake additional education in order to obtain a master tradesperson licence, which grants them additional privileges and confers eligibility to perform certain tasks, as discussed further below.

Licensing with reserved activities can also be accompanied by various additional measures to address market failures and address policy goals, including:

- **Rules on professional conduct**, for example ethics standards, often enforced by professional associations. These standards can be explicitly aimed at addressing moral hazard concerns, by imposing a fiduciary duty on professionals to act in the best interests of their clients. Enforcement mechanisms can include fines and decertification for professionals found to have violated the professional conduct rules.
- **Rules on rates or fees to be charged**, while less common, are imposed in some cases, for example with respect to the structure of compensation to address potential ethics concerns. In certain professions, the prices for certain services are explicitly defined in regulation. The impact of these rules on competition will vary widely: rules ensuring that fees are set according to ethical and transparent standards may not have significant effects, whereas recommended or maximum fees can dampen price competition and even facilitate collusion, resulting in significant harms to consumers.
- **Restrictions on legal forms of professional businesses,** for example, restrictions on the ability of non-professionals to own businesses providing professional services (even if licensed professionals provide said services).
- **Mandatory liability insurance,** to ensure that the losses of clients and third parties will be covered in the case of accidents or errors (Ross, 2017[5]).

Certification and protected title

Government-recognised certifications and the protection of professional titles are less restrictive than the reserved activity approach. Regulatory schemes for professions can include either certification, protected title, or both (Kleiner, 2015[7]). To further address risks of moral hazard, some certification and protected title frameworks can be supplemented with codes of conduct, liability and liability insurance requirements, and disciplinary measures.

Certification consists of establishing an optional government-recognised accreditation, which applicants can obtain by passing a test or meeting certain qualification requirements. In these schemes, consumers

are free to select anyone to provide the service in question but may find the certification to be a helpful indicator of quality. Thus, the meeting of government-established requirements can confer confidence in a certified professional (Kleiner, 2000[4]).

Protected title schemes prohibit individuals from using a professional title, for example, referring to themselves as an engineer, without a licence (Kleiner, 2015[6]). Under these schemes, individuals can provide a professional service as long as they do not refer to themselves using the professional title in question (European Commission, 2012[8]). Thus, consumers are free to choose between individuals with or without the title and may use the title as an indicator of quality or specialisation.

While the use of protected titles is less distortionary for competition than reserved activities, it can still have negative consequences for consumers. If the requirements for obtaining a title are excessively onerous or restricted to a limited number of professionals, they can limit consumers' access to professionals with titles and thus drive up prices (Centre for Strategy and Evaluation Services, 2012[9]). Further, the recognition of certain titles in legislation can be interpreted by consumers as a government endorsement of the quality of a titled professional's services. Finally, protected titles can have an equivalent effect to reserved activities when legislation specifies that a professional title is required to perform certain tasks (e.g. a professional engineer or architect's stamp could be required in order to submit construction plans). Thus, while less extensive, overbroad or overly burdensome, protected title schemes can nevertheless increase costs for consumers.

Registration

Registration is less stringent than certification or licensing, as it usually does not mandate any personal credentials or qualifications (Ross, 2017[5]). Instead, professionals must notify authorities of their names, official address and the type of service they provide. Having an official list of those professionals is a way to prevent providers from accepting a client's money and then cutting contact with the client, perhaps after performing low-quality work (so-called "fly-by-night" providers). Registration can also facilitate law enforcement, including with respect to consumer protection law.

Insurance and bonding regimes

Insurance or bonding regimes require a practicing professional to buy a special insurance, or a bond from a surety company that, in case of non-performance by the professional, will ensure that the affected consumer is reimbursed. The role of the insurance and surety companies is to verify the validity of the claim and to make sure that valid claims are promptly paid. While these requirements are often imposed as part of a licensing or certification framework, they can alternatively be imposed in isolation (Kleiner, 2013[10]).

6.1.3. Empirical evidence of the impact of regulating professions on consumers and markets

While regulations can help address market failures, disproportionate or unnecessary regulations may harm competition between suppliers, particularly between incumbents and alternative service providers, which can have a negative impact on consumer welfare. A 2012 report from the European Union highlighted that:

> *In well-functioning services markets, stronger competition helps to ensure that resources are allocated efficiently, and that: (i) enterprises are able to take advantage of potential economies of scale and scope and (ii) providers of services have an incentive to reduce costs in so far as possible and (iii) consumers have access to a broad range of services at competitive prices. Sectors in which there are market restrictions through the presence of a reserve of activities may also find it more difficult to adapt to shifts in demand due to inherent structural limitations. Market restrictions limiting entry to professions through an exclusive reserve of activities may lead to higher prices due to a de facto monopoly in service provision. Among the drivers likely to lead to higher prices are the fact that (i) only limited numbers of professionals holding a specific qualification are able*

> *to enter the market (ii) that there is a lack of incentive for competition among existing market participants and that (iii) the lack of new market entrants from other sectors hinders innovation in service design and delivery, which could otherwise be a driver of operational efficiency savings. (European Commission, 2012, pp. 64-5[8]).*

Empirical research has identified four potential consequences of professional regulations that can harm consumers and society as a whole:

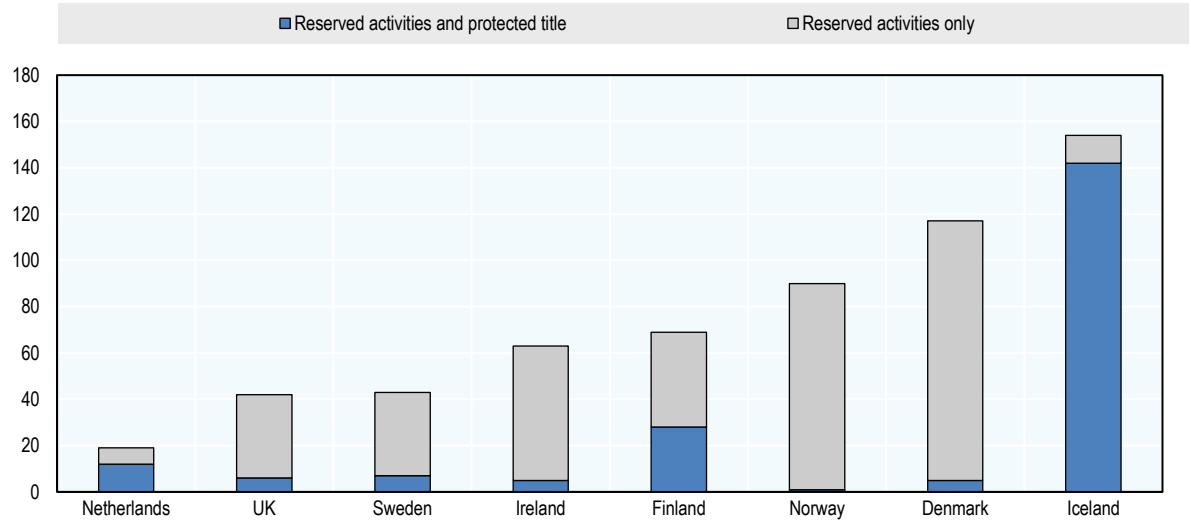
- **Lower employment:** Imposing strict requirements to access a market and exercise a profession can lead to fewer professionals in the market (Humphris and Koumenta, 2015[11]), by as much as 27% according to one empirical study (Blair and Chung, 2019[12]). These requirements can also lead to higher discrimination in the labour market, lower female participation (Hall, 2018[13]), limit the access to the market of untrained workers, and discourage individuals from becoming entrepreneurs (Rostam-Afschar, 2013[14]), and raise barriers for foreign-born workers (Koumenta and Pagliero, 2016[15]).
- **Higher prices for consumers:** Limitations to the number of professionals are associated with higher prices charged to consumers (Athanassiou et al., 2015[16]; Kleiner, 2006[17]). Additionally, the use of regulated prices, aimed at guaranteeing high quality standards or, in some cases, universal access to services, can also lead to higher prices since it does not allow suppliers to compete freely on price. Even maximum prices can dampen competition by creating a focal point around which professionals have the incentive to price their services, in effect engaging in tacit collusion (OECD, 2018[3]). Several studies also report a wage gap between licensed and non-licensed workers. Since most of these professionals are self-employed, higher wages imply higher prices for consumers (Pagliero, 2019[18]).
- **Weaker business dynamics:** Occupational regulation can also negatively affect professional service market dynamics. For example, Hermansen (2019[19]) concludes that all measures of job hire and job separations are negatively associated with higher coverage of occupational licensing as well as with stricter licensing requirements. Additionally, these regulations are associated with lower entry and exit rates (Runst et al., 2018[20]) and lower churn rates (Canton, Ciriaci and Solera, 2014[21]). Stringent regulation in a profession might also affect professionals in another industry with less strict regulation, if the services are (partially) substitutes, as it reduces the competitive pressure of the former on the latter professionals (Kleiner et al., 2016[22]).
- **Lower productivity:** Stringent entry regulations, particularly those involving qualification requirements, seem to decrease the contribution of professional services to aggregate productivity growth (Bambalaite, Nicoletti and von Rueden, 2020[23]). In particular, stronger professional regulations are associated with up to a 2.5% loss of productivity on average.

At the same time, empirical research has called into question whether entry barriers in the professions can effectively increase quality, and highlights cases in which the elimination of these barriers has had no effect on quality (Carroll and Gaston, 1981[24]; Koumenta, Pagliero and Rostam-Afschar, 2019[25]; Kleiner, 2017[26]; Powell and Vorotnikov, 2011[27]). Additionally, due to advances in technologies and digital platforms, information asymmetries have been decreasing over time as information on the quality of services is more available and accessible to consumers (Farronato et al., 2020[27]; OECD, 2016[1]).

6.1.4. Regulatory framework

Iceland has 165 professions subject to either reserved activities or protected titles. Of these, 154 professions are subject to reserved activities, the most restrictive form of regulation on professions. As illustrated in Figure 6.1 below, this figure is significantly higher than in any of the European reference countries. Licensed professions exist in all sectors of the Icelandic economy, but this project focuses on selected licensed professions in the construction sector, and two additional professions to illustrate the scope of professional regulation in Iceland.

Figure 6.1. Iceland has more professions with reserved activities than any other European reference country



Source: European Commission (2020), "The EU Single Market: Regulated professions database", https://ec.europa.eu/growth/tools-databases/regprof/.

The overall regulatory framework for the selected professions falls within the scope of the Ministry of Industries and Innovation. The framework includes the Law on Industry no. 42/1978, which establishes the legal basis to license 60 different professions listed in Regulation no. 940/1999. Other relevant laws include the Law on Buildings no. 160/2010, which lists the requirements for licensed designers, building inspectors and construction managers and the Law on Selling Real Estate and Ships no. 70/2015, which states that real estate agents must be licensed. Last, there is the Law on Certification of Some Professional Titles for Specialists in the Technical and Designing Industry no. 8/1996, which lists the technical and design professions that benefit from a protected title. Further details on the broad regulatory framework for professionals are provided in Box 6.1 below.

Most of the professions reviewed under this project are represented by a professional association, although membership is not required to practise the professions analysed here. These associations primarily focus on establishing, renewing and updating collective bargaining agreements with employers. In addition, the associations play a public advocacy role on behalf of their members vis-à-vis the government, including with respect to legislative and regulatory reform and participation in various stakeholder committees.

While membership in the associations is optional in Iceland for the professions analysed here, professional associations are given the power to set the entry requirements in several instances. For example, according to Law no. 8/1996 on the Certification of Some Professional Titles for Specialists in the Technical and Designing Industry, the professional associations of each profession shall decide requirements and what will count towards a final examination. The requirements must be confirmed and published by the Ministry of Industry and Innovation. In general, we understand that professional associations send proposals to the Ministry, and the Ministry proposes amendments or requests explanations, as it deems necessary. Further, the professional associations assess the applications of professionals to use the protected title and send the relevant ministry their evaluation of an applicants' education. Thus, these bodies exert significant influence over all regulated professionals in Iceland, regardless of whether the professional is a member of the association or not. The main features of the regulatory framework for the professions reviewed in this project are summarised in Table 6.1 below.

Table 6.1. Overview of regulatory framework for reviewed professions

Profession	Professional association	Reserved activity or Protected title	Entry restrictions Licensing requirements based on:	Restrictions on corporate ownership, employment and signing rights
Architect	Association of Architects	Protected title	Education • Academic degree in architecture (Master degree) • 5 years of study	None, but architects must be licensed designers to sign drawings
Baker	National Association of Bakers	Protected title and Reserved activity	Education • Average 4 years of study (with apprenticeship) • 126 weeks of vocational training/ apprenticeship • Tradesperson examination • Choice of master degree	Only master bakers can employ tradespersons
Carpenter	Association of Master Carpenters	Protected title and Reserved activity	Education • Average 4 years of study (with apprenticeship) • 72 weeks of vocational training/ apprenticeship • Tradesperson examination • Choice of master degree	Only master carpenters can employ tradespersons
Civil engineer	Association of Chartered Engineers	Protected title	Education Graduated with a Master degree (or equivalent) in engineering from an engineering department of an engineering or technology university 4 ½ - 5 years of study	None, but engineers have to be licensed designers to sign drawings
Construction manager	No professional association	Reserved activity	Construction Manager I Education: • Must be a master builder, master mason, master plumber, master tinsmith, master electrician, building technicians, engineer, architect, building technician, or technologist Experience: • and at least 2 years' experience (specifically in construction for engineers, architects, building technicians and technologist)	
Electrician	Icelandic Electricity Association	Protected title and Reserved activity	Education • Average 4 years of study (with apprenticeship) • This includes 6 semesters in school and 48 weeks of apprenticeship or 7 semesters in school and 30 weeks of apprenticeship. • Tradesperson examination Choice of master degree	Only master eletricians can employ tradespersons
Licensed designer	No professional association	Reserved activity	Education • Finished studies to become for example an architect, an engineer or so forth and has protected title as such	

Profession	Professional association	Reserved activity or Protected title	Entry restrictions Licensing requirements based on:	Restrictions on corporate ownership, employment and signing rights
			• Exam and course at the Housing and construction authority Experience • No less than 3 years ,and one of those years must involve houses in Iceland	
Photographer	Association of Photographers	Protected title and Reserved activity	Education • Average three years of study (with apprenticeship) • 24 weeks of vocational training/ apprenticeship • Tradesperson examination • Choice of master degree	Only masters can employ tradespersons
Plumber	For plumber tradespersons – FIT For master plumbers - Association of Master Plumbers	Protected title and Reserved activity	Education • Average 4 years of study (with apprenticeship) including academic studies in construction and building courses • 96 weeks of vocational training/ apprenticeship • Tradesperson examination • Choice of master degree	Only masters can employ tradespersons
Real estate agent	Association of Real Estate Agents	Protected title and Reserved activity	Education • Student exam • 4 semesters of study to become a real estate agent Experience • 6 months of work experience with licensed real estate agent after completing studies.	Real estate agencies can only be owned by licensed architects Every branch must have a licensed real estate agent in charge.

For the purposes of this project, the OECD compared the regulatory framework for the selected professions with eight reference countries (the "reference countries"): four Nordic countries (Denmark, Finland, Norway, and Sweden) as well as Ireland, the Netherlands, New Zealand and the United Kingdom. They were chosen for their geographical and/or cultural/economic similarities with Iceland. To facilitate this comparison, the OECD Occupational Entry Restrictions (OER) indicator was calculated for the selected professions using the methodology set out in (von Rueden and Bambalaite, 2020[29]; Bambalaite, Nicoletti and von Rueden, 2020[23]), further explained in Annex 6.A.

Box 6.1. Occupational licensing of trades in Iceland

Over fifty trades are subject to occupational licensing in Iceland under the Industrial Act 42/1978, including house and furniture carpentry, furniture upholstery, house painting, masonry, plumbing, car painting and car repair, shoe repair, hairdressing, baking, gardening, and more than forty other trades that traditionally involve skilled manual labour (the trades are listed in the Regulation 940/1999). The licensed trades provide a number of services, many of which are essential for the daily life of Iceland's consumers. Further, the Industrial Act 42/1978 outlaws non-licensed service-providers in all settlements with more than one hundred inhabitants, thus effectively making licensed tradespersons the only legitimate source of these services.

The report (Skýrsla nefndar vegna endurskoðunar iðnaðarlaga) published by the Icelandic Ministry of Industries in 2012 points out that Iceland's regulation of trades had its beginnings in the Law on Industrial Education of 1893, and that the prototype of Iceland's current regulatory framework regulating the right to title and the right to practice the trades was adopted by the Icelandic Parliament in 1927 (Law 11/1927 and Law 18/1927). The same report points out that although the aims of Iceland's regulation of trades are not stated explicitly, there is still a perception that the current law is aimed at protecting consumers and tradespersons. Iceland's regulatory framework has remained in essence unchanged over several decades, and no comprehensive analysis of the effects of the regulatory policy on the tradespersons or consumers has been published.

Sources: Industrial Act (Iðnaðarlög) 42/1978; Regulation (Reglugerð) 940/1999; Skýrsla nefndar vegna endurskoðunar iðnaðarlaga 2012.

6.2. Professions subject to reserved activities and licensing regulations

All but two of the professions analysed in this report are granted the right to perform reserved activities, that is, exclusive rights to perform certain professional acts. The sections below describe:

- the general framework for licensed professions in Iceland, which applies to significantly more professions in Iceland than in other OECD countries (Section 6.2.1)
- the exclusive rights reserved to master tradespersons, which is common to all of the professions reviewed for this project (Section 6.2.2)
- the reserved activities specific to carpenters, electricians, plumbers, construction managers, licensed designers and real estate agents, bakers and photographers (Sections 6.2.3 to 6.2.9).

6.2.1. The overall framework for licensed professions in Iceland

Description of the barriers

In Iceland, numerous professions are subject to regulation, and in particular licensing, under the current Law on Industry no. 42/1978, passed by Parliament on May 18, 1978. The first paragraph of Article 2 states

that no person may operate a manual trade in Iceland or in Icelandic territorial waters, unless they hold a license as specified in this law.[1] The accompanying Regulation no. 940/1999 on Certified Trade lists the professions that are licensed and regulated according to the Law on Industry. Licenses cover: *carpenters, furniture upholsterers, furniture carpenters, painters, masons, plumbers, wall papering, car builders, auto mechanics, car painters, fur makers, glass finishing and mirror manufacturing, goldsmiths, hat stitchery, manufacture of musical instruments, dressmakers, tailors, engravers, shoe repairs, shoe makers, stonework, saddlery, watch making, bakers, waiters, chefs, meat workers, pastry chefs, dairy trades, tinsmiths, air mechanics, founders, moulders, fishing net makers, metal turning, ship building, steel making, steel ship building, steel construction builders, welding, motor technology, cooling and freezing technicians, landscape gardening, telecommunications technicians, energy distribution electricians, electro-mechanic technicians, electricians, book binders, photographers, printing, hairdressers, beauticians,*.[2]

In addition, Regulation no. 940/1999 makes provision for the introduction of new regulations on professions in Iceland. Stakeholders in a given profession can request the Minister of Industry to impose certification requirements. In the application, the requesting stakeholders must propose requirements in terms of education, experience, tests and skills.[3]

Harm to competition

Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In some cases, economy-wide protections provided by consumer policy and liability law are considered sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety.

Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. These harms, borne out in empirical evidence (as discussed in Section 6.1.3 above) are most likely when the process of obtaining a license is costly, burdensome or lengthy, or if there is a limited number of licences issued.

Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them. For example, these restrictions may impose a level of service quality or specialisation that is greater than a consumer needs. Moreover, entry requirements are only a proxy for service quality, and not a guarantee of the desired outcome.

In other jurisdictions, policymakers and competition authorities have worked to ensure that reserved activity regulations are only instituted when there is a clear policy imperative. The UK Competition and Markets Authority has set out some key criteria to justify reserved activity regulation (Competition and Markets Authority (UK), 2016[30]), and has been active in advocating for procompetitive regulatory alternatives (Competition and Markets Authority (UK), 2019[31]). In the United States in 2011, the Federal Trade Commission (FTC) engaged in litigation to prevent the overbroad application of professional association powers, as described in Box 6.2 below.

Box 6.2. The *North Carolina State Board of Dental Examiners v. Federal Trade Commission*

In 2011, the US FTC issued an order against the North Carolina State Board of Dental Examiners, which is the self-regulatory body for dentists in that state. The order was challenged but upheld by the US Supreme Court.

The dispute involved the provision of teeth whitening services, which the Board of Dental Examiners sought to reserve to licensed dentists. Several cosmetics and grooming businesses began to offer these services in North Carolina, and so the Board sent letters to these businesses and the owners of the retail spaces that they rented, indicating that the provision of teeth whitening by non-dentists was illegal.

The FTC found that the conduct was harmful to competition, and that the Board of Dental Examiners failed to offer a procompetitive justification for their actions. In particular, the FTC opined that sending "cease and desist" letters to the businesses and their landlords was beyond the Board of Examiners' regulatory mandate and led to "higher prices and reduced choices for consumers".

Source: Federal Trade Commission (2011), "Press Release: FTC Concludes North Carolina Dental Board Illegally Stifled Competition by Stopping Non-Dentists From Providing Teeth Whitening Services", https://www.ftc.gov/news-events/press-releases/2011/12/ftc-concludes-north-carolina-dental-board-illegally-stifled.

In a similar vein, the European Commission has issued Directive 2018/958[4], under which all new regulations concerning professional services should be subject to a proportionality test, to ensure that unnecessarily burdensome regulations are not implemented. National measures that will hinder or discourage the exercise of fundamental freedoms guaranteed by the Treaty must fulfil four conditions: (i) they must be applied in a non-discriminatory manner, (ii) they must be in the general interest, (iii) they must be suitable for achieving the objective they pursue, (iv) and they must not go beyond what is necessary to achieve it. This ex ante evaluation will allow the legislator to take into account the potential impact of a new regulation on consumers, businesses and professionals. It avoids the adoption of unnecessary burdens that impose higher costs and inefficiencies.

Recommendations

In view of the high number of regulated professions in Iceland, the OECD recommends that the government of Iceland undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978.

This review should first seek to identify the policy objective for regulating each of the listed professions. In particular, it should ask whether the market failures described in Section 6.1.1 are present, or likely to be present absent the regulation. This assessment should consider whether there are any characteristics that make the professional services in question different, and more prone to market failure, than any other product or service. For example, when the stated policy objective is to ensure a high quality service for consumers, the review should determine whether there is a major information asymmetry that would cause consumers to make different decisions than they would make if they had access to all the requisite information.

Alternative policy objectives may also explain some particular regulatory provisions. These can range from general public safety objectives, to promoting confidence in legal agreements and commercial contracts. In at least some cases, the policy concerns motivating the adoption of these restrictions may be difficult to identify, or may be outdated, for example, where consumers can more easily overcome information asymmetries through Internet resources. When no policy objective or clear market failure can be identified, the regulations should be abolished.

alternatives. In particular, some concerns may be better addressed through the active enforcement of consumer protection laws, which apply across the economy and address cases where information asymmetries are used to make deceptive claims about services, for example. Further, in other cases, regulations focusing on outputs may be more appropriate. For example, as discussed in Section 6.2.8 below, when seeking to ensure safe food handling, the procedures and environment for food handling would be a better focus of regulation than a professional regulatory framework that limits entry into a profession and dampens competition. In these cases, the reserved activities should be narrowed or abolished.

The remainder of this section assesses the framework for specific professions and can be used as a guide for a more comprehensive review of professional regulation in Iceland.

6.2.2. Licensing of master tradespersons

Description of the barriers

The Law on Industry 42/1978 establishes a two-tiered system for tradespeople. Specifically, qualified tradespeople can seek a designation as a master tradesperson in numerous professions, including bakers, photographers, carpenters, electricians and plumbers. The Law no. 42/1978 on Industry stipulates that only a master tradesperson can administer a company, employ other tradespersons, and take on apprentices. Furthermore, the title of "master" is protected by law, and only those who have completed the formal education can refer to themselves as a master.5 We understand from the preamble to the Law on Industry that this system seeks to ensure adequate supervision of the licensed professions, thus protecting consumers.

To become a master, one must first become licensed to practice the profession (i.e. become a licensed tradesperson), which takes on average three years of full-time study, then work under the supervision of a master for a minimum of one year. Furthermore, one must complete an additional two years of part-time vocational study at the Technical School in Reykjavik. We understand that this course focuses primarily on business administration, marketing, laws and regulations, but also provides additional practical knowledge of the trade in question. When the educational requirements have been fulfilled, candidates apply to the local magistrate to receive a masters' certificate. This certificate costs the applicant 11 000 ISK [71 EUR] (Sýslumenn, n.d.[32]). In addition, we understand that an application and a payment of 8 300 ISK must then be made to the Icelandic Housing and Construction Authority (HCA) to become certified as a master in the building trades.

While the framework for master tradespersons applies to all professions regulated under the Law no. 42/1978 on Industry, a master tradesperson has particular responsibilities and obligations on construction sites. Work done by licensed manual trades, including carpenters, electricians and plumbers, must always be under the direction of a master tradesperson. The master has control and discretion over who can work on any areas that fall under their responsibility, and must ensure that all work is carried out correctly, meaning that they are liable for any faults or incompetence.6 We understand the purpose of these restrictions is to ensure a minimum level of quality and safety in terms of both the final construction and the worksite.

According to the Building Regulation, masters must submit a declaration of responsibility for their area of work on construction projects, which is then submitted to the HCA database (with a copy being retained by the designated construction manager for the project).[7] Only those masters who have been certified by the HCA can sign such declarations. The building regulations further stipulate that each master is responsible to the owner of the construction project to work according to approved practices, project drawings, and according to the Law on Construction.

Article 8 of Law no. 42/1978 on Industry states that the relevant associations for a trade, for example masters associations and tradespersons associations, may agree among themselves to use untrained or unskilled workers where the circumstances warrant it. However, unskilled or untrained workers must be

supervised by a tradesperson and can only be used for short periods when there is a shortage of qualified labour, and only for urgent needs.[8]

Harm to competition from restrictions relating to master tradespersons

As a result of these restrictions, the master of trade holds a monopoly over certain activities in the construction sector. Consumers have no choice but to engage a master whether for a simple or a large-scale project. In addition, if there are no masters available to sign the guarantee for new construction, planning and construction could be disrupted, leading to delays and additional costs for the consumer and other contractors. In particular, before even applying for a building permit, a number of master tradespersons must be hired, as discussed in Chapter 4.

The exclusive rights of masters also limit the ability of tradespeople to offer their services, with consequences for consumer choice. In construction projects, the master for each trade will select the tradespeople for the job. In practice, we understand from stakeholders that masters generally select the tradespeople they employ, meaning that independent tradespeople without the title of master have limited access to the market. According to stakeholders, this requirement might also be discriminatory, since those who have connections to a master, for example, through family or other relationships, may be at an advantage.

Further, apprentices must work under the overall responsibility of a master, even though we understand from stakeholders that in practice most of their on-site training will be managed by a tradesperson. Given there are fewer masters than tradespeople, apprentices may face challenges in finding a master willing to assume responsibility for their training, even if a tradesperson's qualifications could be sufficient to perform this function. Challenges in finding a master that is accepting apprentices could discourage individuals from joining the profession.

In practice, it is not clear whether some elements of the master tradesmen framework can be fully enforced. In 2012, a committee appointed by the Minister of Industry, tasked with examining the Law on Industry, highlighted a High Court judgment in 1964 concerning a tradesperson working as an independent barber and administering his own company. The defendant was charged for administering a company and employing another tradesperson without having the requisite master qualifications and certification (Iðnaðarráðuneytið, 2012[33]). The court determined that the defendant could work alone as a barber based on his tradesperson qualification, but was not permitted to employ other tradespersons. The demand from the prosecutor to the court that the defendant lose his tradespersons' rights was denied by the court, and the tradesperson was not fined due to mitigating circumstances. The Committee has opined that this case means a tradesperson can work independently and administer their own company, but not employ other tradespersons or apprentices (Iðnaðarráðuneytið, 2012[33]).

Article 8 of the Law (regarding the use of unskilled workers)[9] is an implicit recognition that the framework may lead to shortages of skilled workers. Furthermore, the wording in relation to the "short time period" and "when there is an urgent need" is vague and unclear, creating legal uncertainty. The clause also suggests that there are situations in which unlicensed workers can adequately perform the trades in question under the direction of a tradesperson.

In addition, EU and EEA nationals (from outside of Iceland) are excluded from using a master's title even though they may have similar qualifications in their own member state. In other words, qualified professionals from these jurisdictions are required to practice under the supervision of a master in Iceland, unless they gain the master title themselves.

As described in Section 6.1, restrictions of this nature can lead to lower employment in the trades in question as well as higher prices for consumers. In particular, restrictions such as these create bottlenecks, decreasing the supply of professionals and hindering competent persons from entering the sector, which can lead to higher prices.

International experience

Research suggests that equivalent requirements do not exist in Sweden, Denmark, France or the United Kingdom. The only reference country that requires master tradespersons to run their own company is Norway. In contrast, several reference countries have voluntary private initiatives to certify the quality of an experienced tradesperson. These initiatives serve the purpose of marketing and creating trust between the industry and the consumer, given the sometimes strict requirements that must be fulfilled before membership can be approved.

For example, the United Kingdom administers a voluntary scheme called the Construction Skills Certification Scheme, or CSCS (Construction Skills Certification Scheme, n.d.[34]) to encourage construction quality and safety.[10] Tradespersons and contractors hold a colour-coded card that provides proof of their vocational qualifications and experience. We understand that the CSCS scheme is viewed by those contractors who choose to use it as one of the main ways of allowing tradespersons and contractors to demonstrate that they have the skills and knowledge to carry out work. In addition, builders and contractors owe a duty of care under The Defective Premises Act 1972. This law puts a statutory obligation on builders and contractors to carry out work in a professional manner, with proper materials.

Tradespersons in the Republic of Ireland are not required to be a master to administer their own company, nor are they subject to any requirements to sign as a master for any work. Ireland has an online register called the Construction Industry Register Ireland, which is government-supported[11] but is not currently a requirement in legislation. Registration is open to any person who fulfils entry requirements and follows a code of ethics (The Construction Industry Register Ireland, n.d.[35]). Access to the Register is free for consumers. The objective of the Register is to become the main source of information for consumers when choosing and using tradespersons (The Construction Industry Register Ireland, n.d.[35]). Furthermore, it provides the consumer with a clear complaints procedure.

The Netherlands features more limited regulation of construction professions. Contractors are not required by Dutch law to hold licences or provide proof of competency. Rather, building standards on construction are relatively strict, but are not connected with the certifications or qualifications of those carrying out the work (Pye-Tait Consulting, 2013[36]). Some private industry organisations offer warranties to customers in cases where work is of poor quality, in which case the organisation will arrange for repairs or completion of the work. These warranties can include coverage for the quality of painting, façade work and glazing work as well as costs incurred due to bankruptcy of a contractor. The cost of claims is borne by member contractors who pay membership fees or, for smaller companies in some cases, a one-off annual fee (Pye-Tait Consulting, 2013, p. 67[36]).

Recommendations

The OECD recommends that the government of Iceland revise the current framework for master tradespersons, reducing the requirements for obtaining the master certification, and potentially the reserved activities granted to master tradespersons. The approach could be tailored to the specific requirements, qualifications and risks associated with each trade, and ensure that any retained reserved activities are justified by a clear safety or liability objective. Depending on the circumstances associated with each specific trade, three possible approaches include:

- **Option A – make it easier for a tradesperson to become a master:** Accelerating the master qualification process, eliminating coursework requirements for master tradespersons that are unrelated to essential technical skills, such as human resource management, bookkeeping and marketing. In other words, the coursework requirements should be solely comprised of technical skills needed for the unique role and responsibilities of the master tradesperson. At the same time, consider permitting qualified tradespersons to exercise some currently reserved tasks, such as training apprentices.

This option would be most appropriate in cases where (i) master tradespersons gain essential technical skills through the certification process, (ii) these skills cannot be easily included in the course of study for tradespersons, and (iii) the remaining reserved activities require these skills for safety or liability reasons.

- **Option B – allow qualified tradespersons to perform the activities currently reserved to masters:** Abolish the special privileges and responsibilities accorded to masters and grant them to tradespersons, including the requirement for a master tradesperson to hire tradespersons, sign on to projects and oversee apprentice training. Thus, tradespersons with recognised qualifications (including those qualified in EU or EEA jurisdictions) should be permitted to carry out these tasks.

  The master tradespersons designation could be retained, and could be a useful signal of quality, qualifications and experience for consumers to evaluate. Under this system, the current requirements to obtain a master title may need to be reoriented toward practical knowledge or other characteristics useful to consumers, such as participation in a professional insurance scheme.

  The government may wish to consider whether, once the special privileges of masters are removed, administration of the master tradespersons title would be better carried out by a voluntary industry association.

  This option would be most appropriate in cases where the current master tradesperson qualification process does not provide essential technical training for candidates, or where this training could instead be included in the training process for tradespersons.

- **Option C – abolish the entire licensing scheme for the profession, including the regulatory framework for masters**: Abolish the special privileges and responsibilities accorded to masters of trades altogether. This option would be most appropriate in cases where the government review of the regulated professions (recommended in Section 6.2.1.) suggests that a given profession should not be subject to reserved activities. Thus, neither a tradesperson nor master tradesperson certification would be required. A master tradesperson or similar designation could be retained as a voluntary industry-led initiative. If deemed necessary, in order to enhance consumer confidence after the elimination of the master tradesperson requirement, the government could consider creating or encouraging the industry-led creation of a database of tradespersons. The database could allow tradespersons to prove their education and experience, validity of liability insurance, and other information, similar to the CSCS scheme in the UK.[12]

6.2.3. Carpentry, electrical and plumbing tradespeople

Description of the barriers

While the qualification requirements vary, only licensed tradespersons can work in the carpentry, electrician or plumbing trades, pursuant to Article 8 of the Law on Industry. This requires taking a tradespersons' examination after graduation from an accredited vocational trades school, and the completion of an apprenticeship. Specific requirements for entry into the profession (after which a masters designation can also be pursued, as described in Section 6.2.2) include:

- **Carpenters:** The average time of study to be a carpenter is four years, a total of five semesters in carpentry school and 72 weeks of vocational training. Upon completion of studies, candidates must pass an exam (Iðan, n.d.[37]).
- **Electricians:** The average time of study to be an electrician is six semesters in school and 48 weeks of vocational training. Upon completion of studies, candidates must pass an exam (Tækniskólinn, n.d.[38]).[13] In addition, the HCA grants licences in accordance with the Law on Safety of Electric Power Plants, Consumer Electricity and Electrical Appliances no. 146/1996. Only electricians that are licensed by the HCA may carry out contracting on these items of electrical equipment.

- **Plumbers:** The average time of study to be a plumber is four years including academic studies in construction and building courses, a total of four semesters in plumbing school and 96 weeks of vocational training. Upon completion of studies, candidates must pass an exam (Næsta skref, n.d.[39]).

Harm to competition

Requiring applicants to pass an examination to obtain a licence is a significant burden for potential entrants to these professions. It may be duplicative, given that those who have graduated from an accredited vocational tradesperson school should have required skills and qualifications to work as such. If the examination applies a significantly higher standard than vocational school, it may also limit the entry of tradespersons whose services may be less expensive and sought by clients for smaller, less important or less risky jobs. Further, since examinations are only held once a year on average, they could significantly delay the entry of new tradespeople into the market. This contrasts with New Zealand, for example, where examinations for electricians are offered on-demand throughout the year through training providers (Electrical Workers Registration Board, n.d.[40]).

These requirements are more restrictive than in several other references countries, as shown in Table 6.2 below. Specifically:

- **Carpenters:** According to the European Commission (n.d.[41]) and OECD research, none of the reference countries grant reserved activities to carpenters, and only one, New Zealand, grants them protected title. However, more tailored requirements may exist, such as health and safety certifications for working on construction sites. In some cases, an additional private certification, such as the CSCS card in the UK, may be sought (CSCS, 2020[42]). Iceland and Luxembourg are the only countries in Europe where carpenters are subject to both reserved activities and protected title (European Commission, n.d.[41]). In lieu of imposing additional testing requirements, several countries work with educational institutions to ensure that apprentice training provides sufficient knowledge.
- **Electricians:** Five (Denmark, Finland, Ireland, New Zealand and Norway) of the eight reference countries grant reserved activities for electricians.[14]
- **Plumbers:** Plumbers are not regulated in any of the reference countries except New Zealand.[15]

Table 6.2. Regulations for carpenters, electricians and plumbers in Iceland are relatively restrictive

Occupational Entry Restrictions (OER) indicator for the reference countries

	Iceland	New Zealand	Finland	Ireland	Norway	Denmark	Netherlands	Sweden	United Kingdom
Carpenter	**2.22**	0.17	0	0	0	0	0	0	0
Electrician	**1.49**	1.23	1.49	1.48	1.24	0.86	0	0	0
Plumber	**1.32**	1.73	0	0	0	0	0	0	0

Note: The OER indicator ranges between 0 (no regulation) and 6 (fully regulated).
Source: Annex 6.A.

Recommendations

- As per the recommendation under Section 6.2.1, the OECD recommends a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978. In particular, the OECD recommends that the government of Iceland consider abolishing the reserved activities associated with licensed carpenters and plumbers. If the government deems it necessary, additional targeted measures regarding insurance and bonding, voluntary certification schemes, and training strategies to ensure trades schools cover specific content, could be put in place.

- The OECD recommends that the government of Iceland consider eliminating the requirement for tradesperson examinations if the original vocational certificate covers the same content (for electricians and, if reserved activities are retained, carpenters and plumbers).

6.2.4. Construction managers

A building permit is not issued unless a licensed construction manager has been engaged to oversee the construction project (Article 27, paragraph 1 of Law no. 160/2010 on Buildings). Construction managers are responsible for overseeing all types of construction that require a building permit, and represent the legitimate interests of the owner in dealing with the building authorities, designers, master tradespersons and others involved in the construction work *(Mannvirkjastofnun, n.d.[43])*.

Description of the barriers

There are three types of construction managers, depending on the type of building construction:

1. **"Construction Manager I"** is licensed to oversee construction, maintenance, changes, renovation, changes or demolition of buildings that are up to 2000 m^2 and no more than 16 metres high. This does not include buildings that serve public interests like schools, transport centres or hospitals or buildings that fall under Art. 4.7.4 par. 1(b) of the building regulation no. 112/2012.
2. **"Construction Manager II"** is licensed to oversee construction on new build, maintenance, changes, renovation and demolition of hydroelectric, geothermal, and other power plants, oil refineries, and water damns.
3. **"Construction Manager III"** is licensed to oversee all other types of construction that do not fall under Article 4.7.4, paragraph 1 (a) and (b) of Building Regulation no. 112/2012.

Master tradespersons (among other professionals with a diploma in construction technology), engineers and architects (as well as so-called "architectural technologists") are eligible for a Construction Manager I licence if they have between 2 and 5 years of work experience, depending on the profession.[16]

Engineers and architects (as well as so-called "architectural technologists") are eligible for Construction Manager II licences if they have 10 years of work experience in inspection or design.[17]

Master tradespersons (among other professionals with a diploma in construction technology), engineers and architects (as well as so-called "architectural technologists") are eligible for Construction Manager III licences if they have between 3 to 10 years of work experience in building construction.

The roles and responsibilities of construction managers include:

- carrying out internal control
- having a quality control system, i.e., a database that includes design documents and various other records (see also Section 6.2.6)
- hiring master tradespersons at the beginning of the project, with the consent of the owner
- notifying the issuer of the building permit in writing of those master tradespersons who have undertaken to be responsible for individual components of the project
- handling communications with licensors, building supervisors, designers and tradespersons, as well as others involved in the work
- ensuring that organised consultation meetings are held with the owner and designers, and incorporate their content into their quality management system
- actively supervising and being present at the appraisal of construction
- bearing the liability if the owner or a third party suffers damages caused by the negligence of the construction manager.

The construction manager is not responsible for the professional execution of the work under the responsibility of individual tradespersons or designers, or for ensuring others fulfil their obligations under a work or purchase agreement. According to Article 29, paragraph 5 of the Law on Buildings, the construction manager can become co-responsible, subject to certain conditions, namely: i) significant deficiencies on a building/project without any improvement; ii) the defects in question are due to the significant negligence of individual master tradespersons or designers, and; iii) the construction manager should have identified the deficiencies. Nevertheless, only the construction manager is obliged to have adequate liability insurance for financial damage that may result from negligence in his work (Mannvirkjastofnun, n.d.[44]).

Harm to competition

The requirement to have a licensed construction manager associated with each project can increase costs and delay construction projects, particularly where there are shortages of licensed construction managers. The profession is not regulated in six of the eight reference countries (Finland, Norway, Ireland, New Zealand, the Netherlands and the UK) and less restrictively regulated in the remaining two, as illustrated in Table 6.3. Thus, it is not clear that this role is required, and it could potentially be replaced with liability insurance requirements. In Sweden, a controller, who must be certified by a recognised accreditation body, is required to oversee only specific construction and demolition jobs (Swedish National Board of Housing, Building and Planning (Boverket), n.d.[45]).

Table 6.3. Construction managers are more restrictively regulated in Iceland than all other reference countries

Occupational Entry Restrictions (OER) indicator for the reference countries

	Iceland	Sweden	Denmark	Finland	Norway	Ireland	New Zealand	Netherlands	United Kingdom
Construction Manager	**3.04**	1.64	0.33	0	0	0	0	0	0

Note: The OER indicator ranges between 0 (no regulation) and 6 (fully regulated).
Source: Annex 6.A.

The range of responsibilities for construction managers may also be broader than necessary, particularly with respect to the building permit process. In the World Bank's Doing Business report (2020[46]), Iceland's score in the category "Dealing with Construction Permits" is 71.6 out of 100, below the 80.6 average of the other four Nordic countries.

Recommendations

The OECD recommends making all qualified tradespersons in the relevant professions eligible for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished, as discussed in Section 6.2.2.

6.2.5. Licensed designers

Description of the barriers

For architects, construction architects and architectural technologists (*byggingarfræðingur*) to be able to submit drawings[18] for a building permit, they must be licensed by the HCA. The conditions for being a licensed designer are listed in Article 16, paragraph 1 of the Law on Buildings, and are as follows:

- An applicant must pass a professional exam set out by the HCA.
- An applicant must have completed a course offered by the HCA on the relevant Icelandic laws and environmental and geological conditions. The course is taught online and ends with an examination and cost ISK 95 000 [609 EUR] in 2018 (Iðan, n.d.[47]).
- An applicant must have worked with a specialist for at least three years after finishing studying. One of those three years must be spent working on building houses in Iceland.

We understand from stakeholder consultations that the objective of this provision is to ensure that those who submit drawings for a building permit possess sufficient experience and knowledge.

Licensed designers are responsible for their design, and for ensuring that the design meets the requirements stated in the law and regulations, provided that the designer's instructions, work description, written instructions and accepted practices are fully complied with. They must sign drawings and thus confirm their responsibility.[19] Licensed designers are only permitted to deliver their designs to the appropriate authority if they have sufficient liability insurance.[20]

Harm to competition

The requirements to become a licensed designer are in addition to those already imposed upon architects or engineers (the requirements to obtain the title of architect or engineer are discussed in Section 6.3 below). These requirements limit the number of professionals able to act as designers. This can increase prices and, if there is a shortage of licensed designers, delay building construction. In particular, the requirement to have a professional title, complete a course, pass an exam and possess work experience may be more than what is necessary to accomplish the policy objective.

The reference countries take an alternative approach. For example, in the UK and Sweden there are no legal requirements to sign off on drawings. In Sweden, the requirements for submitting drawings for building permits do not specify that a licensed designer must be used (Swedish National board of Housing, Building and Planning (Boverket), n.d.[48]). In Finland, designers are required to have certain skills according to the tasks they undertake, as defined in the Land Use and Building Act. For example, when signing off on complex designs, one must have a construction-related university degree and a certain amount of experience relevant to the design in question. For simpler design tasks, it is possible to act as a competent designer with lower levels of education and less experience.[21] In Norway, the authorities require academic training and various amounts of relevant experience (depending on the type of project) in order to be authorised to sign building permit papers. (Architects' council of Europe, n.d.[49])

Recommendations

The OECD recommends that the government of Iceland consider eliminating the course requirement (and associated cost) for licensed designers, while ensuring the exam covers all requisite knowledge.

6.2.6. Quality control systems for licensed master tradesmen, construction managers and licensed designers

Description of the barriers

In order to offer their professional services, construction managers[22], master tradespersons[23] and designers, and design managers[24] must have a quality control system according to Law no. 160/2010 on Buildings. A quality control system is a database that includes confirmation of the relevant individual's qualifications, records on the individual's internal control processes, received design documents and various other records. The database must be made available upon request to clients and prospective clients. It is left to the discretion of each construction manager, master tradesperson, designer or designer

manager to decide exactly what information will be included. Any new quality control system must be registered with the HCA (specifically, the name and address of the professional in question as well as the future contents of the system) at a cost ranging from ISK 26 100 to ISK 33 500 (EUR 190-244). After an application for registration has been accepted by the HCA, the system must be certified by an accredited agency. The official recital states that the policy objective is to ensure disciplined working methods of those involved in the construction sector. In addition, this requirement ensures that consumers have sufficient information about the past experience and qualifications of the professional in question before hiring them.

Harm to competition

The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place.

However, we understand from stakeholders that quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the content of these systems may undermine the effectiveness of this framework.

Recommendations

No recommendation.

6.2.7. Real estate agents

Description of the barriers

In Iceland, private individuals can sell their own property without assistance by a real estate agent. However, only authorised real estate agents are permitted to facilitate a real estate transaction on behalf of a client.[25] This reserved activity is set out in Law no. 70/2015, Article 2, which stipulates that any persons wishing to practice as an agent must be certified by a district magistrate and fulfil certain requirements.[26] These requirements are set out in Article 3, and include residency conditions,[27] a training course (Endurmenntun HÍ, 2020[50])[28], and passing a competency test. Moreover, applicants must have six months' work experience with an estate agent. The cost of the course to become a real estate agent is 990 000 ISK (approximately 6 282.92 EUR) (Endurmenntun HÍ, 2020[50]).

In addition, Law no. 70/2015 on Selling Real Estate and Ships stipulates that a real estate agency must be owned and administered by an authorised agent. Alternatively, where the agency is owned by a company, an authorised agent must own a majority in the company. Moreover, there is a requirement in law that an agency must notify the Real Estate Monitoring Committee of their address of business premises. Each agency office must be operated by an authorised agent, so an agent is only permitted to open another branch if they employ a qualified agent who is exclusively at that branch to administer it and oversee operations.

Harm to competition

Reserved activities

The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. As noted above, strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these

restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).

In terms of the burden of acquiring authorisation to become a real estate agent, we understand from stakeholders that the educational course provides important knowledge to candidates, since the only prerequisite is matriculation from secondary school (Endurmenntun HÍ, 2020[50]). However, there may be opportunities to reduce the burden of the training course, for example by eliminating the accounting course requirements set out in Regulation 930/2016, since it is not clear that real estate agents would require particular expertise on these subjects relative to other business owners.

While real estate agents enjoy substantial exclusive rights, they also perform activities that are important to the integrity of real estate transactions and are, for this reason, reserved to legal professionals in other jurisdictions. Changes to the exclusive activities of real estate agents would therefore need to take account of the unique duties and impartial role of this profession in Iceland.

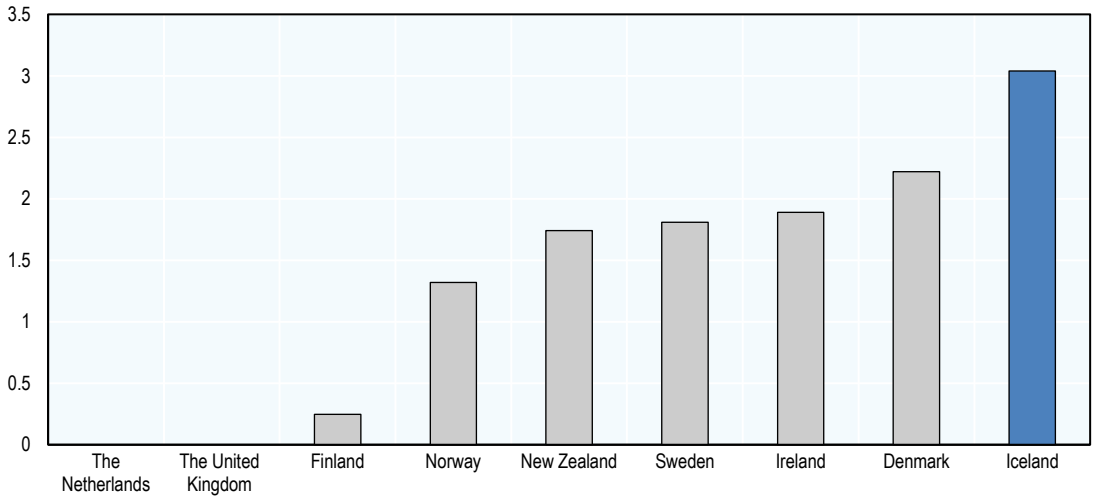
Overall, Iceland has some of the strictest regulations on real estate agents across OECD countries. In 2018, Iceland's Product Market Regulation index value for real estate agent services, which measures the restrictiveness of regulation, was 2.24 versus an OECD average of 0.87 (OECD, n.d.[51]). Further, the OER index results illustrated in Figure 6.2 suggest that Iceland's regulatory framework for real estate agents, in terms of the requisite examinations, period of studies and experience, is more restrictive than any reference country. In particular, with respect to the reference countries:

- Real estate agents are not subject to occupational entry regulations in the Netherlands and the UK, and in Finland they are subject to protected title restrictions only (i.e. no reserved activities)
- Iceland has only one pathway (in terms of education, experience and examinations) to become a licensed real estate agent, whereas Denmark, Finland and Norway all provide multiple pathways.
- Several jurisdictions also have lower requirements than Iceland in terms of experience required (e.g. Ireland) and length of education (e.g. Sweden)

There are significant differences in the regulatory frameworks governing real estate transactions between Iceland, the Nordic countries, the UK and other EU countries. Agents in Iceland act for both the buyer and seller in a property transaction, and execute all the contractual dealings between the parties, including the verification of title deeds. In England, estate agents only act for one side, and their duties are more limited, since either a solicitor or licensed conveyancer is needed to execute the transaction (Which?, n.d.[52]). Similarly, in Portugal an agent facilitates the transaction, generally on behalf of one side, but only a solicitor or notary is authorized to execute the contract, obtain proof of title and verify other legally required documents. Denmark, Norway and Sweden grant reserved activities to estate agents, but these are shared with solicitors or lawyers (European Commission, 2015[53]). Since the role of estate agents in Denmark and, with some exceptions, Sweden, is an impartial one similar to Iceland, the approach in these jurisdictions could be particularly relevant.

Figure 6.2. Real estate agent regulations in Iceland are more restrictive than in any reference country

Occupational Entry Restrictions (OER) indicator for the reference countries



Note: The OER indicator ranges between 0 (no regulation) and 6 (fully regulated).
Source: See Annex 6.A.

Ownership restrictions

Restricting the ownership of an agency to authorised real estate agents can constrain competition by limiting investment and preventing the emergence of new business models under the ownership of non-professionals. Thus, this restriction can limit innovation, and result in higher prices for consumers.[29] In particular, while an unlicensed owner may not be qualified to serve clients as a real estate agent, they may offer management skills or alternative business models that indirectly benefit clients. The ownership restriction prevents these benefits from emerging.

Based on the preamble to the Law no. 70/2015 on Selling Real Estate and Ships, we understand that this restriction has been retained based on the experience in other Nordic countries (for example, Norway, where ownership restrictions were subsequently eliminated)[30]. Specifically, we understand there was a concern that unauthorised individuals could establish estate agencies and provide agent services, while using a single authorised real estate agent employee as cover for their activities. Moreover, the preamble suggests ownership by third parties could compromise the impartiality of agents, who act on behalf of both buyers and sellers in Iceland (frumvarpsins., n.d.[54]).

Ownership restrictions on professional businesses may not be the best mechanism for achieving consumer protection objectives and have been removed in other jurisdictions. For example, reforms in the UK enabling barristers to operate under "alternative business structures" have sought to improve consumers' access to legal services and enable innovation (OECD, 2016[1]). In the place of ownership restrictions, policymaker objectives regarding consumer welfare and the integrity of real estate transactions could be achieved through strong enforcement of consumer protection laws, and the clear assignment of legal liability. It is not clear how ownership restrictions could threaten impartiality vis-à-vis buyers and sellers, since conflict of interest regulations could be a less distortionary way of preventing a real estate agent from facilitating a transaction involving their employer. Alternative approaches include that of Sweden, where ownership restrictions of real estate companies have been lifted but a requirement has been retained for every agent's office be under the direction of either an estate agent or a solicitor[31].

Recommendations

The OECD recommends that the government of Iceland consider reducing the educational requirements to obtain authorisation to act as a real estate agent (in particular by eliminating the coursework requirements related to accounting). In addition, the OECD recommends that the Government of Iceland consider introducing additional pathways to become a real estate agent (e.g. through an examination and professional experience) or reducing the work experience requirement for those who meet educational and examination requirements.

Further, the OECD recommends that the government of Iceland abolish ownership restrictions for real estate agencies, given that less restrictive means of protecting consumers and addressing conflicts of interest are already in place (e.g. conflict of interest rules for real estate agents, liability insurance requirements, and consumer protection law enforcement).

6.2.8. Bakers

Description of the barriers

The profession of bakers is licensed in Iceland according to Article 8 of the Law on Industry. This provision states that only master bakers, tradespersons and trainees can work as bakers. The average time of study to be a baker is four years, a total of 90 credits in school (three semesters) and 200 credits of vocational training (126 weeks). After completing that, candidates must take the tradespersons examination and can then seek a masters designation (described in Section 6.2.2) which requires 3-4 semesters additional study (Iðan, n.d.[37]). We understand from stakeholder consultations that the objective of this provision was to protect consumers from unsafe food handling practices and ensure a minimum level of quality and hygiene.

Harm to competition

When licensing requirements for performing a reserved activity are burdensome, they can have the effect of reducing the number of licensed professionals in a market. In this case, a four-year qualification process to become a licensed baker appears significantly more burdensome than needed to ensure safe food handling and hygiene. Further, we understand that the required education covers numerous topics beyond food safety – i.e., beyond the core policy justification for this restriction. Finally, food-handling concerns are already addressed under other legislation that requires all food businesses to gain registration and approval from the relevant regional hygiene committees prior to commencing operations. Bakeries and other food service businesses undergo regional inspection periodically and according to a specific schedule, on average once a year.[32]

In addition to the significant burden licensing imposes on potential entrants into the bakery profession, this restriction also limits innovation and the emergence of alternative business models. In particular, unlicensed individuals may not work as bakers, even in a limited capacity under the supervision and instruction of an experienced baker.

None of the reference countries have reserved activities and/or protected title for bakers, suggesting this restriction may not be proportionate to the policy objective (EU Commission, n.d.[55]). Instead, OECD jurisdictions generally put in place food preparation regulations, such as those already in place in Iceland, which do not have the same distortive effect on competition and may be a more effective means of protecting consumers (von Rueden and Bambalaite, 2020[29]). For example, in New Zealand, the Food Act regulates how businesses manage food preparation and sales to make sure that food is safe for consumption (Business.govt.nz, n.d.[56]).

Recommendations

The OECD recommends that the government of Iceland abolish the reserved activities and protected title for bakers.

6.2.9. Photographers

Description of the barriers

The profession of photographers is licensed in Iceland according to Article 8 of Law no. 42/1978 on Industry. The provision states that only those who are licensed photographers can work as photographers and use the title. The average time of study to be photographer in Iceland is five semesters plus 24 weeks of vocational training (Tækniskólinn, n.d.[38]). After completing the training, the prospective photographer then needs to take the tradesperson examination and can then seek a masters designation (described in Section 6.2.2) which requires 3-4 semesters additional study (Tækniskólinn, n.d.[38]). The project team was not able to identify the rationale for this restriction.

Harm to competition

As with bakers, the process to become a licensed photographer in Iceland is lengthy and costly. This discourages at least some potential service providers, for example, part-time photographers providing services in their spare time or photography assistants working in studios established by experienced photographers, from offering their services.

Further, no public policy objective appears to justify this restriction. Despite the unclear policy objective, the restriction appears to have been enforced. In 2010, the Reykjanes District Court of Iceland upheld two judgements in which individuals were convicted of a violation of the Law on Industry by operating a photography studio, where photographs were taken and processed for a fee, without having a licensed master photographer in charge. The judgement states that it is the legislature's and not the courts' responsibility to decide which industries should be protected by law.[33] Subsequent to these judgments, the Ministry of Industry and Innovation received from the Photography Interest Association (HUL) a request to abolish licensing of the photography profession. We understand that, rather than changing only the framework for the photography profession, the Ministry of Industry and Innovation has expressed interest in carrying out a comprehensive review of the licensed professions in the light of employment freedom obligations under the Icelandic constitution. Such a review would seek to ensure that the legal protection of licensed professions under the Law on Industry achieves the purpose of protecting the public interest in a proportionate way (Iðnaðarráðuneytið, 2012[33]).

According to the "Committee report on the revision of the industrial act" from February 2012, students in photography have had difficulties in completing their studies, since it is difficult to find a licensed master photographer that accepts apprentices (Iðnaðarráðuneytið, 2012[33]). The committee examined photography specifically because of the former district court judgement. The committee consulted with both the Icelandic Association of Photographers, a professional association the field of photography, and the forum of all professional photographers in the country, and the Photography Interest Association (HUL), which have advocated for the removal of licensing requirements for photography. The report also mentions that the HUL has highlighted the absence of any public interest protected by licensing photography. The Icelandic Association of Photographers is not in agreement and believes that, based on the judgments of the District Court of Reykjanes in cases S460 / 2010 and S-461/2010 on photography, licensing of photography is not inconsistent with the freedom of employment principles in the Constitution and should not be abolished.

According to the OECD indicator on professions and the European Commission (n.d.[41]), none of the reference countries regulate photographers. In fact, the only countries in Europe that regulate the profession are Iceland, Luxembourg and Croatia.

Recommendation

The OECD recommends that the Government of Iceland abolish the reserved activities and protected title for photographers.

6.3. Professions subject to protected title regulations

An alternative to establishing reserved activities is the granting of protected title. In Iceland, this approach has been implemented for example in Law no. 8/1996 on the Certification of Some Professional Titles for Specialists in the Technical and Designing Industry, including for engineers, technologists, architects, and furniture and interior architects (furniture and interior designers). This section analyses the protected title schemes for engineers and architects.

6.1.1. Architects

Architects have protected title in Iceland according to Law no. 8/1996. A candidate must apply for the right to use the protected title to the Ministry of Industry and Innovation, which then forwards the application to the relevant professional association, which has two months to provide comments to the ministry.

Description of the barriers

The conditions for using the professional title of architect include an academic degree in architecture from a qualified school, proof of which must be submitted along with the candidate's academic record. Diplomas from specified EU/EEA architecture schools, listed in Annexes to EU Directive 2005/36/EC, or US architecture schools registered by the US National Architectural Accrediting Board are always accepted, but other diplomas are assessed based on Rules on the evaluation of applications.[34] We understand from consultations with stakeholders that this restriction was put in place to ensure that architects have a basic minimum level of knowledge in order to ensure building designs are safe. Therefore, it indirectly protects the public from the harm that could be caused from unsafe building designs.

Harm to competition

The protected title for architects may not be necessary to accomplish the policy objective. Four of the eight reference countries (Denmark, Finland, Norway and Sweden) do not protect the title or regulate the profession of architect (see Table 6.4). For example, in Finland there is no regulation but rather a voluntary registration maintained by the professional association and other public institutes. This framework allows professionals to freely decide whether they want to register, and many choose to register as a signal of service quality. In Denmark, there is no protected title or reserved activity for architects. However, individuals working in the building industry, including architects, must have professional insurance. One of the requirements for obtaining insurance is a number of years of professional experience in the field of architecture. In addition, to obtain the internationally recognised title of "Architect MAA", membership of the Danish Architects Association (DAA) is required (Arkitektforeningen, n.d.[57]).

Table 6.4. Regulations on architects are more restrictive in Iceland than most reference countries

Occupational Entry Restrictions (OER) indicator for the reference countries

	Iceland	Ireland	Netherlands	New Zealand	United Kingdom	Denmark	Finland	Norway	Sweden
Architect	**1.15**	2.39	0.82	0.82	0.62	0	0	0	0

Note: The OER indicator ranges between 0 (no regulation) and 6 (fully regulated).
Source: Annex 6.A.

Recommendation

The government of Iceland could consider abolishing the protected title framework for architects, and consider whether alternative measures (such as replacing protected title with an insurance or bonding scheme, described in Section 6.1.2 above) could accomplish the policy objective through less restrictive means.

6.1.2. Engineers

Engineers have protected title in Iceland according to Law no. 8/1996. The right to use the title as an engineer applies to all types of engineer, but for the purpose of this project, we focus on civil engineers (*byggingaverkfræðingur*). A candidate shall apply for the right to use the protected title to the Ministry of Industry and Innovation, which will then forward the application to the relevant professional association, which has two months to comment to the ministry.[35]

Description of the barrier

The conditions for using the professional title of engineer include graduating from a recognised engineering or technology program, the duration and content of which must be similar to a master's degree in engineering in Iceland (with certain basic engineering credits). We understand from consultations with stakeholders that this restriction was put in place to ensure engineers have a basic minimum level of knowledge, in order to ensure building and infrastructure designs and construction processes are safe.

Harm to competition

The provision limits the use of the title of engineer to those approved by the Ministry of Industry and Innovation. The protected title for engineers may not be necessary to accomplish the policy objective. This profession is not subject to restricted activities or protected title in seven of the eight reference countries (Denmark, Finland, Norway, Sweden, New Zealand, Ireland, and the Netherlands – see Table 6.5).

Table 6.5. Engineering professional regulations are more restrictive in Iceland than any reference country

Occupational Entry Restrictions (OER) indicator for the reference countries

	Iceland	United Kingdom	Denmark	Finland	Norway	Sweden	Ireland	New Zealand	Netherlands
Civil Engineer	**1.90**	0.70	0	0	0	0	0	0	0

Note: The OER indicator ranges between 0 (no regulation) and 6 (fully regulated).
Source: Annex 6.A.

Recommendation

The government of Iceland should consider abolishing the current protected title framework for engineers. If deemed necessary, alternative measures (such as replacing protected title with an insurance or bonding scheme, described in Section 6.1.2 above) could accomplish the policy objective through less restrictive means.

Annex 6.A. Calculating the occupational entry restrictions indicator

To facilitate comparisons between professional regulations in Iceland and the reference countries, this report uses the OER indicator published by the OECD Economics Department. The indicator is constructed as follows:

> *The [Occupational Entry Restrictions, or OER] Indicator is a novel cross-country composite indicator measuring the stringency of occupational entry regulations across all US states, Canadian provinces, 15 European countries,* [1] *Israel, India and South Africa, for a set of five professional (accountants, architects, civil engineers, lawyers and real-estate agents) services, nine personal services (aestheticians, bakers, butchers, driving instructors, electricians, hairdressers, painters, plumbers and taxi drivers) and nurses. At the most aggregate level, the indicator differentiates between three types of occupational regulations: licensing, a situation in which only the manager/supervisor requires a license, and certification. Further, the indicator assesses the regulatory barriers along three dimensions: administrative burdens, qualification requirements and foreign entry restrictions. It provides a comparative source of information on the various approaches used across countries to regulate entry into services, notably distinguishing between different areas of regulation (administrative, qualification and mobility requirements) and different types of regulation (licensing, a situation in which only supervisors require a license, and certification). (OECD, n.d.[51])*

OER values were available for the professions of architects, civil engineers, electricians, plumbers and real-estate agents for Iceland, Finland, Sweden and the United Kingdom (von Rueden and Bambalaite, 2020[29]).

The project team extended this indicator to include all of the reference countries and construction-related professions assessed in this report. Specifically, the project team calculated the OER for three additional professions: building inspector, carpenter, and construction manager. For each of these professions, we conducted research to answer the questionnaire that provides the basis for calculating the OER indicator, as described in Annex D of von Rueden and Bambalaite (2020[29]). We have also enlarged the number of countries included in the indicator, since five of the reference countries are not included in the initial OER indicator: Denmark, Norway, Ireland, New Zealand, and the Netherlands. For these countries, we conducted research to answer the questionnaire for all of the construction-related professions: architects, civil engineers, electricians, plumbers, real-estate agents, building inspectors, carpenters, and construction managers.

Table 6.A.1 summarises the values for all the professions and countries. The remaining tables provide a list of the sources used by the project team to gather the information needed to build the OER indicator.

Table 6A.1. OER values for Iceland and the reference countries for eight construction-related professions

Profession	Iceland	Nordic reference countries				Other reference countries			
		Denmark	Finland	Norway	Sweden	Ireland	New Zealand	Netherlands	United Kingdom
Architect	**1.15**	0.00	0.00	0.00	0.00	2.39	0.82	0.82	0.62
Building inspector	**2.87**	0.00	0.00	0.00	0.44	0.12	0.00	0.00	0.08
Carpenter	**2.22**	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00
Civil Engineer	**1.90**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70
Construction Manager	**3.04**	0.33	0.00	0.00	1.64	0.00	0.00	0.00	0.00
Electrician	**1.49**	0.86	1.49	1.24	0.00	1.48	1.23	0.00	0.00
Plumber	**1.32**	0.00	0.00	0.00	0.00	0.00	1.73	0.00	0.00
Real-estate agent	**3.04**	2.22	0.25	1.32	1.81	1.89	1.74	0.00	0.00

Source: OER indicator (von Rueden and Bambalaite, 2020[29]) and calculations based on research developed by the project team.

Table 6.A.2. Iceland – additional sources for the OER

Profession	Category	Source	Link
Building inspector	Type of regulation	Housing and Construction Authority	http://www.mannvirkjastofnun.is/library/Skrar/Byggingarsvid/Byggingarreglugerd/Uppfærð%20byggingarreglugerð%20eftir%208.%20breytingu%20-%20ÁSS%20m.%20aoskrá%2023.2.2019.pdf
	Academic qualifications	Icelandic Parliament	https://www.althingi.is/lagas/nuna/2010160.html
Carpenter	Type of regulation	Government of Iceland	https://www.reglugerd.is/reglugerdir/allar/nr/940-1999
	Academic qualifications	The Technical College	https://tskoli.is/namsbraut/husasmidi/
Construction manager	Type of regulation	Icelandic Parliament	https://www.althingi.is/lagas/nuna/2010160.html
	Academic qualifications	Icelandic Parliament	https://www.althingi.is/lagas/nuna/2010160.html

Table 6.A.3. Denmark – additional sources for the OER

Profession	Category	Source	Link
Architect	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12406
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12406
Building inspector	Type of regulation	Ministry of Transport, Building and Housing	https://bygningsreglementet.dk/~/media/Br/BR-English/BR18_Executive_order_on_building_regulations_2018.pdf (https://bygningsreglementet.dk/Ovrige-bestemmelser/30/Krav)
	Academic qualifications	Ministry of Transport, Building and Housing	https://bygningsreglementet.dk/~/media/Br/BR-English/BR18_Executive_order_on_building_regulations_2018.pdf (https://bygningsreglementet.dk/Ovrige-bestemmelser/30/Krav)
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Civil engineer	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=regprof&id_regprof=2965
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=regprof&id_regprof=2965
Construction manager	Type of regulation	European Commission: Regulated Professions database Danish Business Authority	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662 https://danishbusinessauthority.dk/building-site-coordinator
	Academic qualifications	Consulting company "Avidenz", Authorised occupational health and safety adviser	https://www.avidenz.dk/vi-tilbyder/arbejdsmiljo/bygge-og-anlag/arbejdsmiljokoordinator-for-byggepladser
Electrician	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12099
	Academic qualifications	Danish Safety Technology Authority	https://www.sik.dk/en
Plumber	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
Real-estate agent	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=5290 https://www.retsinformation.dk/Forms/R0710.aspx?id=176880
	Academic qualifications	Danish Real Estate Association	https://www.de.dk/images/pdf/2016/Bliv_ejendomsmægler/BE_fin.pdf

Table 6.A.4. Finland – additional sources for the OER

Profession	Category	Source	Link
Building inspector	Type of regulation	Land Use and Building Act (132/1999, amendment by 222/2003)	https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132.pdf
	Academic qualifications	Land Use and Building Act (132/1999, amendment by 222/2003)	https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132.pdf
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Construction manager	Type of regulation	Land Use and Building Act (132/1999, amendment by 222/2003)	https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132.pdf
	Academic qualifications	Land Use and Building Act (132/1999, amendment by 222/2003)	https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132.pdf

Table 6.A.5. Norway – additional sources for the OER

Profession	Category	Source	Link
Architect	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12406
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12406
Building inspector	Type of regulation	Planning and Building Act	https://lovdata.no/dokument/NL/lov/2008-06-27-71/KAPITTEL_4-6#%C2%A725-1
	Academic qualifications	Planning and Building Act	https://lovdata.no/dokument/NL/lov/2008-06-27-71/KAPITTEL_4-6#%C2%A725-1
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Civil engineer	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
Construction manager	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
Electrician	Type of regulation	Regulations on electrical undertakings and qualification requirements for work re. to electrical installations/ equipment	https://lovdata.no/dokument/SF/forskrift/2013-06-19-739#KAPITTEL_3
	Academic qualifications	Regulations on electrical undertakings and qualification requirements for work re. to electrical installations/ equipment	https://lovdata.no/dokument/SF/forskrift/2013-06-19-739#KAPITTEL_3
Plumber	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
Real-estate agent	Type of regulation	Real Estate Act	https://lovdata.no/dokument/NL/lov/2007-06-29-73#KAPITTEL_2
	Academic qualifications	Real Estate Act	https://lovdata.no/dokument/NL/lov/2007-06-29-73#KAPITTEL_2 https://www.nef.no/om-nef/about-norwegian-association-of-real-estate-agents-nef/

Table 6.A.6. Sweden – additional sources for the OER

Profession	Category	Source	Link
Building inspector	Type of regulation	Swedish Board of Housing, Building and Planning	https://www.boverket.se/sv/lag--ratt/forfattningssamling/gallande/ka---bfs-201114/
	Academic qualifications	Swedish Board of Housing, Building and Planning	https://www.boverket.se/sv/lag--ratt/forfattningssamling/gallande/ka---bfs-201114/ https://rinfo.boverket.se/KA/PDF/BFS2011-14-KA4.pdf
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Construction manager	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
	Academic qualifications	Swedish Board of Housing, Building and Planning RISE – Sweden's research institute and innovation partner.	https://www.boverket.se/sv/byggande/bygga-nytt-om-eller-till/kontrollansvarig/certifierad-kontrollansvarig/ https://www.ri.se/sv/kunskapsprov-personcertifiering

Table 6.A.7. Ireland – additional sources for the OER

Profession	Category	Source	Link
Architect	Type of regulation	Electronic Irish Statute Book The Royal Institute of the Architects of Ireland	http://www.irishstatutebook.ie/eli/2007/act/21/section/18/enacted/en/html#sec18 https://www.riai.ie/careers-in-architecture/how-to-become-an-architect
	Academic qualifications	The Royal Institute of the Architects of Ireland	https://www.riai.ie/careers-in-architecture/how-to-become-an-architect
Building inspector	Type of regulation	Dublin City Council	http://www.dublincity.ie/sites/default/files/content/Careers/Documents/Building%20Inspector%20-%20Clerk%20of%20Works.pdf
	Academic qualifications	Dublin City Council	http://www.dublincity.ie/sites/default/files/content/Careers/Documents/Building%20Inspector%20-%20Clerk%20of%20Works.pdf
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Civil engineer	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
Construction manager	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
Electrician	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12099
	Academic qualifications	Generation Apprenticeships	http://www.apprenticeship.ie/en/apprentice/Pages/Electrical.aspx http://www.apprenticeship.ie/en/apprentice/Brochures/Electrical/Electrical.pdf
Plumber	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
Real-estate agent	Type of regulation	Property Services Regulatory Authority	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=5290 http://www.psr.ie/en/PSRA/Pages/WP16000031
	Academic qualifications	Property Services Regulatory Authority	http://www.psr.ie/en/PSRA/Guide%20to%20becoming%20PSP%20October%202018.pdf/Files/Guide%20to%20becoming%20PSP%20October%202018.pdf

Table 6.A.8. New Zealand – additional sources for the OER

Profession	Category	Source	Link
Architect	Type of regulation	Registered Architects Rules 2006	http://www.legislation.govt.nz/regulation/public/2006/0161/latest/DLM388470.html
		New Zealand Institute of Architects	https://www.nzia.co.nz/connect/registering-as-an-architect
	Academic qualifications	New Zealand Registered Architects Board	https://www.nzrab.nz/Editable/Assets/Publications/NZRAB_Grads_Fact_Sheet.pdf
Building inspector	Type of regulation	Tertiary Education Commission	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/building-surveyor/how-to-enter-the-job#how-to-enter-the-job
	Academic qualifications	Tertiary Education Commission	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/building-surveyor/how-to-enter-the-job#how-to-enter-the-job
Carpenter	Type of regulation	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/carpenter/how-to-enter-the-job#how-to-enter-the-job
	Academic qualifications	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/carpenter/how-to-enter-the-job#how-to-enter-the-job
Civil engineer	Type of regulation	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/engineering/engineering/civil-engineer/
		Engineering New Zealand	https://www.engineeringnz.org/cpeng/register/
	Academic qualifications	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/engineering/engineering/civil-engineer/
		Engineering New Zealand	https://www.engineeringnz.org/cpeng/register/
Construction manager	Type of regulation	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/building-and-construction-manager/#how-to-enter-the-job
	Academic qualifications	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/building-and-construction-manager/#how-to-enter-the-job
Electrician	Type of regulation	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/electrician/#how-to-enter-the-job
		Electrical Workers Registration Board	https://www.ewrb.govt.nz/becoming-an-electrical-worker/training-qualifications-and-requirements/
	Academic qualifications	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/construction-and-infrastructure/construction/electrician/#how-to-enter-the-job
		Electrical Workers Registration Board	https://www.ewrb.govt.nz/becoming-an-electrical-worker/training-qualifications-and-requirements/
Plumber	Type of regulation	Plumbers, Gasfitters, and Drainlayers Act 2006	http://www.legislation.govt.nz/act/public/2006/0074/latest/DLM396778.html
		Plumbers, Gasfitters, and Drainlayers Board(Plumbing Registration and Licensing) Notice 2016	https://www.pgdb.co.nz/media/1202/20180402-amended-plumbing-notice.pdf
	Academic qualifications	The Controller and Auditor-General	https://oag.parliament.nz/2010/plumbers/part5.htm
		Plumbers, Gasfitters, and Drainlayers Board(Plumbing Registration and Licensing) Notice 2016	https://www.pgdb.co.nz/media/1202/20180402-amended-plumbing-notice.pdf
Real-estate agent	Type of regulation	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/finance-and-property/property-services/real-estate-agent/#how-to-enter-the-job
	Academic qualifications	Tertiary Education Commission of New Zealand	https://www.careers.govt.nz/jobs-database/finance-and-property/property-services/real-estate-agent/#how-to-enter-the-job

Table 6.A.9. The Netherlands – additional sources for the OER

Profession	Category	Source	Link
Architect	Type of regulation	The Architects Registration Bureau	https://www.architectenregister.nl/en/the-law/dutch-architects-title-act/
	Academic qualifications	Architects' Council of Europe	https://www.ace-cae.eu/access-to-the-profession/how-to-become-an-architect/netherlands/
Building inspector	Type of regulation	Dutch Register of Architectural Inspectors	https://www.nrbi.nl/wat-is-het-nrbi/missie-nederlands-register-bouwkundig-inspecteurs
	Academic qualifications	Dutch Register of Architectural Inspectors	https://www.nrbi.nl/wat-is-het-nrbi/missie-nederlands-register-bouwkundig-inspecteurs
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Civil engineer	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6160
Construction manager	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
Electrician	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12099
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12099
Plumber	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705
Real-estate agent	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=5290
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=5290

Table 6.A.10. The United Kingdom – additional sources for the OER

Profession	Category	Source	Link
Building inspector	Type of regulation	Prospects – experts in graduate careers	https://www.prospects.ac.uk/job-profiles/building-control-surveyor
	Academic qualifications	Prospects – experts in graduate careers	https://www.prospects.ac.uk/job-profiles/building-control-surveyor
Carpenter	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
	Academic qualifications	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=12129
Construction manager	Type of regulation	European Commission: Regulated Professions database	https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6662
	Academic qualifications	Prospects – experts in graduate careers	https://www.prospects.ac.uk/job-profiles/construction-manager

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Notes

[1] Licensing according to Law on industry no. 42/1978 includes both reserved activities and protected title. Such arrangement is also present in various other professions.

[2] Article 1 of Regulation no. 940/1999 on certified trade. Regulation 1256/2012 removed dental technicians from the list of regulated professions in Regulation 940/1999.

[3] Article 2 of Regulation no. 940/1999 on certified trade.

[4] Directive (EU) 2018/958 of the European Parliament and of the Council of 28 June 2018 on a proportionality test before adoption of new regulation of professions.

[5] Article 8 par. 1 and 2 of Law no. 1978 on industry.

[6] Article 8 par. 2 of Law no. 1978 on industry.

[7] Article 13 of the Law on Construction stipulates that for a construction manager to be able to get a building permit they must submit the declaration of responsibility of all masters. The local building authority inspector will decide if the declaration of responsibility is satisfactory.

[8] Article 8 par. 3 of Law no. 160/2010 on Buildings.

[9] Article 8 of the Law allows master tradesmen and companies to use uneducated workers under the direction of a journeyman or educated worker by making an agreement with the relevant union association.

[10] The CSCS Scheme is a not-for-profit limited company with directors from employer organisations and unions who represent the breadth of the industry. Almost all large construction firms and main contractors require a person to produce the relevant card before they are admitted on site. People who have extensive experience in their relevant trade but no formal qualifications can get a red card as long as they are working towards a recognized qualification.

[11] The minister of the Environment, Community & Local Government approves the chairman of the board, In total five board members are approved to sit on the board by government ministers and public sector agencies.

[12] The CSCS Scheme is a not-for-profit limited company with directors from employer organisations and unions who represent the breadth of the industry. Almost all large construction firms and main contractors require a person to produce the relevant card before they are admitted on site. People who have extensive experience in their relevant trade but no formal qualifications can get a red card as long as they are working towards a recognized qualification.

[13] Electrical technology is a diploma, it deals with all machines, tools, devices, and systems in which a current or a flow of electrons takes place through conductors and metals. The study is 90 units and is taught two sessions per semester, one weekend at a time. The program is organised it usually takes three years to complete together with work.

[14] See: https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705.

[15] See:https://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map_complex&profession=6705.

[16] Article 28 par. 2 of Law no. 160/2010 on Buildings.

[17] Article 28 par. 3 of Law no. 160/2010 on Buildings.

[18] Municipal plan schematic drawings, schematic drawings for plots and detailed schematic drawings, according to Article 25 of Law no. 160/2010 on Buildings.

[19] Article 23 par. 2. of Law no. 160/2010 on Buildings.

[20] Article 4.1.1 par. 4-6 of the Building regulation no. 112/2012.

[21] According to information provided by the Finnish competition authority.

[22] According to Article 4.8.1. of the Building regulation no. 112/2012 the quality control system of the construction manager shall be at least include: a) confirmation of their education and qualifications, b) an internal control system for each construction project and a description thereof, c) a directory for received designs, d) directory and relations with housing authorities and other monitoring parties, e) directory for the masters in trade and their liability declaration, f) directory for findings and phase evaluations, g) directory of designers, design managers and findings regarding designs, h) directory of all other decisions and findings of the construction manager, i) description of the final inspection of the construction and its preparation.

[23] According to Article 4.10.2. of the Building regulation no.112/2012 the quality control system of master tradesperson shall at least include: a) competency accreditation, b) a directory describing how they carry out specific tasks, c) a list on designs and other written instructions, d) a directory of inspections and their results, comments and relations with construction managers and, e) the findings of the internal control system.

[24] According to Article 24 of Law no. 160/2010 on Buildings the system have to at least explain the designers education, documentation about individual decisions, checklists regarding harmony of design documents and a directory of all approved designs, directory of all communication with housing authorities, supervisory bodies regarding designs as well as a directory on the internal control for the designer.

[25] Article 2 does state that an attorney at law can also act in the same capacity if it is related to their work. Furthermore, a person whose business is housebuilding may also sell their own houses. However, all paperwork related to the selling must be done by an estate agent.

[26] Article 3 of the Law on Selling sets out the requirements and conditions which must be satisfied to obtain certification. The educational requirements to become an estate agent is a training course at 90 credits (Endurmenntun HÍ, 2020[50]), which is followed by a competency test. Moreover, there is also a requirement for the person to have completed six months practical work experience. The cost of the course to become a real estate agent is 990.000 ISK (Endurmenntun HÍ, 2020[50]).

[27] Conditions for certification: a) Legal domicile in Iceland (exception to this is citizens of EU/EEA states); b) of age and has never bankrupted or have been deprived of his right to act as an estate agent temporarily; c) has insurance for themselves and employees; d) has finished 90 credits from the school for estate agents, e) has worked full time at a real estate agency or with an estate agent with Icelandic certification, either in a EEA country or Faroe Islands. Exception of b): If the estate agents monitoring Committee asses an applicant and he has been in charge of his finance in the last 3 years. Exception of a): Citizens of a EEA countries, EU countries and Faroe Islands.

[28] Approximately four semesters.

[29] Following a 2020 OECD working paper, bold reforms easing occupational entry regulations, especially those concerning qualification requirements, could help increase the contribution of personal and professional services to aggregate productivity growth via two channels: the acceleration of their catch up to best global practices (within-firm channel), where firms in regulated sectors could gain up to 2.5 percentage points of productivity on average; and a higher contribution of labour reallocation to firms' employment growth (between-firm channel), which could increase by up to 10 percent for the most productive firms.

[30] lov om eiendomsmegling, nr. 73/2007, frá 29. júní 2007.

[31] lov om omsætning af fast ejendom, nr. 691/2003.

[32] Article 63 of the regulation on hygiene no. 941/2002.

[33] District Court of Reykjanes in cases S460 / 2010 and S-461/2010.

[34] Article 2 of rules no. 456/2012 on the evaluation of applications for the right to use the professional title of architect.

[35] The protected title of engineers covers all types of engineers such as civil engineers.

7 Tourism activities

The tourism[1] sector has grown rapidly in the last decade in Iceland, and has become a major contributor to the Icelandic economy. The competition assessment in this sector has found several regulatory barriers to competition and opportunities to ease the administrative burden for businesses offering tourism activities. These opportunities have taken on new importance in the wake of the Covid-19 epidemic, which has severely curtailed the tourism sector. A procompetitive regulatory framework that avoids unnecessary costs and enables flexibility will be crucial for a sustainable recovery.

This chapter makes several recommendations to address administrative burdens in the tourism sector. It proposes eliminating duplicative licensing requirements for certain tour operators, and lifting foreign ownership restrictions that may limit investment in sea angling tours. In the restaurant and accommodation sector, the chapter proposes that the government of Iceland assess whether licensing requirements impose undue costs on small businesses, abolish accommodation standards that are not enforced and have no clear policy objective, and replace the restrictions on new accommodation establishments in Reykjavík with less distortive measures. Finally, the chapter proposes measures to encourage competition when granting concessions or licenses to operate in protected areas.

7.1. Description of the tourism sector

The tourism sector can be an important contributor to inclusive economic growth, job creation, export revenue and domestic value added (OECD, 2020[1]). In fact, tourism has underpinned the economic recovery in several OECD countries since the 2009-2010 economic crisis, including in Iceland. This is partly due to its role in driving employment, as large numbers of workers are needed to maintain all the related services, such as hotels, restaurants, taxis and buses, among others (Podhorodecka, 2018[2]).

Tourism has played a fundamental role in the Icelandic economy after a decade of strong growth. In 2010, when Iceland was recovering from the 2008 financial crises, a volcanic eruption of the “Eyjafjallajökull” glacier became a global event, with an ash cloud rendering air travel unsafe for a week, leading to the grounding of over 95 000 flights (BBC, 2010[3]). In a joint effort by the Icelandic government, the domestic flag carrier Icelandair, and other stakeholders,[2] the marketing campaign “Inspired by Iceland” was introduced to minimise the negative effects of the eruption for the tourism sector. A forecast 22% decrease in the number of visitors due to the eruption was averted, which has been attributed to the campaign (Promote Iceland, 2011, p. 19[4]; Don, 2012, p. 35[5]). International media coverage of the eruption and comparatively low prices due to the devaluation of the Icelandic krona created ideal conditions for significant growth. From 2010, visitor numbers rose rapidly, with the number of guests rising from 459 000 to 2.3 million at its peak in 2018 (The Icelandic Tourist Board, 2020[6]).

While tourism has generated significant growth for Iceland, it is also susceptible to external events. Changes in business cycles, for example, can have an outside effect on tourism activity (Wong, 1997, p. 585[7]; Guizzardi and Mazzocchi, 2010[8]; OECD, 2020[1]). As a result, it is crucial for the Icelandic tourism sector to be flexible to changes in conditions. The absence of significant entry and exit barriers in the regulatory framework for tourism, with some limited exceptions as described in this chapter, contributes to that flexibility.

Even before the Covid-19 pandemic, the Icelandic tourism sector experienced a slowdown in 2019. This was, in part, due to the strength of the Icelandic Krona (OECD, 2020[1]). In addition, on 28 March 2019, the low-cost airline Wow Air declared bankruptcy. Wow Air, founded in early 2012, had experienced rapid growth, transporting 412 000 passengers in 2013 to 2.8 million passengers in 2017. The airline contributed to the influx in tourism during those years (Viðskiptablaðið, 2019[9]). After double-digit year-on-year growth from 2013 to 2017, the number of tourist visitors in Iceland started to level off at around 2 million. With the slowdown in growth, the airline was not able to refinance liabilities and is currently in bankruptcy. The immediate effect of the airline's exit was a drop of 14% in the number of visitors in 2019 compared with 2018 (The Tourist Board of Iceland, 2020[10]). The accommodation sector was also affected, with fewer overnight stays, down by 3.1% year-on-year, with a particular impact on the home stay market as shown in Table 7.1.

Table 7.1 Overnight stays by type 2018 and 2019

Overnight stays 2018-2019			
	2018	2019*	% change
Total	10.364.886	10.040.959	-3,1%
Hotel and guesthouses	5.861.091	5.785.059	-1,3%
Paid through websites (Airbnb)	1.816.000	1.620.000	-10,8%
Other types of accommodation	2.687.795	2.635.900	-1,9%

Notes: *Preliminary numbers for 2019
Source: Statistics Iceland (2020[11]).

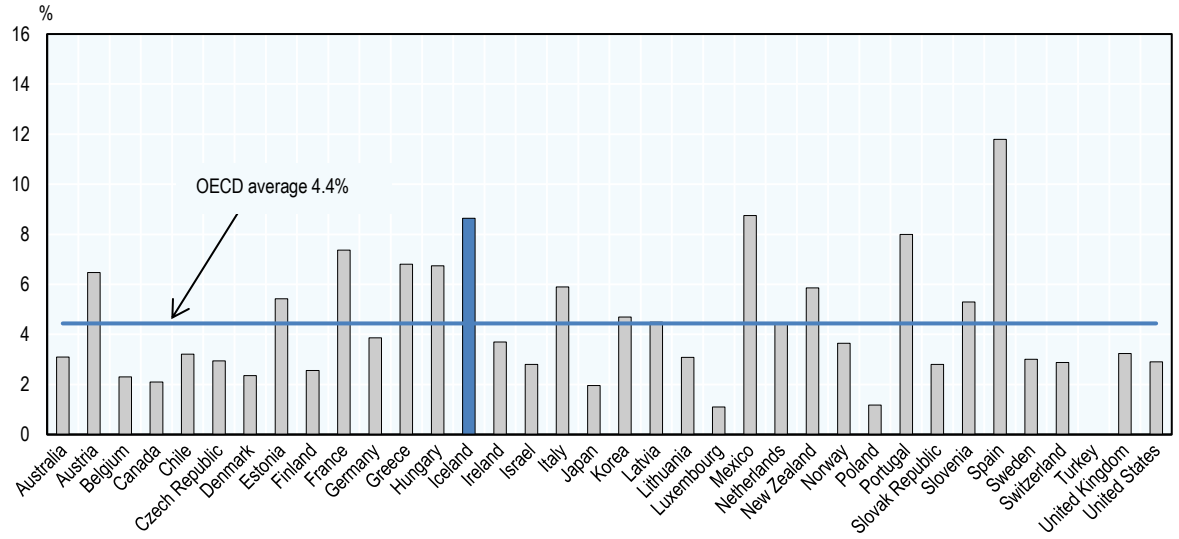
More recently, in the beginning of 2020, the Covid-19 pandemic virtually halted air traffic to and from Iceland. In late March, Keflavik airport saw its departures fall from around 50 a day to a less than 5 a day (Isavia, 2020[12]). The tourism industry was heavily affected, as new visitor arrivals ceased. The number of overnight stays in hotels and guesthouses was down 96% in April 2020 compared to the previous year, and employment had already fallen by 9% compared to April 2019 (Statistics Iceland, 2020[13]).

7.1.1. Economic overview

In Iceland, the economic activity generated by tourists directly contributed 8.6% of GDP in 2017, one of the highest values within the OECD countries. It directly generated 15.3% of total employment in the same year, increasing to 15.6% in 2018, which is the highest reported share of tourism employment in the OECD (see Figure 7.1 and Figure 7.2).

Figure 7.1. The tourism sector is a relatively important contributor to Iceland's GDP

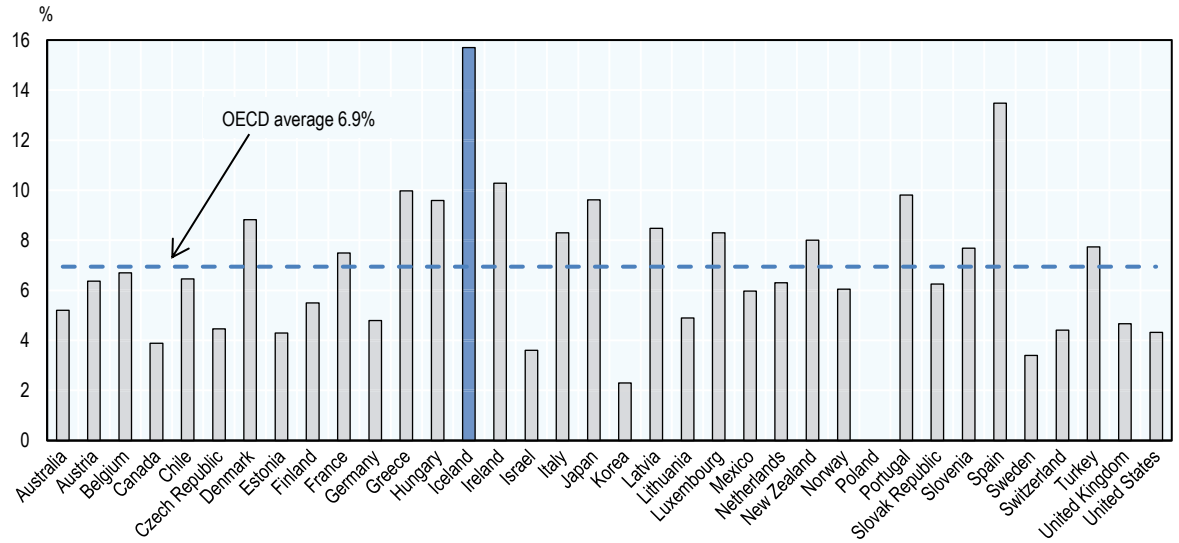
Tourism GDP (direct) as % of total GDP (2018 or latest year available)



Notes: GDP data for France refer to internal tourism consumption. GDP refers to gross value added (GVA) for Canada, Chile, Denmark, Finland, Germany, Greece, Hungary, Israel, Italy, Latvia, Lithuania, Mexico, the Netherlands, New Zealand, Portugal, Sweden, Switzerland, United Kingdom and the United States. GDP data for Korea and Spain includes indirect effects.
The GDP share for Iceland is calculated from 2017 figures.
Source: OECD Tourism Statistics (Database) http://dx.doi.org/10.1787/888934076134.

Figure 7.2 The employment contribution of the tourism sector is well above the OECD average

Total tourism employment (direct) as % of total employment (2018 or latest year available)



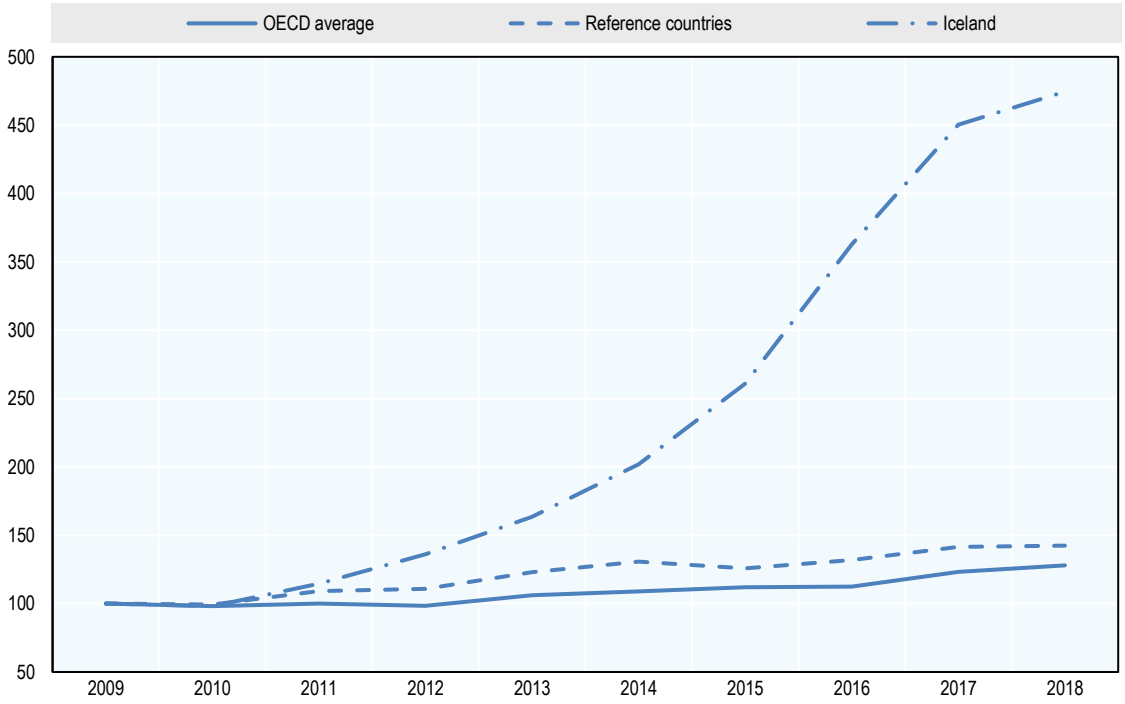
Source: OECD Tourism Statistics (Database) http://dx.doi.org/10.1787/888934076134.

Pre-Covid-19 tourism growth

Tourism's contribution to GDP and employment in Iceland in recent years has been the result of a five-fold increase over the past ten years of the number of international tourists that visit Iceland every year – well above the average world growth rate of 6% (World Trade Organization, 2019[14]), as illustrated in Figure 7.3. According to (Arion Research, 2018[15]), for every 100 tourists, one new job has been created in Iceland. This upward trend is reflected in rising tourism expenditure in Iceland. Inbound tourism consumption estimated by Statistics Iceland grew from EUR 599 million in 2009 to EUR 2 535 million in 2017, representing an average annual growth rate of 18% (Figure 7.4). Apart from travel agency services, accommodation and restaurants have benefited the most from this growth in consumption.

Figure 7.3. Inbound arrivals to Iceland have increased almost five-fold over the past 10 years

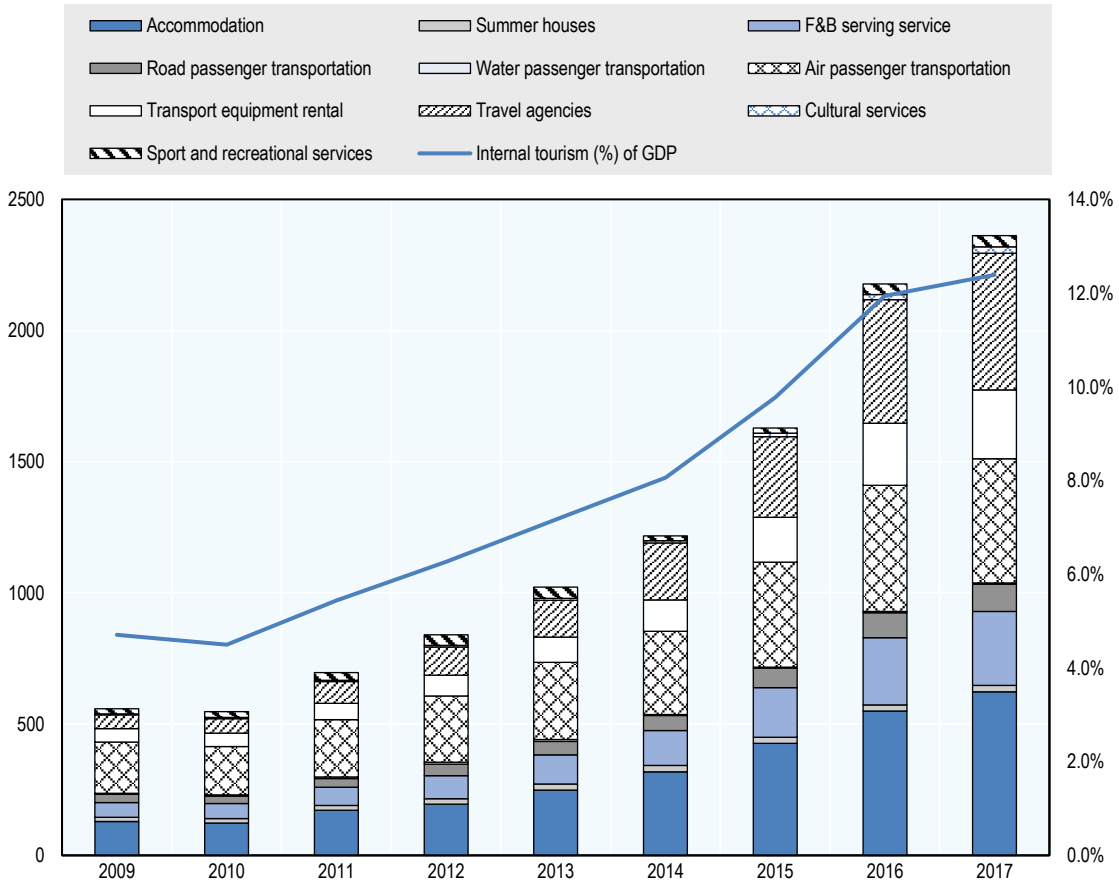
Inbound tourism, Overnight visitors (tourists)



Source: OECD database, Table Industry and Services->Tourism->Inbound Tourism (https://stats.oecd.org/#, accessed on 20/05/2020)

Figure 7.4. Inbound tourism consumption in Iceland has been growing steadily

Inbound tourism consumption by category (EUR Million).

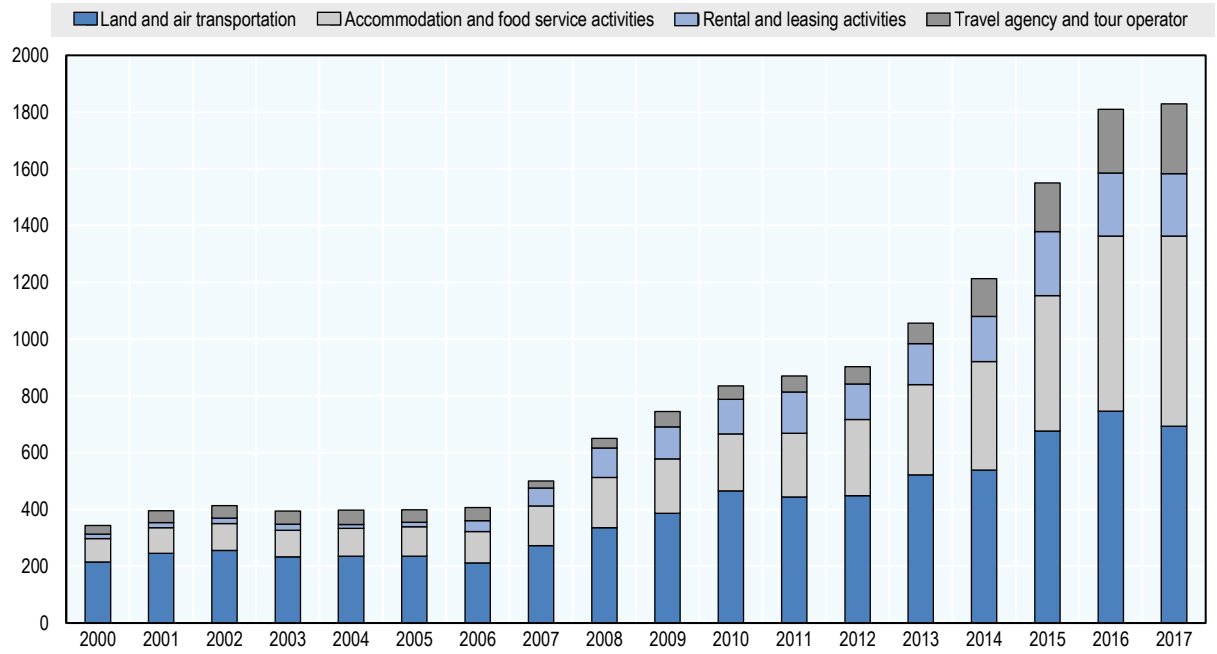


Note: The original data is in ISK. We retrieve the average exchange rate for 2019 from the European Central Bank (EUR 1 = ISK 137.28) at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-isk.en.html
Source: Statistics Iceland (https://px.hagstofa.is/pxen/pxweb/en/Atvinnuvegir/Atvinnuvegir__ferdathjonusta__ferdaidnadur__ferdaidnadur/SAM08000.px, accessed on 19/05/2020).

In absolute terms, the value added of tourism activities in Iceland has been growing substantially over the last decades, having increased from around EUR 343 million in 2000 to EUR 1.8 billion in 2018 (Figure 7.5). This corresponds to an average annual growth rate of around 10.8%, exceeding the average GDP growth rate of 3.2% over the same period.

Figure 7.5. The gross value added of tourism activities has been growing steadily over time

Gross valued added of tourism activities, Million EUR (current prices)



Note: The original data is on ISK. We retrieve the average exchange rate for 2019 from the European Central Bank (EUR 1 = ISK 137.28) at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-isk.en.html
Source: "Value Added and its Components by Activity, ISIC rev4", National Accounts of OECD Countries, OECD Publishing, Paris (https://stats.oecd.org/, accessed on 15/05/2020).

The impact of Covid-19

As noted above, this growth trend has recently reversed due to higher currency values, the bankruptcy of Wow Air in 2019, and the reduction in tourist arrivals during the Covid-19 pandemic in 2020. Relative to April 2019, Iceland saw 99.2% fewer international air passengers, 46% fewer active rental cars, 95% fewer overnight stays and 9% lower employment in the tourist sector in April 2020 (Statistics Iceland, 2020[13]). On a global basis, the OECD estimates that international tourism will decline by 60% in 2020 (in terms of arrivals), which could rise to 80% if the recovery is delayed until December (OECD, 2020[16]). Further, the OECD expects that domestic tourism will recover first, followed by international tourism within specific connected geographical areas, such as the European Union (OECD, 2020[16]). Iceland's borders have remained open to other EU and Schengen states throughout the Covid-19 pandemic, under the condition that passengers quarantine for 14 days upon arrival (Directorate of Health, 2020[17]). On 15 June, passengers were able to waive the quarantine requirement if they test negative for Covid-19 (Chief Epidemiologist for Iceland, 2020[18]). Notwithstanding these measures, air travel (and particularly international air travel) is severely depressed across the globe and Iceland may therefore face a prolonged recovery.

Composition of the tourism sector

Taking into account data received from Statistics Iceland, we have detailed information by subsector on revenue, gross value added (GVA) and employment from tourism (Table 7.2). The subsectors "Hotels and similar accommodation" and "Restaurants and mobile food services activities" are particularly important,

as they represent 46.2% of total revenue. Regarding market concentration, on average, the top five firms in a subsector represent 50.6% of turnover and 68.8% of GVA.

All the sectors assessed in this report combined provide jobs for nearly 24 thousand people. The subsectors "Hotels and similar accommodation" and "Restaurants and mobile food services activities" generate more than 63% of total employment in tourism activities.

Table 7.2. On average, the top five market players represent almost 50% of the total turnover

Turnover, gross operating surplus and number of employees for the activities in the tourism sector (2017)

	Turnover (EUR Million)	Top 5 (%)	Gross operating surplus (EUR Million)	Top 5 (%)	Number of Employees	Top 5 (%)
Urban and suburban passenger land transportation	9.5	89.7%	0.6	94.3%	92	91.1%
Taxi operation	28.1	4.4%	9.4	5.4%	295*	3.7%
Service activities incidental to land transportation	28.5	73.1%	10.4	92.0%	138	69.6%
Service activities incidental to air transportation	325.4	99.1%	53.8	101.0%	2714	99.4%
Hotels and similar accommodation (Airbnb, up to a week)	633.1	33.3%	91.1	35.3%	6169	34.5%
Holiday and other short-stay accommodation	66.1	21.7%	14.4	17.4%	503	25.3%
Camping ground, recreational vehicles parks and trailer parks	3.6	58.4%	0.8	77.7%	32	59.7%
Other accommodation	0.2	56.5%	0.0	149.9%	2	65.2%
Restaurants and mobile food service activities	626.3	21.0%	36.2	35.5%	8938	20.0%
Renting and leasing of cars and light motor vehicles	227.7	49.2%	80.2	54.9%	1197	54.3%
Travel agency activities	382.1	49.6%	5.7	89.6%	1402	51.8%
Tour operator activities	252.4	55.8%	56.7	84.4%	1733	56.1%
Other reservation service and related activities	142.9	45.4%	16.1	56.5%	695	19.7%
Total	2 725.6		375.3		23 910	
Average	209.7	50.6%	28.9	68.8%	1 839.3	50.0%

Note: The original data is on ISK. We retrieve the average exchange rate for 2019 from the European Central Bank (EUR 1 = ISK 137.28) at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-isk.en.html. *Total employment numbers reported by Statistics Iceland for taxi operation do not include taxi drivers who are independent, and are thus not considered employees.
Source: Data received from Statistics Iceland.

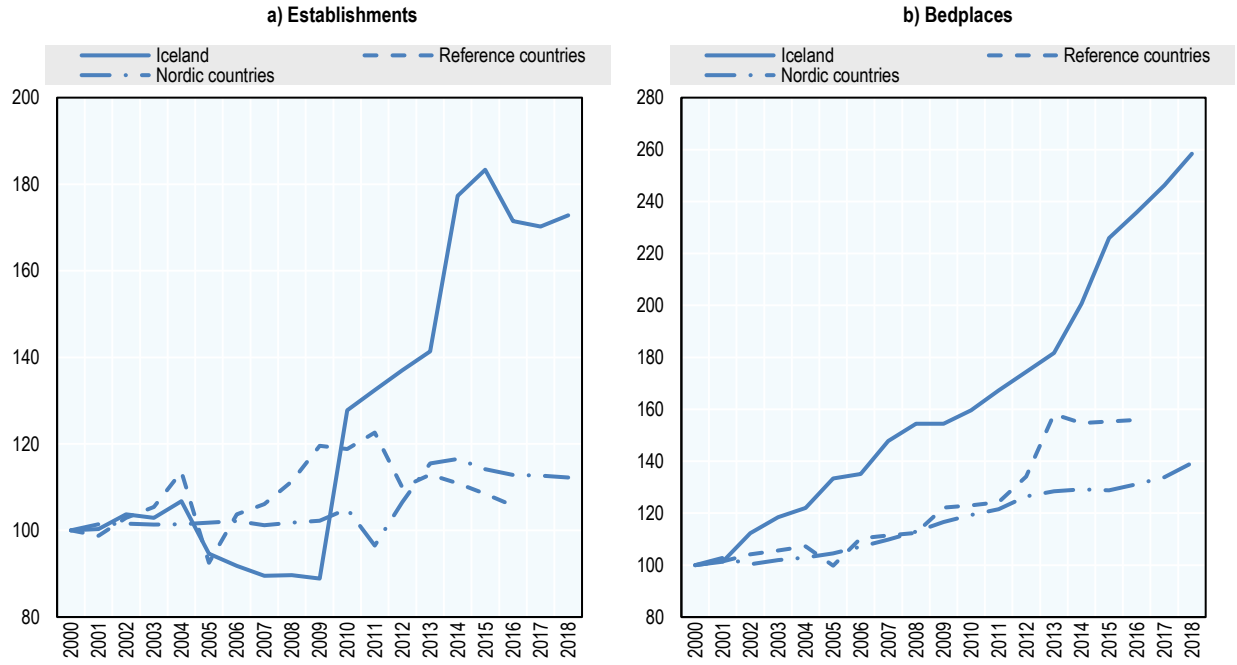
Accommodation

Between 2000 and 2018, the number of accommodation establishments went from 648 to 1 120, representing an average growth rate of 3.09%, above the 0.64% average growth of the Nordic countries. At the same time, the number of beds has also been growing steadily from 12 471 to 32 223, corresponding to an average growth of 5.4% (Figure 7.6). The establishment composition has also changed over time: while in 2008 51.8% of accommodation establishments were hotels, in 2018 this percentage was only 37.9%, with the category "holiday and other short-stay accommodation" (which does not include private accommodation offered through websites like Airbnb) growing from 25.5% to 44.6%.[3] This might partly be a reflection of the increased number of tourists between 2009 and 2018, as it would be faster for small scale short-term accommodation establishments to enter the market than fully-equipped hotels. In 2019, hotels accounted for nearly 50% of the overnight stays (Figure 7.7), while 10% were in camping sites. Statistics Iceland also estimates the total number of unlisted overnight stays, defined as "rented private accommodation through websites like Airbnb and Homeaway". [4] In 2019, this category accounted for more

than one fifth of all overnight stays, suggesting that tourists might be switching to new accommodation alternatives. Advances in technology have enabled rapid advances in these types of sharing economy activities, which can be expected to continue to put pressure on traditional accommodation providers (OECD, 2016[19]).

Figure 7.6. The number of establishments and bed places has increased above Nordic countries average

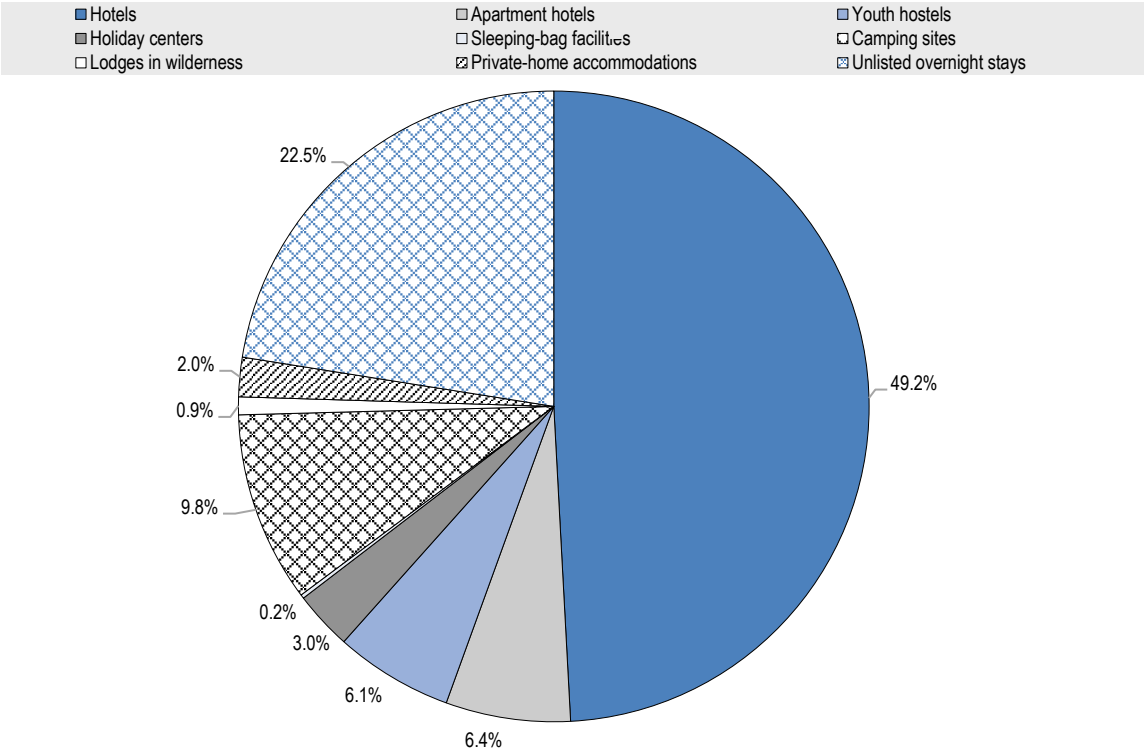
Number of establishments and bed places (year 200 = 100)



Note: New Zealand is not included in the reference countries in this figure.
Source: Eurostat, Table tour_cap_nat https://ec.europa.eu/eurostat/data/database, accessed on 26.05.2020)

Figure 7.7. Almost 50% of overnight stays are in hotels and 1/5 are not listed

Overnight stays by type of accommodation in 2019



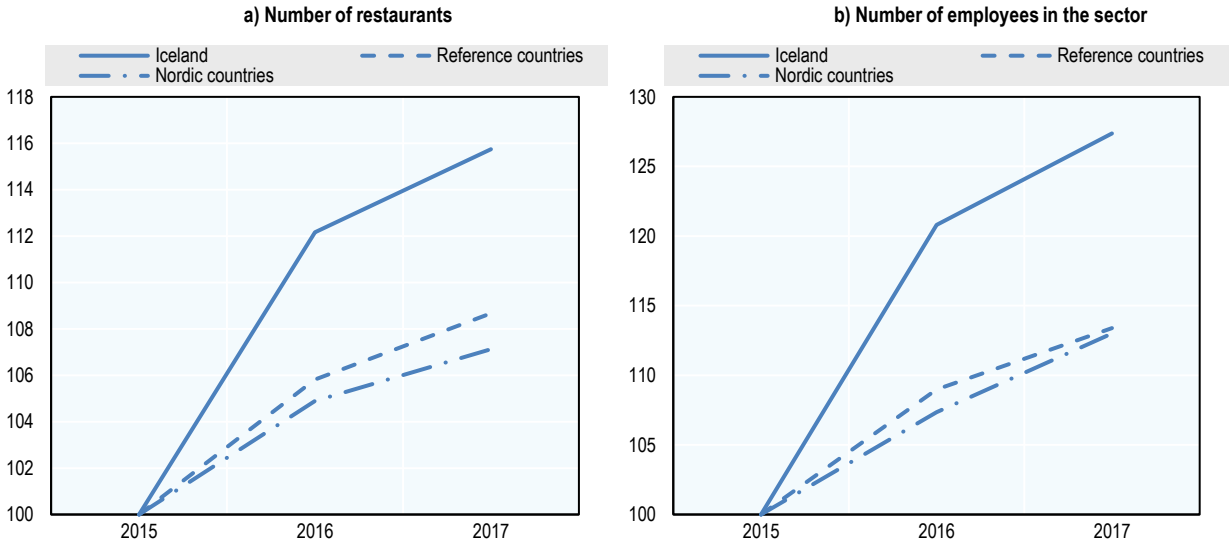
Source: Statistics Iceland (Business sectors >> Tourism >> Accommodation >> Other accommodations, https://www.statice.is/, accessed on 26/05/2020).

Restaurants and food services

The number of restaurants in the sector has also been growing steadily over time. From 2015 to 2017, the number of restaurants went from 559 to 647, representing a 16% increase over the period (Figure 7.8). The number of employees working in restaurants and food services has also grown from 7 073 to 9 009. Anecdotal evidence from stakeholders suggests that a substantial number of these workers are foreigners, as the current demand for waiters and cooks largely exceeds national supply.

Figure 7.8. The number of restaurants and workers has been increasing substantially in Iceland

Number of restaurants and employees in the sector (year 2015 = 100)



Note: New Zealand not included in the reference countries for this figure. For the number of employees in the sector, Denmark was not included as there appears to be a structural break in the data from 2015 to 2016).
Source: Eurostat, Table sbs_na_1a_se_r2 (https://ec.europa.eu/eurostat/data/database, accessed on 26.05.2020).

Land and air transportation

There are 647 taxi licences in Iceland driven by 1 866 licensed taxi drivers, making Iceland the country with the lowest taxi density of the Nordic countries (Table 7.3).

Long-distance bus services connect several different urban areas and regions in Iceland. In 2017, 421 332 passengers were transported by long-distance buses, within the 17 main routes.[5]

Table 7.3. Iceland has the lowest taxi density of the Nordic countries

Number of taxis and taxi density from selected countries (2018)

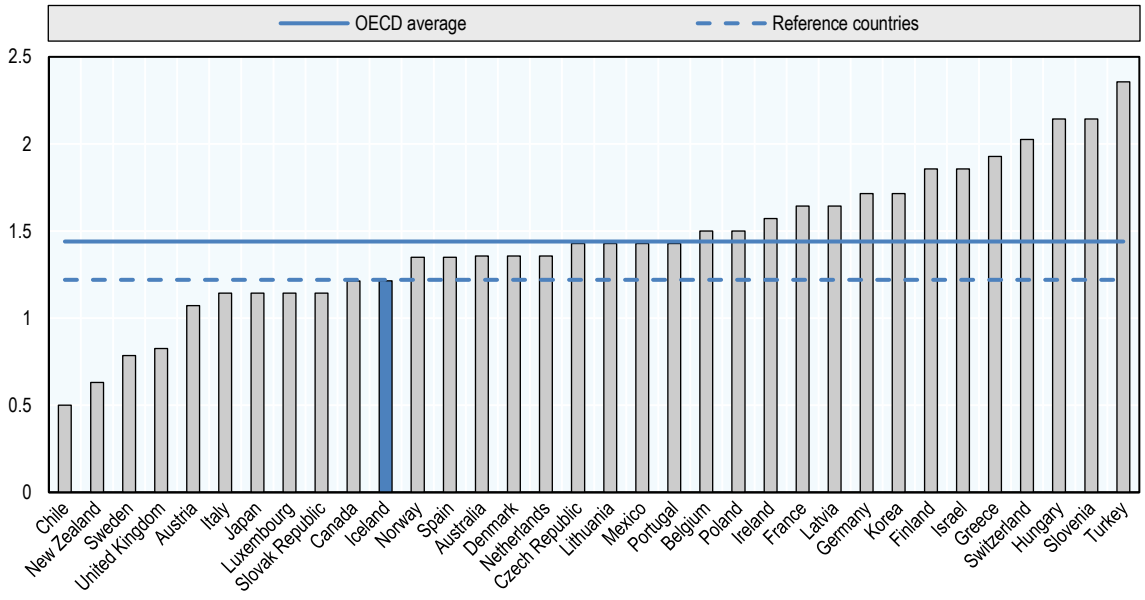
	Iceland	Denmark	Finland	Norway	Sweden	United Kingdom	Netherlands	Belgium	France	Germany
Number of taxis	647	4200	9500	8800	17800	75900	9000	4000	60000	53500
Taxi density (per thousand residents)	0.2%	0.7%	1.7%	1.6%	1.7%	1.4%	0.5%	0.4%	0.9%	0.6%

Source: Data on Iceland were given by the Icelandic Transport Authority. The information on the other countries was retrieved from the Swedish Taxi Association (2018[20]).

Finally, the growth and overall level of competition in the transport sector ultimately relies on the regulatory framework. According to the product market regulation (PMR) indicator developed by the OECD, Icelandic regulations in the road and air sectors are not particularly stringent, although the airline framework is more restrictive than the reference countries (Figure 7.9 and Figure 7.10).[6]

Figure 7.9. The Icelandic road regulatory environment is not particularly restrictive

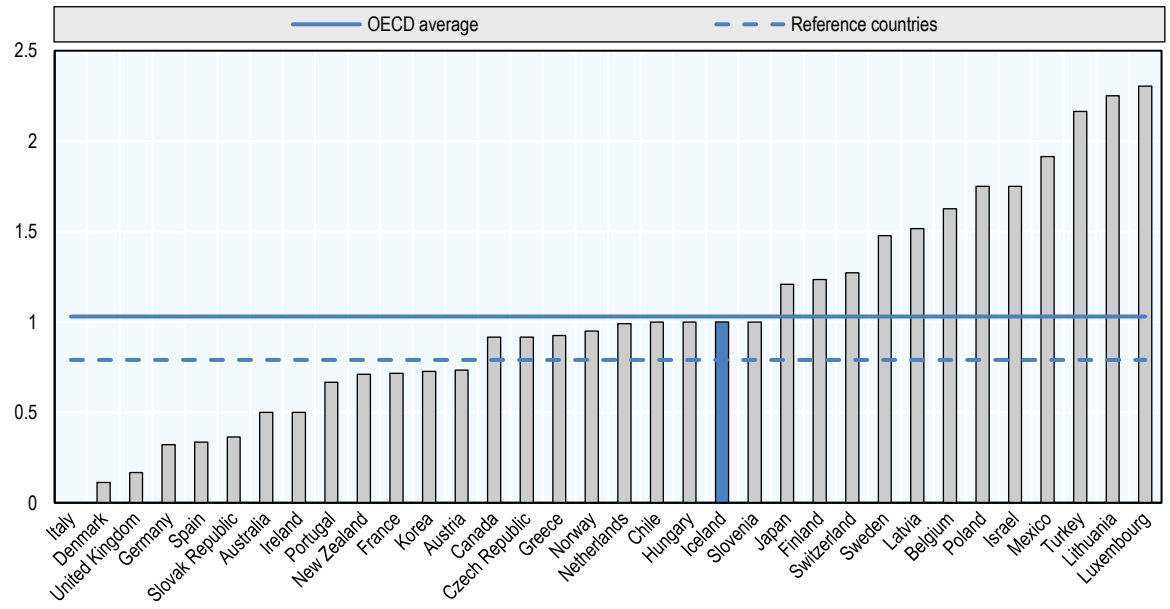
Product market regulation (PMR) for road transportation, 2018 values



Source: OECD Product Market Regulation (https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/, accessed on 26.05.2020).

Figure 7.10. The Icelandic air regulatory environment is more stringent than the reference countries

Product market regulation (PMR) for air transportation, 2018 values



Source: OECD Product Market Regulation (https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/, accessed on 26.05.2020).

7.2. Regulatory framework of the tourism sector

The tourism sector is regulated by a several framework laws that are implemented either at the state or local government level.

The Law on the Icelandic Tourist Board No. 96/2018 establishes the Icelandic Tourist Board (ITB), an independent authority under the Ministry of Industries and Innovation (MII). The ITB issues licences for travel agencies and day-tour operators and carries out enforcement of compliance with conditions of the licences. Furthermore, the ITB plays a role in data collection and policy strategy. It also supervises the tourist site development fund, governed by the Law on the Development Fund of Tourism Destinations No. 75/2011.

The Law on Restaurants, Accommodation and Entertainment No. 85/20007 regulates the licences issued in the restaurant and accommodation sub-sector. This includes all food and beverage serving establishments, including bars and nightclubs.

Finally, the sector is also regulated by the Icelandic implementation of the European Travel Package Directive 2015/2302, under the Law on Linked Travel Arrangements No. 95/2018. The Icelandic legislator has translated the directive in full and there does not seem to be any deviations in Icelandic law. While the law on Linked Travel Arrangements is within the remit of the project, no recommendations were made regarding the law, given it is a direct translation of the European directive.

Legislation specifically covering transport related to tourism is covered in Chapter 8.

7.2.1. State and local government interplay

One of the complexities of the tourism regulatory framework in Iceland is the interplay between state and local government and other regional authorities. The jurisdictions of the numerous authorities involved in the sector vary in size and shape across Iceland, and stakeholders have reported variations in the application of regulations between jurisdictions. The restaurant and accommodation sector, for example, is regulated at the state level by the Law on Restaurants, Accommodation and Entertainment, and by a secondary regulation of the same name.[7] The law primarily revolves around the issuance of an operational licence. According to the law, the licence issuer is the local district commissioner in each of Iceland's nine districts. District commissioners gather comments from different authorities before issuing licences, including the municipality of the applicant business, the Administration of Occupational Safety and Health (AOSH), the police, the fire brigade, and the district hygiene committee. The process for obtaining a licence can be complicated by the fact that the geographical jurisdiction of each of these entities do not align and can overlap. For example, the commissioner for the greater Reykjavík area issues licences in three[8] different hygiene committee districts. The reverse is true in the south of Iceland where the hygiene committee's jurisdiction is in two[9] different commissioner's districts.

Further, stakeholders have reported that different district hygiene committees do not implement the regulations on hygiene and pollution control in a uniform way. These inconsistencies lead to significant regulatory uncertainty given that the jurisdictions of district commissioners and hygiene committees do not match. Because the district commissioner follows the hygiene committee's comments, applications filed with the same commissioner can have different outcomes if the applicant's operations are located within two different hygiene districts. A more coordinated approach may therefore be needed.

7.2.2. Light overall regulatory burdens

The regulatory framework for the sector is relatively simple, and the burden relatively light, with the exception of some restrictive licences discussed in Section 7.3. Operational licences provide blanket authorisation for the operation of relevant businesses, and activity-specific licences (more restricted

licences focused only on specific services, such as all-terrain vehicle tours, horse riding and rock climbing) are uncommon. Regulated professions in the sector are rare and similar to the reference countries.[10] For instance, Iceland does not regulate the profession of tour guides (European Commission, 2020[21]).

In the absence of a heavy regulatory burden, the sector saw rapid entry of new operators during the tourism boom from 2010 to 2018[11]. In fact, during the period, registered enterprises in the accommodation sector rose by 153% from 902 operators to 2 291 as shown in Table 7.4. Meanwhile, insolvencies in the restaurants and accommodation sector[12] stayed relatively stable ranging from 40 to 70 per year throughout the period (Statistics Iceland, 2020[22]).

Table 7.4. Registered enterprises in accommodation and tour operations 2010-2018[1]

		2010	2011	2012	2013	2014	2015	2016	2017	2018
55.10.1	Hotels and similar accommodation, without restaurants	236	250	259	292	306	373	412	433	458
55.10.2	Hotels and similar accommodation, with restaurants	134	132	136	145	175	195	238	282	297
55.20.0	Holiday and other short-stay accommodation[2]	66	69	74	79	79	93	109	118	126
55.90.0	Other accommodation	4	3	3	4	7	9	12	17	21
79.11.0	Travel agency activities	173	172	174	193	207	224	234	253	258
79.12.0	Tour operator activities	136	149	170	209	251	306	430	450	473
79.90.0	Other reservation service and related activities	153	196	250	288	348	403	487	595	658
Total		**902**	**971**	**1066**	**1210**	**1373**	**1603**	**1922**	**2148**	**2291**

Notes: 1) Icelandic version of Nace Rev. 2 activity classification. 2) Does not include private accommodation offered through platforms such as Airbnb.
Source: Statistics Iceland (2020[23]).

As such, the Icelandic tourism sector prior to the Covid-19 crisis exhibited several of the characteristics of a competitive sector, particularly, dynamic entry and exit of firms and operators. While the sector is largely competitive, it remains highly sensitive to external events that can affect tourism arrivals.

7.3. Licences for transport in tourism

The Law on Passenger Transport and Cargo Transport by Land No. 28/2017 regulates passenger transport. The law implements a number of EU regulations, including Regulation 1071/2009 that mandates requirements[13] for engaging in the occupation of a "road transport operator". The Icelandic legislation implements these requirements with the general transport licence in Article 4, and the Transport Authority administrates and issues the licences.

Under the current taxi law in Iceland (Law No. 134/2001), licenced taxis have an exclusive right to transport passengers in cars for up to eight passengers. In order to facilitate transport for tourism purposes, the Law on Passenger Transport and Cargo Transport (LPTCT) has a set of licences that allow for transporting passengers in specific cases that do not infringe on the exclusive rights of the taxis.

- First, the holder of a general passenger transport licence that operates tours (for tourism purposes) in specially-equipped vehicles must obtain an operation licence under Article 9 of the LPTCT. This licence was created to facilitate the operation of modified off-road vehicles, typically driving in the highlands and glaciers.
- Second, tourist operators must obtain a licence under Article 10 of the LPTCT to transport guests to and from general tourism activities, such as fishing, snowmobiling, horse riding and river rafting.

To obtain a tourism licence, the regulation specifies that the service must last for at least half a day, or be a part of another organised trip, and can only be provided at a fee that is advertised in advance. This

prevents an operator with a tourism licence from encroaching on the exclusive rights of taxi drivers, for example, by providing unplanned transportation for up to nine passengers.

In addition, both travel agencies and day tour operators require a licence from the ITB. Travel agencies are all sellers of package tours that fall under the scope of EU Directive 2015/2302 on Package Travel and Linked Travel Arrangements. The directive is implemented in Iceland with Law No. 95/2018, and as noted above, there are no restrictions to competition from discrepancies between the EU directive and the domestic law.

Day tour operators are also required to have a licence from the ITB. Under the ITB's governing law, the term "day tour operator" is defined as operators that offer or sell tours without falling under the scope of the EU directive on package tours. The licence conditions and eligibility do not constitute barriers to competition.

7.3.1. Harm to competition

The licence scheme as it is set up requires operators to have multiple licences. For example, if a tour provider transports passengers to and from an activity or a tour in a specialised vehicle, at least three licences from two different authorities are needed:

- The Article 4 *general operation license,* which costs ISK 15 000 (EUR 108) from the Transport Authority. Requirements for the licence are transposed from Article 3 of EC Regulation No. 1071/2009 and include that the holder must be of good repute, have appropriate financial standing and be of requisite professional competence with effective and stable establishment.
- The *day tour operator licence*, which costs ISK 20 000 (EUR 144) or the *travel agency licence, which costs* ISK 30 000 (215 EUR) from the ITB, required according to Article 7 of the Law on Icelandic Tourism Board. Licence conditions include that the holder must reside in an EU/EEA member state, have a clean criminal record, have no tax debts, register with the Iceland Revenue and Customs, and have certification of insurance.
- A *tourism transport licence* pursuant to Article 10 from the Transport Authority or a *special equipped vehicle license* pursuant to Article 9 (both cost ISK 20 000 (EUR 144)). Applicants need to have both a *general operation licence* and *travel agency licence* or a *day tour operator* (above).

This process is burdensome and costly, and is not necessary to achieve the stated policy objective, which is to provide an exception to the exclusive rights of the taxis. Additional licences required to operate a single tour offering impose a significant administrative burden on potential entrants, thereby harming consumers through restricting supply of services and driving up costs.

7.3.2. Recommendation

Tourism transport licence

Abolish the requirement for a tourism transport licence when vehicles with a capacity of less than nine passengers are used for tourist transport by licenced travel agencies or daytrip vendors. Specifically, licence holders under the Law on the Icelandic Tourist Board should be permitted to transport passengers in vehicles for less than nine persons.

Special equipped vehicles licence

Abolish the requirement to hold a special equipped vehicles licence and allow for any licence holders under the Law on the Icelandic Tourist Board to transport passengers in vehicles for less than nine persons. If the government of Iceland determines that there are specific safety requirements associated with the special equipped vehicles licence, such as three-point safety belts, fire extinguishers and emergency kits,

it should consider whether these requirements are needed under the general operating licence for particular services (e.g. off-road trips with particular risks).

7.3.3. Nationality requirements for sea angling tours

Sea and water tours are an important part of the tourism sector in Iceland, including whale and bird watching, kayaking, white-water rafting and sea angling. For example, whale watching tours attracted 18.3% of all tourists visiting Iceland in 2019. (Mælaborð Ferðaþjónustunanr, 2019[24])

The Law on Sailing no. 34/1985, Law on Sailors no. 35/1985 and the Law on Ship Surveillance no. 47/2003, impose requirements on safety and registration for water craft, including those providing tours. Further, the Regulation on Ship Passenger Transport no. 463/1998, establishes a licence for ship passenger transport. Last, the law on Fisheries Management no. 116/2006 and the Regulation on Sea Angling Tours no. 382/2017 imposes a licence on sea angling tour operators, granted by the Directorate of Fisheries.

The Regulation on Sea Angling Tours establishes two types of licences for sea angling tour operators:

- The first licence is intended for those whose primary activity is sea angling tours. It requires operators to hold rights to fish for financial gain through the individual transferable quota (ITQ) system[14].
- The second licence is intended for operators who offer sea angling as part of a broader set of tours, such as whale and bird-watching, but do not intend to sell the catch commercially. This licence does not require the operator to have ITQs, but does impose limits on the number of fishing rods and the permitted amount of fish caught per day, depending on the number of passengers permitted aboard.

To qualify for either licence, the tour operator must have obtained a licence from the Icelandic Tourist Board, as described in Section 7.2. In addition, the owner of the ship and the ship operator must fulfil all requirements to be permitted to fish in Iceland's fisheries jurisdiction according to the Law on Foreign Investments in Businesses in Iceland. This means that the ship owner and ship operator must be Icelandic citizens, Icelandic entities, or Icelandic legal entities.[15]

Harm to competition

The application of the Law on Foreign Investment to sea angling tours prevents non-Icelandic companies or natural persons from offering these tours. The policy objective is not stated in the official recital. However, we understand that the requirement is meant to ensure that sea tours abide by the same restrictions as any other commercial fishing operation in Iceland.

Nationality requirements for commercial fishing licences are in place in several OECD jurisdictions, and are the subject of specific exceptions under the OECD's National Treatment Instrument for investment restrictions (OECD, 2009[25]), including in Austria, Canada and Italy. In other jurisdictions, nationality and ownership requirements are less restrictive, allowing, for example, minority foreign shareholdings in fishing operations. Commercial fishing is not included in the scope for this report.

The current approach may restrict tour operator competition beyond what is necessary to achieve the policy goal of maintaining Icelandic ownership of commercial fishing. The first licence relates to commercial fishing activities using ITQs, and is beyond the scope of the current project. However, the second licence relates to operations that are primarily touristic, where any fish caught are not sold commercially. Further, the catch of these operations is limited, for example, through restrictions on the number of fishing rods per vessel. If the volumes of fish caught by operators holding the second licence are not significant, the nationality requirement may be more restrictive than necessary. Foreign investment in the Icelandic tourism industry may be hampered, preventing the emergence of alternative business models, innovation and other potential productivity improvements.

Recommendations

The OECD recommends that the government of Iceland assess whether the nationality requirements under the second licence for sea angling tours are required, given that the licence only allows touristic tours where the catch size is limited and commercialisation of the catch is prohibited.

7.4. Restaurants, accommodation and entertainment

Foreign tourists account for a substantial part share of spending in the Icelandic restaurant and accommodation sector. In fact, expenditure by foreign tourists accounts for 31% of the restaurant sector and 94% of the accommodation sector (Stastictis Iceland, 2020[26]). Together they accounted for 38% of the total of ISK 287 billion (EUR 2.12 billion) of inbound tourism expenditure in 2019, with 20% of expenditure on accommodation and 18% on food and beverage (see Table 7.5). (These figures will be substantially different in 2020 due to the impact of the COVID-19 pandemic.)

Table 7.5. Percentage of total inbound tourism expenditure in Iceland, 2019

Tourism characteristic products (for international comparability), Total	85%
- Accommodation	23%
- F&B serving service	10%
- Road passenger transportation	3%
- Water passenger transportation	0%
- Air passenger transportation	17%
- Transport equipment rental	9%
- Travel agencies	20%
- Cultural services	1%
- Sport and recreational services	2%
Other consumption products, Total	15%
- Goods purchased from trade activities	14%
- Other services	1%

Source: Statistics Iceland (2020[27]).

The sector is regulated at the national level by Law No. 85/2007 on Restaurants, Accommodation and Entertainment. The law revolves around the issuance of different categories of operation licences. For both accommodation and restaurants, a distinction is made between the *category* and *type* of establishment. Although related, the establishments' category is based on their offering (specifically, whether they serve food, whether they serve alcohol and whether they play music), as detailed in Table 7.6. The type of establishment is defined in Chapters 2 and 3 of the Regulation on Restaurants, Accommodation and Entertainment, where hotels are distinguished from guesthouses and sit-down restaurants are distinguished from pubs, cafés and nightclubs, as the regulation considers all establishments that serve food or beverages restaurants. An operating licence under Law No. 85/2007 is not needed for category 1 restaurants (although a license is required from the relevant hygiene committee) and a registration is sufficient for category 1 accommodation (home stays). Other categories require an operation licence.

Table 7.6. Categories of restaurants and accommodation and licence costs

Accommodation					
Category 1	Home stay	ISK	8 000	€	62
Category 2	Without food service	ISK	32 000	€	232
Category 3	With food service but without alcohol service	ISK	40 000	€	290
Category 4	With alcohol service	ISK	263 000	€	1 913
Restaurants					
Category 1	Establishments without alcohol service		-		-
Category 2	Restaurants where disturbance unlikely and need for security is low	ISK	210 000	€	1 572
Category 3	Restaurants that play loud music and more need for security	ISK	263 000	€	1 913

Source: Art. 3. and 4. of the Law on Restaurants, Accommodation and Entertainment No. 85/2007; Art. 20 and 21 of the Law on supplementary income No. 88/1991

As was discussed in Section 7.2.1, commissioners in each of the nine districts across Iceland issue these licences after receiving comments from regulators and confirming that the applicant and establishment comply with legal requirements (i.e. approval from building inspectors, hygiene committees and the fire brigade, among others).

7.4.1. Restrictions identified in the restaurant and the accommodation sub-sector

Cost of licence to operate

In order to obtain an operation licence for a restaurant or an accommodation establishment, the applicant must pay the issuer (district commissioner) a fee, which flows to the national treasury. The amount paid for an operation licence depends on its category. The legal authority to charge for the licences comes from Articles 20 and 21 of the Law on Supplementary Income No. 88/1991, where the amount is fixed in law. There is a 6.5 fold increase in licence cost if an accommodation establishment intends to serve alcohol compared to only serving food, and restaurants that intend to serve alcohol are faced with licence fees, while non-alcohol serving restaurants do not require a licence.

Harm to competition

We understand that these cost differentials are not motivated by any clear policy justification. However, it is possible that establishments serving alcohol may in some cases impose greater costs on the municipality, for example in terms of dealing with noise complaints or other public order issues. The license cost differential may distort the decisions of smaller players in the market and limit the options available to consumers, for example by disincentivising smaller lodgings from offering alcohol.

Recommendation

The government could consider undertaking an assessment of whether the fees represent a significant cost burden for smaller businesses, and whether their magnitude is consistent with principles of proportionality and the need to cover additional costs incurred, for example by the municipality, for establishments serving alcohol.

7.4.2. Accommodation standards

Chapter 2 of the Regulation on Restaurants, Accommodation and Entertainment No. 1277/2016 defines different types of accommodation establishments. It describes how “hotels” are private rooms with private bathrooms and “mountain cabins” are accommodation in rooms or other joint sleeping quarters in remote locations. The standard of service and furnishing for each type of accommodation are set out in detail. For

example, beds must be a minimum size,[16] dimming blinds must be in place, and a reading light must be provided, for all types of accommodation. In addition, standards are set for each specific type of accommodation. Hotel rooms should have a minimum number of towels, "work space with appropriate lighting", chairs or other seating for each guest and more (see Table 7.7).

Table 7.7. Accommodation standards

Type of accommodation	Standards
Accommodation standards for all types	Single beds shall be at least 2.00 x 0.90 meters and a double bed at least 2.00 x 1.40. A comforter and pillow shall be provided for each person.
Accommodation standards for all types	Reading lights shall be provided for each sleeping spot. The room shall be well lit and measures to darken windows be available. Guest shall have access to a phone. The accommodation standards in Art. 5 apply for all accommodation except mountain huts.
Hotel standards	A hotel reception needs to be open 24 hours and have a night guard on staff.
Hotel standards	Each room needs to have bathtub or shower, toilet, and sink.
Hotel standards	Bathroom is to be well ventilated, have a mirror and electric plug. At least two towels for each guest (one of which is a bath towel), drinking glass, soap and trash bin with a lid.
Hotel standards	Each room shall have at least one chair or other seating for each guest, workspace with appropriate lighting, electric plug, clothes rack, shelfs and coat hanger, luggage rack or shelf and a trash bin.
Big guest houses standards	For every 10 guests there should be at least one fully equipped bathroom and bathing quarters, approved by the district hygiene committee. Fully equipped bathroom is defined in Art. 3 in the Regulation on Hygiene: Fully equipped bathroom is a special room with a flush toilet, a sink with hot and cold water, mirror, soap and towels.
Big guest houses standards	Each guest shall have at least two towels, soap and a drinking glass.
Big guest houses standards	Each room shall have at least one chair or other seating for each guest, work space with appropriate lighting, electric plug, clothes rack, shelf and coat hanger, luggage rack or self and trash bin.
Small guest houses standards	For every 10 guests there should be at least one fully equipped bathroom and bathing quarters, approved by the local hygiene authority
Small guest houses standards	In each room, there should be facilities to hang clothes, enough towels and a drinking glass.

Source: Accommodation standards in Regulation No. 1277/2006 on Restaurants, Accommodation and Entertainment.

The provisions set minimum standards on both furnishings and services. These types of standards impose costs on firms and prevent accommodation providers from offering alternative room layouts to consumers. This can result in higher prices (particularly for low-cost accommodation), less innovation, and more limited space for firms to compete in terms of quality. While standards related to lighting can be justified on the grounds of safety considerations, we are not aware of the justification for the remaining standards.

Stakeholder meetings revealed that the traditional workstation in a hotel room is a "check the box requirement" that is outdated and is not the best use of room space to enhance the guest's experience. Although the workstation is perhaps useful to some business guests, it may not be needed by many travellers, especially in establishments that specialise in leisure stays and tourism, as is the case of a large proportion of accommodation in Iceland.

Stakeholders also noted that these requirements do not appear to be extensively enforced: all accommodation establishment operators consulted by the Project team claimed they had never encountered inspections or enforcement actions regarding these requirements. Further, several operators were not aware of their existence. The district commissioner, which issues accommodation licenses, was not aware of any enforcement actions regarding these requirements.

Recommendation

The OECD recommends that the government of Iceland abolish the accommodation standards contained in Regulation No. 1277/2006 on Restaurants, Accommodation and Entertainment.

7.4.3. Limits on new accommodation establishments

Applications for accommodation establishment operating licences must be filed with the district commissioner. Without the support of the municipality in which an establishment is situated, the commissioner cannot issue an operation licence. Thus, municipalities effectively have veto power on licence applications within their jurisdiction. Following an amendment of Reykjavík's municipal plan in March 2018, no buildings within the area M1c (Figure 7.11) can be repurposed for accommodation establishments, although new real estate developments can include a certain proportion of accommodation establishments.

We understand that the policy objective of this restriction is to protect the supply of residential housing and commercial activity to support residential housing (Reykjavik Municipality, 2017, pp. 7-8[28]). In particular, the restriction seeks to prevent housing stock from being converted to accommodation establishments.

However, the specific approach of these restrictions may introduce distortions into the market. Alternative accommodation options, for example when individuals rent out their homes through platforms like Airbnb (within established limits in terms of days rented per year and revenue, beyond which additional requirements apply), are not covered by this restriction. Thus, the restrictions can lead to distortions in the market that favour certain accommodation offerings.

The construction of new accommodation establishments has not managed to keep pace with the influx of tourists in recent years. As a result, services like Airbnb have been growing to meet the demand for accommodation in Reykjavík, putting pressure on the character and supply of residential housing (OECD, 2017[29]). These restrictions may therefore not be effective in protecting the available stock of housing, may exacerbate the situation, and could be hampering investment in accommodation establishments. More generally, the restrictions create barriers to entry and exit in the market for certain types of accommodation establishments, and could prevent supply from adjusting with demand – which will be particularly important in response to shifts in the industry in the years to come.

Alternative measures to protect or expand the stock of housing in the Reykjavík area may more effectively address the underlying policy objective while creating fewer distortions. In particular, policies that promote new investment and construction for both housing and tourist accommodation could be pursued.

Recommendation

The OECD recommends that municipalities such as Reykjavík remove these restrictions. If other policies are required in order to achieve the desired objectives, municipalities should endeavour to pursue policies that do not have the same distortionary impacts on the ability of the sector to respond to changes in demand and supply.

Figure 7.11. Centre of Reykjavik area M1

Source: Reykjavik (2018, p. 32[30]).

7.5. Protected Areas

When tourists are asked about their reasons for visiting Iceland, the natural landscape of Iceland consistently ranks as the most important factor by a large margin (Icelandic Tourist Board, 2020[31]). In a relatively large country[17] and with by far the lowest population density in Europe (Eurostat, 2020[32]), there is a vast area of undeveloped land and untouched nature in Iceland. The country has 119 protected areas (as at September 2020) in several IUCN (International Union for Conservation of Nature) categories that range from national parks, strict nature reserves, wilderness areas, natural monuments, habitats and landscapes.

7.5.1. Overview of the regulatory framework in the protected areas

The governance scheme of the protected areas is fragmented. Iceland has three national parks, each with separate governance arrangements:

- Vatnajokull national park is the largest national park, covering more than 10% of the area of Iceland around Vatnajokull glacier. The Law on Vatnajokull National Park No. 60/2007, established the Vatnajokull National Park and a government agency of the same name to manage it.
- Thingvellir national park is the site of the Alþingi, an open-air democratic assembly, established in 930 (UNESCO, 2004[33]). For these historical reasons, the park's board, the Thingvellir committee, is made up of seven serving parliamentarians selected by parliament. The Law on Thingvellir

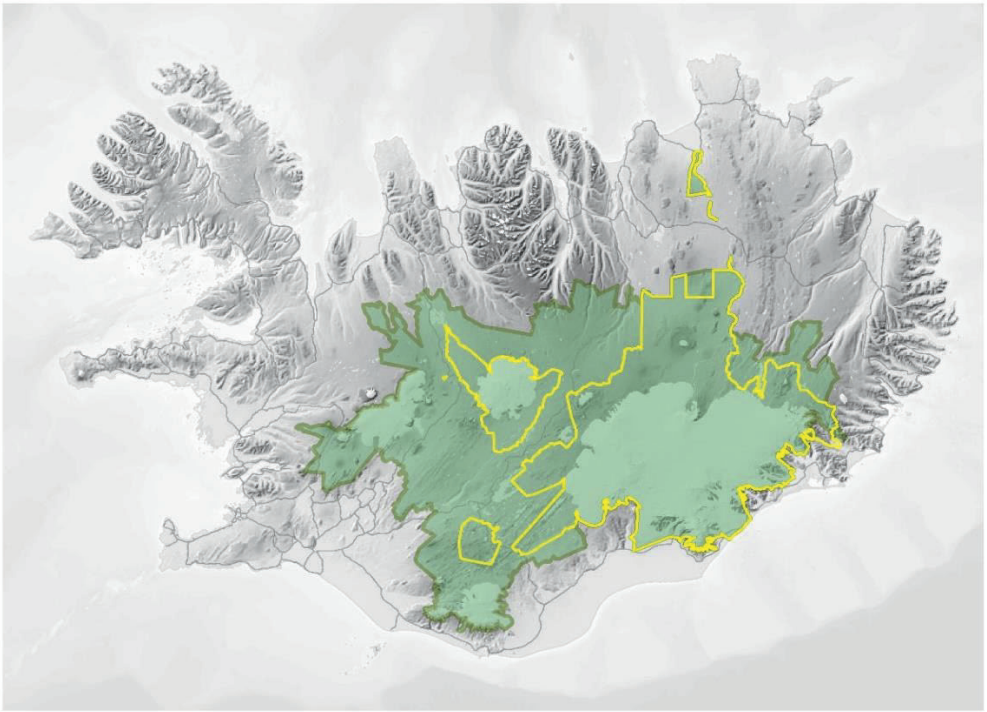
National Park No. 47/2004 establishes the site as a national park. The park is, together with Vatnajokull, a UNESCO world heritage site.

- Snaefellsjokull national park is the smallest of the three, established under the Regulation on Snaefellsjokull No. 568/2001 and managed by the Environmental Agency of Iceland (EAI). The EAI also manages all other protected areas in Iceland. According to the Law on Nature Conservation No. 60/2013, the EAI is responsible for producing conservation and management plans for the protected areas.[18] These management plans are the principal instrument for conservation and should detail the use of land, monitoring and education to the public.

In 2019, in an effort to harmonise these disparate governance regimes, increase efficiency and take advantage of economies of scale, the minister for the environment presented a bill to establish a new government agency to administer the three national parks and all other protected areas (Althingi, 2019[34]).The bill[19] was not passed into law but the OECD understands that the government had planned to reintroduce it in 2020. However, because of the Covid-19 pandemic, the reintroduction of the bill was postponed and it was removed from parliament's work schedule in April 2020 (Goverment of Iceland, 2020, p. 15[35]).

A second bill, establishing a new national park that would expand Vatnajokull national park to cover the highlands of Iceland was also withdrawn from the parliament schedule due to the Covid-19 crisis. A committee, appointed by the minister for the environment on the establishment of such a park, proposed a highland national park that would cover about 40 000 km^2 (Ministry for the Environment and Natural Resources, 2019, p. 27[36]) (see Figure 7.12).

Figure 7.12. Proposed highland national park and current protected areas



Note: Map shows the boundaries of the proposed national park and outlines of the current protected areas.
Source: Map produced by the Icelandic Institute of Natural History (i. Náttúrfræðistofnun Íslands).

Parallel to the influx of tourism to Iceland, the number of visitors to the protected areas has risen significantly. In 2009, around 300 000 people were estimated to have visited Thingvellir national park. In 2019, it is estimated that the park received 1.3 million visitors (Thingvellir National Park, 2020[37]). Overcrowding in the protected areas, which had previously not been a concern, led to questions about the regulatory framework, which did not provide for the imposition of limits on visitors. In 2016, the Law on Vatnajokull National Park was amended in order to give park management the power to limit commercial activity. Article 15. a) now bans all commercial activity in the park without an agreement with the national park. Subsequently, identical changes were made to the Law on Thingvellir National Park.[20]

The amendments did not elaborate on the execution of agreements with operators of commercial activities, but authorised implementation with a secondary regulation. A secondary Regulation on Vatnajokull National Park No. 300/2020 issued in March of 2020 further outlines the procedure in which an agreement is established. In Chapter 5 of the regulation, a distinction is made between activity that needs to be limited in terms of number of guests or number of operators, and commercial activity that is unlikely to conflict with the protection objectives of the management policy without limitations. A commercial activity policy[21] and the operational instructions[22] elaborate on the criteria used to determine whether an activity should be restricted in some way (Vatnajokull National Park, 2020[38]).

Unrestricted commercial activities are those deemed to be consistent with the protection objectives of the management policy, and can enter into an agreement with the park through a simplified process. This includes small walking tours, for example (Vatnajokull National Park, 2020[38]). When certain activities[23] are deemed to create an impact on the park and thus must be limited to prevent damage, Vatnajokull National Park can limit access (e.g. tour access to certain areas) by selecting operators via a public advertisement or tender process.[24] The park can also advertise for operators on its own initiative if it wishes to introduce certain services.

These changes introduced a new regulatory model in Iceland's national parks, the scope of which is currently limited to Vatnajokull National Park. Similar or identical regulation is expected to come into effect for Thingvellir National Park, whether that might be with an amendment to the regulation on Thingvellir National Park[25] or part of an effort to consolidate governance in the protected areas with a new governmental agency, as mentioned above. With the expansion of Vatnajokull National Park on the horizon, these limitations to commercial activity could apply to a substantial geographical part of Iceland.

Harm to competition

Restrictions on commercial activity can constitute significant barriers to competition. In this case, the Vatnajökull National Park and its board of directors have significant discretion in determining which businesses can operate in the park. The policy objectives, being to protect and conserve these areas, is nonetheless well defined and the restrictions on competition are justified in order to achieve these objectives.

However, the process for awarding limited permits, or concessions to operate, can be designed to promote competition. Specifically, competition in-the-market can be created by, wherever possible, dividing limited rights and allowing multiple potential operators to bid. The evaluation for bidders could incorporate public policy objectives, including sustainability. When there are strong efficiency reasons for not dividing up the rights, for example, where economies of scale can only be exploited by one operator, a competitive tendering process with bids for exclusive rights can encourage competition for-the-market (OECD, 2019[39]). In these cases, the duration of the concession should be no longer than what is needed to justify any required investments. This approach in national park management is used in other jursdictions, for example, in New Zealand[26] (Dinica, 2016[40]), which according to stakeholders was the inspiration for the Vatnajökull scheme. In New Zealand, anyone wanting to run a commercial operation on public conservation land must apply for a concession. The department of Conservation (DOC) offers applicants a two-hour free consultation in order to predetermine if the application is consistent with conservation

management according to specific criteria. The DOC have standardised the application process for a variety of services and activities such as from walking tours, watercraft activity, sporting events, bee keeping, grazing and filming activates (Department of Conservation, 2020[41]). The US National Park Service also relies heavily on concessions in conservation management (National Park Service, 2020[42]).

Recommendations

The OECD recommends that the government introduce a procurement framework for protected areas to ensure that service operators are selected according to a public tender. The criteria for awarding the concessions should be public and non-discriminatory, with clear, transparent criteria. Further, tenders should be designed to encourage competition, for example by dividing rights among multiple potential operators where appropriate.

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Notes

[1] The OECD defines tourism as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited” (https://stats.oecd.org/glossary/detail.asp?ID=2725).

[2] The ISK 700 million (EUR 5.1 million) campaign was funded by the Government (ISK 350 million), Airlines Icelandair (ISK 125 million) and Iceland Express (ISK 50 million), The Icelandic Travel Industry Association (ISK 42 million) and the Regional Marketing Offices of Iceland (ISK 2 million).

[3] https://ec.europa.eu/eurostat/web/tourism/data/database

[4] https://www.statice.is/statistics/business-sectors/tourism/accommodation/

[5]https://www.vegagerdin.is/vefur2.nsf/Files/almenningsamgongur_landsvisu/$file/Almenningssamg%C3%B6ngur%20%C3%A1%20landsv%C3%ADsu_sk%C3%BDrslan_LOKA.pdf

[6] There is no railway in Iceland.

[7] Regulation No. 1277/2006

[8] The district commissioner for the greater Reykjavík area jurisdiction fully overlaps three different hygiene committee districts, numbered in the Law on hygiene and pollution control; 1. Reykavík, 9.Hafnarfjarðar- og Kópavogssvæði, 10. Kjósarvsvæði

[9] The hygiene committee in the south of Iceland area operates in both the jurisdiction of district commissioners in south of Iceland and Vestmanneyjar.

[10] The reference countries are the four Nordic countries (Denmark, Finland, Norway, and Sweden) as well as Ireland, the Netherlands, New Zealand and the United Kingdom. They were chosen for their geographical and/or cultural/economic similarities with Iceland.

[11] The tourism boom in the period 2010-2018 saw visitors to Iceland trough Keflavik airport rise from 450 000 to 2.3 million (The Icelandic Tourist Board, 2020[6])

[12] Insolvency numbers for tour operators is only available for Nace Rev. 2 sections and not for more specific activity i.e. travel agencies and travel operators.

[13] Article 3 of Regulation EC No. 1071/2009. See http://data.europa.eu/eli/reg/2009/1071/oj

[14] ITQ’s for fisheries is a system of property rights that are meant to support sustainable management and efficiency in the fishing industry. The fishing industry in Iceland is based on a system of ITQs according to the Law on Fisheries no 116/2006. The ITQs are based on a species-specific total allowable catch (TAC) set by the regulator. The ITQs are originally allocated permanently by the regulator to individual fishers, but after that they are transferable and can therefore be sold or leased (OECD, 2017[43]).

[15] In order for Icelandic legal entities to qualify, their non-Icelandic ownership may in principle not exceed 25%.

[16] Beds for all types of accommodation must be 200 cm long an 90 cm wide or 140 cm for a double bed.

[17] Iceland is 103 000 sq. km. similar but larger than the countries of South Korea, Portugal and Hungary.

[18] Governance- and protection plans are mandated in article 81 of the Law on Nature Conservation No. 60/2013

[19] Þjóðgarðastofnun og þjóðgarðar. Parliament sitting 149. Document 1238 – 778. Case 778. (Althingi, 2019[34])

[20] The Law on Thingvellir national No. 47/2004 park was amended with law No. 85/2019 adding article 5. par. 5, banning all commercial activity without an agreement with the park. (Althingi, 2019[34])

[21] Legally mandated by the Law an Vatnajokull national park the board of parks set forth a commercial activity policy (Vatnajokull National Park, 2020[38])

[22] The operational instructions have been drafted and pending the approval of the board of the park.

[23] Examples of commercial activities that will be limited are listed in an appendix to the operational instructions and include but not limited to: Ice cave exploration, glacier walks, tours on motorised vehicles, horse riding and sailing.

[24] According to article 35

[25] Regulation on Thingvellir national park No. 848/2005

[26] Dinica explains how the governance arrangement in New Zealand's´ national parks build on a holistic approach where international commitments, national laws, management strategies and concessions all play apart, similar to state of affairs now established in Iceland.

8 Transport related to tourism

This chapter assesses the regulatory framework for two key modes of transportation used by tourists in Iceland: air transportation and taxis.

Air transportation is a vital part of Iceland's tourism sector: nearly every international tourist arrives in Iceland via Keflavik International Airport and commercial flights provide year-round accessibility to various parts of the country. However, Keflavik Airport is among the least cost-efficient and most expensive airports in Europe, including when compared to airports with a similar traffic mix, size and climate. This cost efficiency is also exhibited at the airport group level, as Isavia, which owns and operates all airports in Iceland with commercial flights, is less cost efficient than other airport groups in Europe. The OECD's analysis suggests that the regulatory and ownership framework for airports in Iceland may be contributing to this outcome. In particular, they do not constrain prices or costs for airport services in Iceland, to the detriment of consumers.

In light of these concerns, this chapter makes several policy recommendations to help improve the competitiveness of the sector and make air travel passengers better off. In particular, the government of Iceland could consider introducing an alternative airport ownership and operating model that would enable airport operators to bid in open competitive tenders for the management of Icelandic airports. Further, recognising that inter-airport competition in Iceland is unlikely in the short-term and may in any case not be sufficient to result in more competitive outcomes, the chapter identifies the need to regulate tariffs for airport services. Last, the chapter proposes revising future concessions of commercial activities in order to improve the competitiveness of specialised retail, food, beverages and bus transport services in Keflavik International Airport.

Taxis are also a vital contributor to tourism in Iceland, particularly for transportation in and around Reykjavík. The regulatory framework for taxis in Iceland is being revised in response to an inquiry by the European Free Trade Association Surveillance Authority (ESA), which monitors compliance with European Economic Area (EEA) rules in Iceland. While these revisions will address some of the substantial barriers to competition present in the current framework, and reflect the fundamental changes brought by the introduction of ride sourcing applications, further changes will be necessary to ensure a procompetitive environment for taxi services, and reduce the burden on market participants. To this end, this chapter recommends that the required course for taxi drivers be shortened, and subjects unrelated to passenger safety and traffic laws be removed. Further, an assessment should be made as to whether there are ways to bring down high course costs, particularly for those seeking to drive part-time. The chapter also recommends that limitations on firms owning multiple taxi licenses be abolished, and that taximeter exemptions be widened to allow for ride sourcing business models to be introduced to Iceland.

8.1. Air transport

Air transport plays a fundamental role in connecting Iceland to the rest of the world. As an island in the middle of the North Atlantic Ocean, Iceland has no road or rail connections to other countries. Maritime modes of transportation are also scarce, with the exception of a passenger ferry that connects Iceland to Denmark and the Faroe Islands. However, due to its high cost, the long duration of the trip (three days)

and overall travelling conditions, the ferry is not a viable alternative for most passengers, making air transport the only mode of reaching Iceland for the vast majority of visitors.

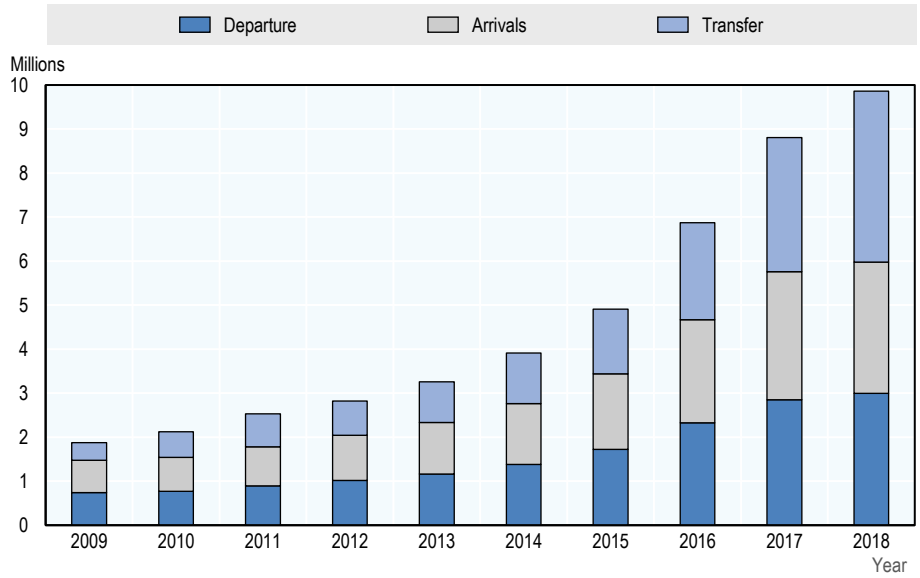
Travelling by air is also a convenient option for travelling safely around the country. Iceland has no rail network and road travel can be challenging due to weather conditions, especially during the winter (IRCA, 2020[1]). There are a few long-distance bus companies that provide infrequent connections between some of the popular sightseeing areas and the largest towns, mostly during the summer. Renting a car is a more flexible option, enabling travellers to drive between main tourist destinations in Iceland, although a larger four-wheel drive is required to travel in the highlands, which contain stretches of sand, rocks and river crossings.

The volume of air travel passengers in Iceland has been growing exponentially over the last decade. In particular, the number of international passengers has increased annually at the average compound rate of 20%, from less than 2 million in 2009 to nearly 10 million in 2018 (Figure 8.1). Moreover, despite the country having only around 360 000 inhabitants, in 2018 around 700 000 domestic passengers travelled through Icelandic airports, a number that has remained relatively stable over time (Figure 8.2). However, since March 2020, international and domestic air travel has been affected by the travel restrictions adopted by governments due to the Covid-19 pandemic. It is not clear how long it will take for air travel to return to the levels experienced before the pandemic.

The provision of air travel services in Iceland takes place in a liberalised market, where a large number of airlines offer a wide range of international flights. In 2018, there were 28 international airlines serving the Icelandic Oceanic area (Isavia, 2020[2]), with the biggest four operators accounting for nearly one-third of all flights (Isavia, 2018[3]). The biggest airline is Icelandair, which operated 13.9% of all flights in 2018. Icelandair's market position has improved since March 2019 when the second main airline, Wow Air, ceased operations. In the domestic market, there are three main airlines: Air Iceland Connect, Eagle Air and Norlandair.

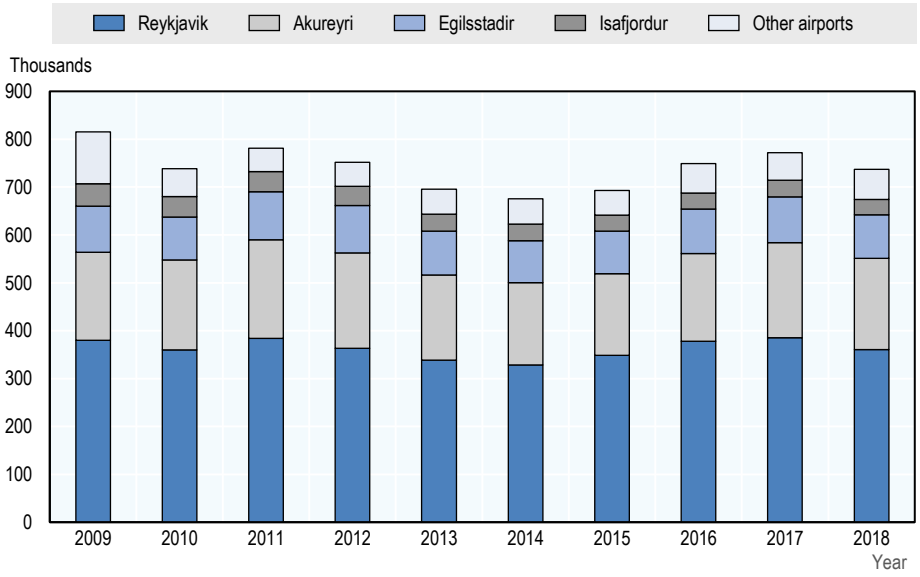
In terms of air transportation infrastructure, Iceland has 13 airports with scheduled flights (Isavia, 2020[4]). The Keflavik International Airport, located 50 km away from the capital, Reykjavik, is the main international airport. It accounts for 99% of all international air traffic and it has no domestic connections (Isavia, 2018[3]), implying that tourists must travel by car or bus to another airport to get on a domestic flight. The airports of Reykjavik and Akureyri account together for 75% of all domestic flights and have a few international flights, mostly to Greenland (Isavia, 2018[3]). The remaining airports are very small and serve only domestic flights.

Figure 8.1. International passengers in Icelandic airports



Note: The figure shows the total number of passenger trips by type of passenger. Transfer passengers are counted twice, as each of them makes two distinct flights – one arrival and one departure. Keflavik International Airport accounts for around 99% of all international traffic.
Source: Isavia (2018[3]).

Figure 8.2. Domestic passengers in Icelandic airports



Note: The figure shows the total number of passenger trips by domestic airport.
Source: Isavia (2018[3]).

There are ongoing projects to expand airport infrastructure in Iceland, in order to meet the historically high demand for air transport services, which has strained existing infrastructure. At the end of 2019, a private contractor was appointed to oversee the construction of a new terminal and an additional pier in Keflavik International Airport, a project that is expected to increase the capacity of the airport by 50% over the next decade (Clark, 2019[5]; Isavia, 2020[2]). Also, in 2020, as part of a stimulus package in response to the

Covid-19 pandemic, the Icelandic government decided to increase the share capital of the national airport operator Isavia by ISK 4 billion, under the condition that the latter launches an infrastructure project at Keflavik International Airport.[1]

Despite the increasing volume of air traffic enabled by a large number of competing airlines and growing airport infrastructure, there is a risk that the competitiveness of the Icelandic air travel industry could be compromised by a lack of competition in the provision of airport services. In particular, the state-owned company, Isavia, owns and operates all the international and domestic airports in Iceland (the so-called corporatisation model of airport ownership and management). In addition, unlike monopoly airport operators in many other jurisdictions, Isavia is not subject to regulations that limit its ability to exercise its considerable market power. The Icelandic Competition Authority has received several complaints about Isavia's conduct, regarding its activities both outside and within the Keflavik International Airport. This includes a complaint by the airline Wow Air, for which a decision has been issued,[2] and another complaint by bus operators at the Keflavik International Airport.[3]

As outlined in detail below, the current airport ownership model and regulatory framework do not constrain prices for airport services in Iceland, to the detriment of consumers. Isavia's costs are among the highest of any airport group in Europe, and its productivity is below average. In addition, airport tariffs in Iceland appear to be disproportionally high, with Keflavik International Airport belonging to the top 10% most expensive airports in Europe. These indicators suggest that further cost discipline may be required, even when taking into account some specific characteristics of Keflavik Airport (for example, its use as a hub for connecting flights, as well as weather conditions in Iceland). In addition, commercial services (e.g. retail) that do not feature these unique cost pressures are particularly expensive, enabling Isavia to earn the greatest concession revenue per passenger amongst European airport groups. This being said, a lack of competition does not appear to be adversely affecting quality, as consumers appear to be generally satisfied with the quality of airport services in Iceland.

In light of the competitive concerns identified below, this chapter proposes a suite of policy recommendations that could help improve the competitiveness of the sector and make air travel passengers better off. These include changes to Isavia's ownership and operating models (Section 8.1.1), regulation of tariffs for airport services (Section 8.1.2), and improving competition for airport concessions (Section 8.1.3).

8.1.1. Airport ownership and operating model

In Iceland, all national airports are owned and managed by Isavia, a dedicated government-owned enterprise, which was originally established in 2008 for the operation of Keflavik International Airport.[4] In 2010, Isavia acquired Flugstodir, the former operator of domestic airports in Iceland.[5] Since then, Isavia remains the sole national operator of all airports and air navigation services, being responsible for flight safety and airport security. While Isavia is subject to the government of Iceland's general mandate for state-owned enterprises, it is our understanding from the Ministry of Industry and Innovation that the Board of Isavia does not have its own specific mandate in terms of economic and other public policy objectives for airport operations. In addition, we understand from the Ministry that Isavia has not paid any dividends to the state, and has instead reinvested any profits into its operations.

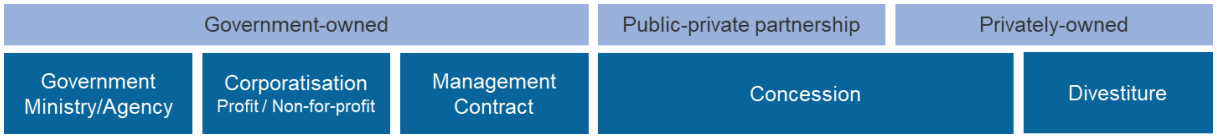
Despite facing some competitive pressure from other international airports, Isavia appears to hold market power over many passengers. Of all traffic in Keflavik International Airport, 60% are passengers with an origin or destination in Iceland (Isavia, 2018[3]), having virtually no alternatives to get in or out of the country. Among these, 22% are residents (Isavia, 2018[6]) and 38% are tourists or other visitors. While the latter may potentially choose among other competitive tourist destinations, such as Greenland, the Faroe Islands and Norway, Iceland is a unique place in terms its natural landscapes, with a developed tourism sector. The remaining 40% of traffic corresponds to transfer passengers (Isavia, 2018[3]), who have alternatives for connections between North America and Europe. It is for this 40% of passengers that Isavia is most

constrained in terms of competition from international airports, although it is not clear whether this competition is sufficient to drive efficiency and impose pricing discipline (as outlined below).

Airport ownership and operating models (summarised in Figure 8.3 below) vary substantially across jurisdictions, with different levels of public and private participation (IATA & Deloitte, 2018[7]):

- 67% of airports worldwide follow the public ownership model (European Commission, 2016[8]). The vast majority of public airports are operated by a dedicated state-owned corporation in a similar way to Icelandic airports, including Narita International Airport in Tokyo, Berlin Schönefeld Airport and most airports in the Nordic countries. Other public airports are operated directly by a government ministry or agency, such as the JFK Airport in New York, Dubai International Airport and the Ben Gurion Airpor in Tel Aviv. In a few cases, the operation of a publicly-owned airport may be awarded to a private operator through a management contract (e.g. King Khaled International Airport in Riyadh).
- 18% of airports in the worldwide use a public-private partnership model (European Commission, 2016[8]), meaning that the airport operator is owned by a combination of private investors and public authorities. In most of those cases, the airport operator does not own the land and has the exclusive rights to operate the airport under a fixed-term concession, whose length typically ranges from 20 to 50 years for large-size airports (Airports Council International, 2016[9]). Examples of airports under a public-private partnership include Brussels Airport and Copenhagen Airport (mostly private), Paris Charles de Gaulle and Athens International Airport (mostly public) and İstanbul Atatürk Airport (equal public and private participation).
- Finally, 15% of airports in the worldwide are fully privatised (European Commission, 2016[8]). In most cases, the fully private operator does not own the land and operates under a long-term concession contract, as is the case for the main airports in Australia and Portugal. In rarer circumstances, the airport and its land may be permanently divested to a private company, as observed in many of the airports in the United Kingdom.

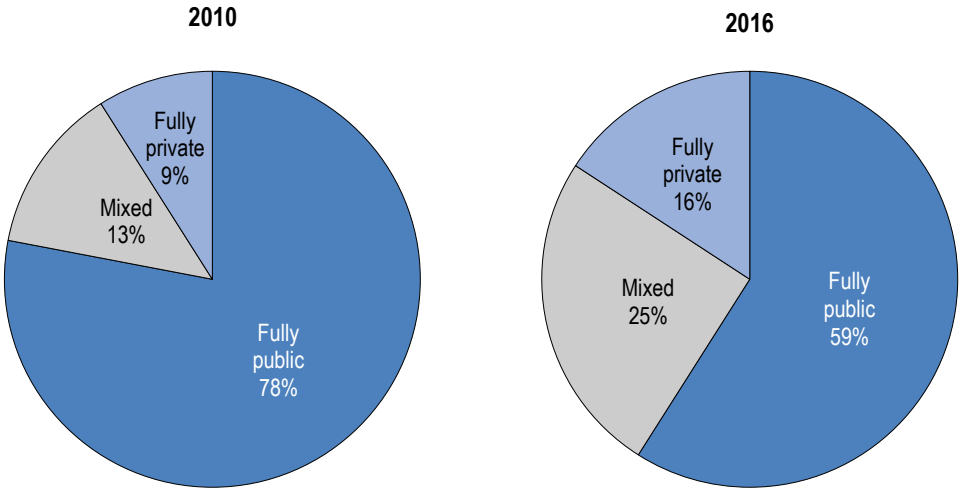
Figure 8.3. Airport ownership and operating models



Source: Adapted from IATA & Deloitte (2018[7]).

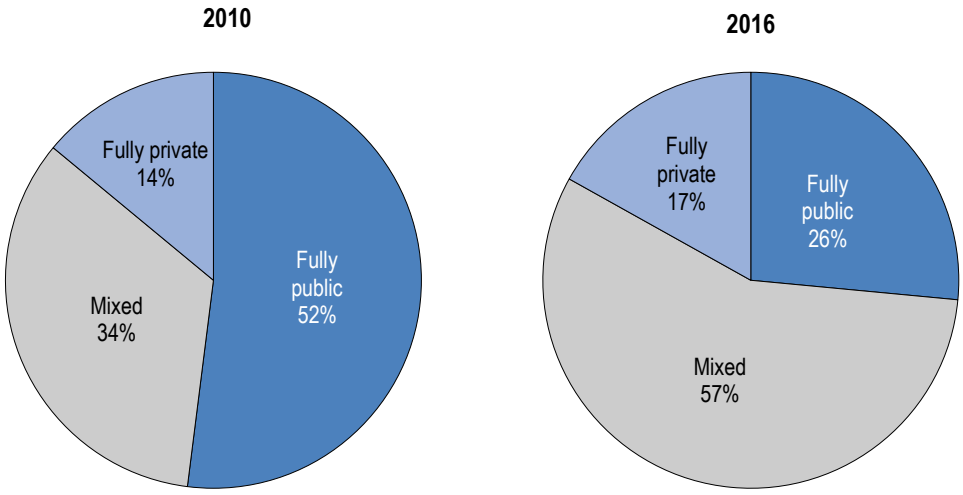
Despite the current prevalence of fully-public airports, there is a growing trend for the private sector to participate in the ownership and operation of large airports, especially in Europe and Asia (Sia Partners, 2018[10]). Between 2010 and 2016, the proportion of European airports that are partially or fully privatised almost doubled, from 22% to 41% (Figure 8.4). Over the same period, partially or fully privatised airports increased their share of passenger traffic from less than half to more than three quarters of all European traffic (Figure 8.5). As governments recognise the ability of the private sector to fund investment in capacity and improve management efficiency, private participation in airport ownership, or at least operations, is likely to keep growing in the future.

Figure 8.4. Airport ownership in Europe



Source: Airports Council International (2016[9]).

Figure 8.5. Annual passenger traffic by type of airport ownership in Europe



Source: Airports Council International (2016[9]).

Harm to competition

The corporatisation model, such as the one observed in Iceland, has several advantages over alternative government-owned airport operating models – such as more traditional arrangements where the airport is directly operated by a government department or ministry (IATA & Deloitte, 2018[7]). Firstly, corporatised airports generally have an independent corporate board responsible for long-term performance, potentially creating greater management incentives to improve efficiency. In addition, by having accounting obligations that guarantee a higher level of transparency, corporatised airports have easier access to external financing sources.

Even so, publicly-owned airports generally have fewer reward incentives to minimise costs and the effectiveness of their management may be compromised by political appointments (IATA & Deloitte,

2018[7]). This can mean that publicly-owned airports are less likely to operate efficiently than their private counterparts. Moreover, publicly-owned airports are not necessarily less likely to abuse their market power than private airports. Thus, a lack of pricing discipline may lead to consumer harm through high tariffs.

Aside from the fact that all Icelandic airports are owned by the government, the lack of inter-airport competition could be a contributing factor to an inefficient airport sector. In the absence of close substitute airports exerting effective competitive pressure, especially at the local level, there are few incentives for Icelandic airports to maximise efficiency, whether by minimising costs or optimally deploying resources and assets such as labour, runways, gates and terminal areas. Airports with substantial market power are also less likely to engage in product and process innovation that could improve the quality of services – for instance by reducing congestion delays – or reduce costs over time. Given Iceland's small population, the capacity for additional airports may be limited. However, the current ownership structure precludes any possible competitive pressure even among the two airports in the Reykjavik area (which currently serve either international or domestic flights exclusively).

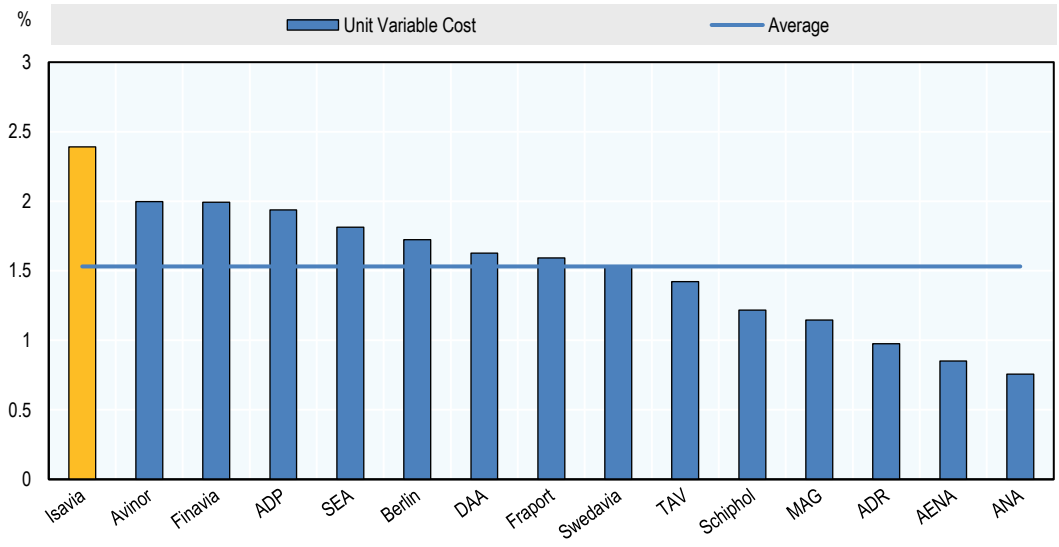
In Isavia's case, this situation is compounded by a lack of oversight. In particular, it does not have the same incentives as a firm that wishes to maximise its profits - it faces few incentives to keep costs low, since it is not required to pay dividends to its owner, and it can pass on costs to consumers through supra-competitive prices. Further, since Isavia reinvests all of its profits, it may not be selecting investments based on efficiency, which may result in excess capacity. The result of each these effects is that consumers will pay higher prices.

Indeed, empirical evidence suggests that the provision of airport services in Iceland under the current ownership and operation model is less efficient than comparative airports across Europe. According to data from the Airport Benchmarking Report 2019, Isavia is the least cost-competitive airport group in Europe, incurring in a unit variable cost that is nearly 2.5 times the value of Copenhagen Airport (regional benchmark) and more than 1.5 times the average of all European airport groups (Figure 8.6). In turn, Keflavik International airport is the second least cost competitive of the European airports analysed in the study, having a unit variable cost that is 2.6 times the value of Copenhagen Airport and almost twice as much as the European average (Figure 8.7).

The low cost competitiveness of Iceland is the result of Isavia paying high prices for inputs and having a relatively low productivity level (see Table 8.A.1 in Annex 8.A). In fact, Isavia pays more for variable inputs than any other European airport, spending 31% more than Copenhagen Airport and 56% more than the average for each unit of aggregate input. At the same time, the variable factor productivity of Keflavik International Airport is only half of Copenhagen Airport and 23% below the European average.

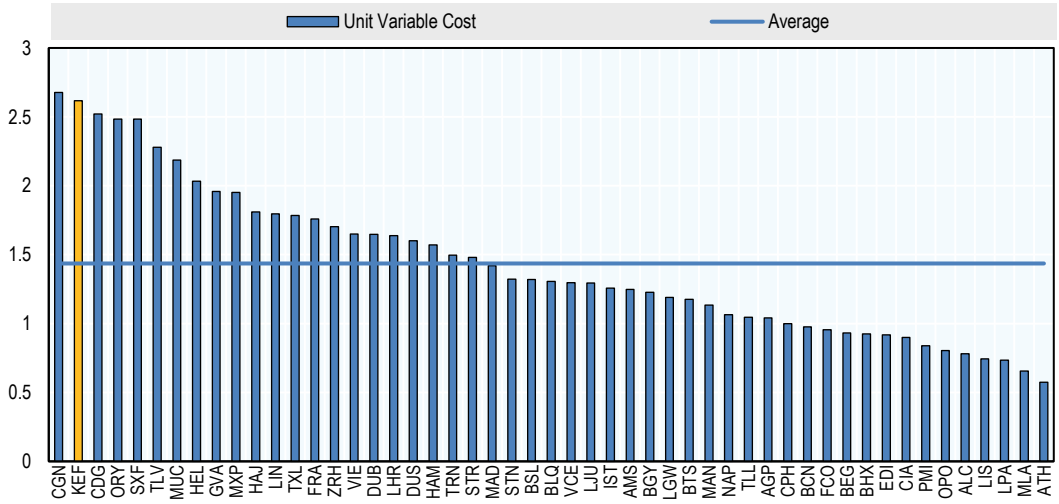
While the unit variable cost is generally a good measure of cost competitiveness, variations across jurisdictions may be driven by different business environments that are beyond managers' control. A possible measure of the "true" managerial efficiency of airports is the residual variable factor productivity, which removes the effects from differences in airport size, the distribution of plane size, the passenger-freight traffic mix, the percentage of transfer passengers, the share of international passengers and other external factors.[6] After controlling for airport characteristics that are not correlated with the quality of management, Keflavik International Airport is the third least cost-competitive airport in Europe, having an adjusted unit variable cost 59% above the average (see Table 8.A.2 in Annex 8.A).

Figure 8.6. Cost competitiveness of European airport groups in 2017



Note: The unit variable cost measures the total operating expenses (labour and soft input costs)[7] per unit of aggregate output. All figures are normalised at the regional base airport (CPH).
Source: Air Transport Research Society (2019[11]).

Figure 8.7. Cost competitiveness of European airports in 2017



Note: The unit variable cost measures the total operating expenses (labour and soft input costs) incurred per unit of aggregate output. All figures are normalised at the regional base airport (CPH).
Source: Air Transport Research Society (2019[11]).

In order to enable a comparison across airports, residual variable factor productivity takes into account numerous external factors that may influence costs, including the mix of transfer passengers, as noted above. However, there may be other factors that partially contribute to high costs in Iceland that are not fully accounted for. Isavia's high input costs might be somewhat explained by high import costs and high labour costs in Iceland generally. However, Isavia pays 31% more for variable inputs than Copenhagen Airport, despite Denmark having similar labour costs to Iceland (Eurostat, 2019[12]). In addition, the weather conditions experienced in Iceland could also be expected to increase costs, but even compared to

countries with substantial snowfall and low temperatures in winter, such as Finland and Norway, Isavia's costs are higher. Further, we understand that the distribution of departures and arrivals may also contribute to cost inefficiencies. In particular, air traffic at Reykjavik is uneven due to its position as a hub, with flights arriving from North America and departing for Europe in the morning, and arriving from Europe and departing for North America in the afternoon. We understand that this could contribute to low capacity utilisation outside of the two peak periods. However, the OECD has not found data to suggest that these peaks and low periods are more significant than those experienced in at least some other European airports. Further, it is not clear how these traffic patterns would explain Keflavik's high variable costs, even if they may contribute to the relatively low utilisation of fixed assets. Thus, even if Keflavik airport faces some unavoidable costs, available data suggests that the lack of cost discipline due to the current ownership model and the lack of regulation may be exacerbating this situation and inflating costs, even relative to other high-cost cities.

The lack of cost efficiency observed in Icelandic airports has harmed consumers with high prices, though it does not seem to have negatively affected the quality of services. On the one hand, Keflavik Airport is a very expensive airport in terms of aeronautical fees and one of the most expensive ones in terms of concession fees charged per passenger, as discussed in the next sections. On the other hand, Keflavik Airport appears to deliver a positive customer experience, having received the Airport Service Quality Award four times for its performance in consumer surveys conducted by Airports Council International.[8]

Recommendation

The OECD recommends that the government of Iceland explore ways to enhance the incentives for the operator of Keflavik Airport to seek cost effectiveness and increase competitiveness. Two potential approaches to do so could be:

- Implementing an alternative ownership model as described in Figure 8.3 above, such as a management contract or a concession model, in which the government of Iceland could retain ownership of airport assets and open a competitive tender for the management of Keflavik (for which Isavia could bid).
- Developing a long-term plan to promote inter-airport competition in Iceland. This could be achieved by opening separate competitive tenders for the management of the main domestic airports in Iceland (e.g. Reykjavík, Akureyri), under the condition that the awarded operators expand existing terminals, invest in new infrastructure and seek to develop international routes.

Notwithstanding these recommendations, further regulatory changes may be required to ensure that Isavia is not able to take advantage of any market power in the provision of airport services in Iceland, as discussed in the following sections.

8.1.2. Regulation of airport tariffs

Airport operators charge tariffs for a wide variety of services provided to airlines and passengers, which can be classified into aeronautical and non-aeronautical services. Aeronautical services include air navigation, access to runways for take-off and landing, access to aircraft parking sites, ground safety and ground handling services[9] – including passenger check-in, arrival and departure (e.g. boarding), and ramp services (e.g. passenger handling, baggage handling, fuelling, aircraft maintenance, water cartage, cabin cleaning, etc.). Non-aeronautical services comprise the supply of food, beverages and retail at terminal buildings, car parking and airport transfer services, among others.

Airport tariffs in Iceland are not subject to any form of formal regulation or supervision by an independent regulator. According to law no. 76/2008, the board of directors of Isavia has full powers to determine the service tariff charged for the provision of aeronautical services in all Icelandic airports. The legal provisions do not specify the criteria used to determine the aeronautical tariffs, thus there are no requirements for the

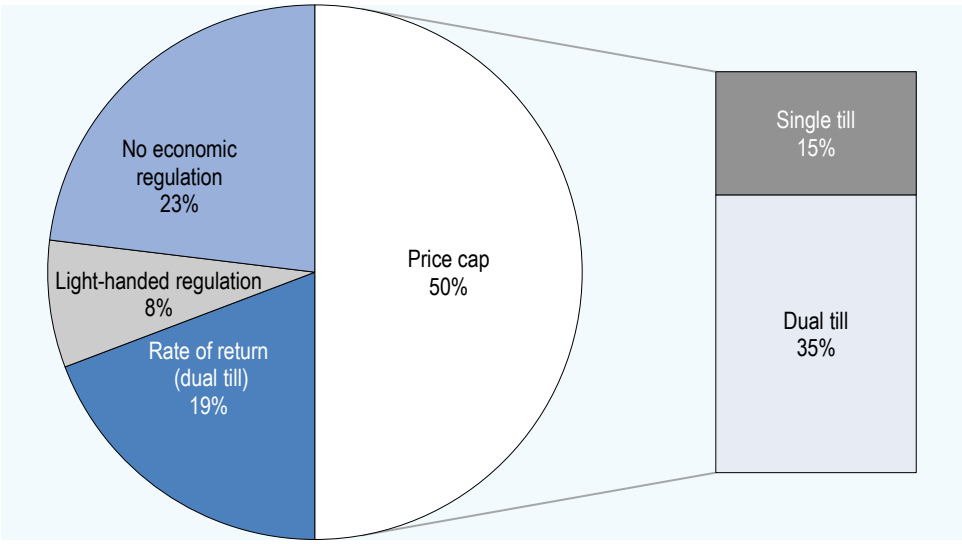
tariffs to be cost-based, transparent or non-discriminatory. Non-aeronautical charges are not subject to any form of price regulation either, as these are directly negotiated between Isavia and private operators who provide commercial services in and around the airport.

The regulation of airport tariffs varies substantially across jurisdictions and largely depends on the airport ownership model. In countries where airports are owned by the government, tariffs are often either unregulated or directly set by the government. In this case, "opacity is the main characteristic of the regulatory system, (…) as the activities of establishment of rules, operation and regulation are all performed by the same entity" (Marques and Brochado, 2008, p. 164[13]). There are exceptions to this rule, including Ireland and the Netherlands, where government-owned airports are regulated by independent authorities. On the other hand, in countries where airports are privately owned or managed by a private company, airport charges are almost always regulated by an independent authority.

There are two main methods for regulating airport tariffs (IATA & Deloitte, 2018[7]; Marques and Brochado, 2008[13]). The first is rate-of-return regulation, where the regulated tariff is variable and conditional on observed costs and demand, enabling the airport operator to earn a fixed rate of return on its investment. The second method is incentive regulation, such as price-cap or revenue cap. In that case, the maximum tariff or revenue is fixed for an entire regulatory period (usually 3 to 8 years), taking into consideration expected costs and productivity gains over that period. Most forms of airport regulation are a variation of these two methods, with the exception of some jurisdictions that apply more "light-handed" regulatory approaches.[10]

Regulatory methods can also be classified as *single-till* or *dual-till*, depending on whether aeronautical services and commercial activities are treated as a single or separate businesses (Reynolds et al., 2018[14]) (Airports Council International, 2018[15]). On the one hand, single-till regulation consists of setting a tariff or rate of return for aeronautical services that should cover all agglomerated airport costs, deducted from the revenues of commercial activities. Under such an approach, aeronautical fees are generally lower, as they are cross-subsidised by commercial activities. On the other hand, dual-till regulation involves determining different fees or rates of return for aeronautical and commercial services based on their respective costs, which should be accounted separately. Under the dual-till approach, authorities can choose to regulate only aeronautical services or both.

Figure 8.8. Regulatory approaches in Europe



Note: Dual till price cap: Austria, Belgium, Denmark, France (Paris, Nice), Greece (Thessaloniki), Hungary, Italy, Portugal and Spain. Single till price cap: France (Marseille, Toulouse), Ireland, Norway and UK (Heathrow). Rate of return regulation: Greece (Athens), Netherlands, Slovenia, Switzerland and Warsaw. Light-handed regulation: Germany and UK (Gatwick). No economic regulation: Bulgaria, Czech Republic, Finland, Romania, Sweden and UK (Manchester and Edinburgh).
Source: Adapted from Reynolds, P. et al. (2018[14]).

At present, the most common regulatory method appears to be price-cap regulation, at least in Europe (Figure 8.8). While many airports apply a single-till price-cap (e.g. Heathrow), a dual-till approach is increasingly more common in large airports where commercial services play an important role, including in Paris, Brussels, Copenhagen, Vienna and Rome. Rate of return regulation is becoming less common over time due to the fact that it has not tended to provide adequate incentives for cost efficiency (see below), though it still prevails in some countries such as Switzerland, Netherlands and Greece. Finally, light-handed regulation applies in several German cities, and there is no economic regulation at all in several countries where airports are owned by the government, including Sweden and Finland.

Harm to competition

In the absence of economic regulation, an airport operator is more likely to exploit its market power, especially if it faces limited competitive pressure from nearby airports or alternative tourist destinations – as is the case in Iceland. In such a case, an airport may artificially limit the number of flights and constrain its capacity below the optimal level, in order to be able to charge higher tariffs to airport customers (i.e. airlines), who in turn pass on the higher cost to passengers. The risk of market power exploitation exists not only for privatised airports, but also for government-owned airports, as the latter may prioritise raising revenues over promoting efficiency and decreasing tariffs for airport users. While Isavia does not pay dividends to the government, and thus may not seek to maximise profits, it may use its market power to fund cost inefficiencies.

While economic regulation could potentially help make Icelandic airports more price competitive, it could also lead to other forms of consumer harm. In particular, if regulation is not carefully designed and properly implemented, it could reduce the incentives of the airport operator to innovate and to invest in infrastructure, thereby resulting in a greater loss of competitiveness in the longer term – even if there were lower tariffs in the short-term. Moreover, even where regulation adequately promotes reasonable airport tariffs and long-term investment, it is necessarily to balance the potential benefits against the costs of monitoring and enforcing regulations, which can be considerable.

Among the alternative forms of economic regulation available, rate of return regulation poses the greatest risk of long-term harm. Indeed, by determining *a priori* a rate of return that is independent of economic performance, this form of regulation gives no profit incentives for the airport operator to innovate and become cost efficient. Moreover, assuming that the regulated rate of return is higher than the cost of capital, the operator is likely to over-invest in capacity in order to artificially increase profits, even though that also leads to inefficiently high costs (Oum, Zhang and Zhang, 2004[16]). The level of cost inefficiency is somewhat lower under dual-till than single-till rate of return regulation, as in the former case the operator has a partial incentive to reduce costs of aeronautical services in order to increase the number of passengers and raise revenues of commercial services (Oum, Zhang and Zhang, 2004[16]).

In contrast, incentive regulation – such as price-cap and revenue-cap – is more likely to promote cost efficiency (Marques and Brochado, 2008[13]). The reason for this is that incentive regulation allows the operator to retain cost efficiency gains until the end of the regulatory period, at which point the price-cap is revised in order to fully pass through the lower costs to consumers in the following regulatory periods. Nonetheless, price-cap and revenue-cap regulation can also harm consumers by reducing the incentives of the operator to improve quality during the regulatory period (unless quality enhancements are accepted by the regulator and built into the price or revenue cap). This could encourage the airport operator to under-invest in airport infrastructure, even if that leads to congestion delays (Oum, Zhang and Zhang, 2004[16]).

Within price-cap regulation, there is an extensive debate in the literature concerning which method is less distortionary: single-till or dual till (Airports Council International, 2018[15]). On the one hand, several studies commissioned by airlines have advocated for single-till price-cap regulation, probably motivated by the fact that such an approach results in lower aeronautical tariffs, as these are cross-subsidised by commercial revenues. On the other hand, economists have pointed out that dual-till price cap can be a more efficient

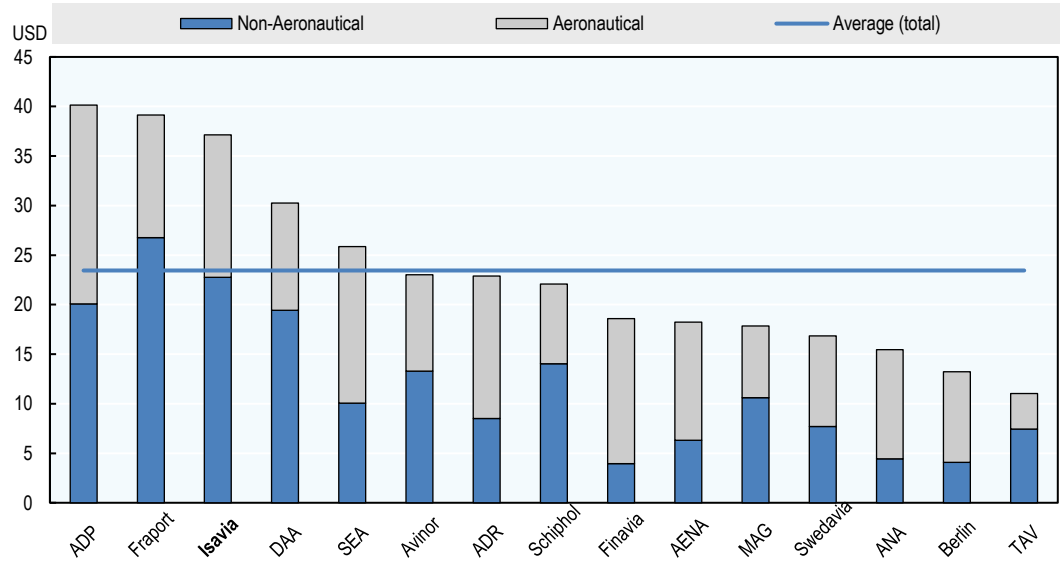
form of regulation, especially for large congested airports (Starkie, 2001[17]) (Forsyth, 2002[18]) (Oum, Zhang and Zhang, 2004[16]), as the higher aeronautical charges help alleviate the problem of under-investment in airport capacity:

> *The extent of the under-investment is found to be less under the dual-till price cap than under the single-till price cap. Our empirical investigation of capital input productivity and total factor productivity confirm the analytical findings. In particular, the total factor productivity is greater under the dual-till price cap than under either the single-till price cap or single-till ROR. Our analysis appears to support the argument made by several economists that dual till regulation would be better than the single-till regulation in terms of economic efficiency, especially for large and busy airports. (Oum, Zhang and Zhang, 2004, p. 217[16])*

Despite the challenges of regulating airport tariffs, evidence suggests that, in the absence of regulatory oversight in Iceland, airport users have been harmed by disproportionally high tariffs. In 2019, Isavia charged overall the third-highest fees per passenger among European airport groups (Figure 8.9). Most of Isavia's revenues came from Keflavik Airport, which belongs to the top 10% most expensive airports in Europe, generating a revenue per passenger that is 60% above the European average (Figure 8.10).

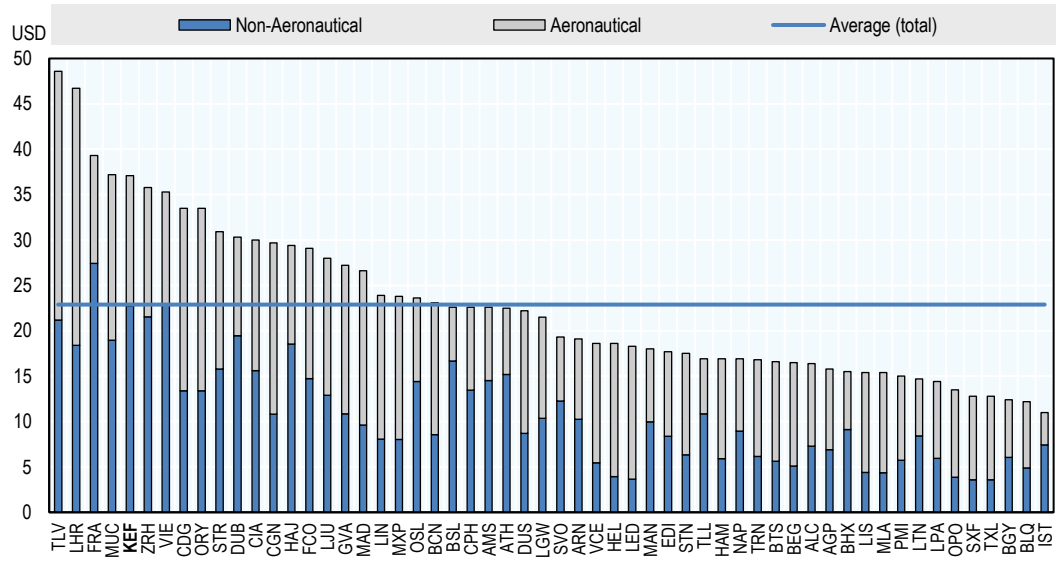
It is not clear whether regulating aeronautical tariffs alone would be sufficient to keep overall airport charges to competitive levels. This is because non-aeronautical tariffs are very high in Iceland, accounting for around two thirds of Isavia's operating revenues.[11] In comparison, while aeronautical fees such as landing and terminal charges are also relatively high, these seem to be more aligned with European levels (see Table 8.A.3 in Annex 8.A). Accordingly, even if economic regulation of aeronautical services could enable cheaper flights, passengers travelling to and from Iceland might still be subject to high prices for food, retail, car parking and transfers between the airport and the city centre, as discussed in more detail in the next section.

Figure 8.9. Operating revenue per passenger of European airport groups in 2017



Source: Adapted from Air Transport Research Society (2019[11]).

Figure 8.10. Operating revenue per passenger of European airports in 2017



Source: Adapted from Air Transport Research Society (2019[11]).

Recommendation

In the short term, the OECD recommends that the Government of Iceland introduce ex-ante incentive regulation of airport tariffs, such as dual-till price or revenue cap regulation, by providing the Icelandic Transport Authority with the requisite independent powers and resources. This regulatory framework could be complemented by regular monitoring of quality levels (e.g. through annual reviews of key performance metrics, such as flight delays) which could be transformed into minimum quality standards if deemed necessary by the Authority. The Government of Iceland may also consider defining a clear mandate specifying Isavia's main economic and public policy objectives, in order to supplement regulatory efforts. If inter-airport competition becomes viable in the medium to long term, the government of Iceland could reassess the need for ex-ante regulation.

8.1.3. Concession of commercial activities

Commercial or non-aeronautical services are an increasingly important component of airport operations, comprising the provision of food, beverages, retail, currency exchange, transfers, car rental and car parking, among others. Combined, commercial services currently account for about half of airports' total revenues (Graham, 2009[19]), which are often used to cross-subsidise the price of aeronautical services (Airports Council International, 2018[15]). For most commercial services, the airport operator awards private suppliers with the exclusive rights to operate in a designated area, generally through a concession contract, although the airport operator may also provide some of these services directly to airport users (e.g. car parking).

In Iceland, Isavia grants concessions to private operators for the provision of food, beverages, specialised retail and bus transport services at Keflavik International Airport (Isavia, 2014[20]). While the specific terms of the concessions are negotiated directly between Isavia and the private operators, Isavia publishes pre-qualification documents and requests for proposal that specify the qualification requirements, submission process and evaluation criteria. The following provisions may constitute potential obstacles to competition and contribute to reducing the competitiveness of commercial activities in Keflavik International Airport:

1. The evaluation criteria to award a commercial concession include, among other factors, the concession fee paid by the private operator to Isavia.
2. The concession fee is comprised of a fixed rent, a turnover fee (as a percentage of sales) and, in the case of speciality retail, food and beverages, a marketing fee.
3. The lease term of the concession contract is variable and can go up to seven years, not depending on the level of investment incurred by the private operator.

The design of concessions for commercial services varies substantially across jurisdictions, although contracts often "suffer from a range of similar issues (…) which undermine the benefits of such programmes to the aviation sector", including high concession payments and excessively long agreements (IATA & Deloitte, 2018, p. 2[21]). The EU Directives have tried to harmonise some important principles on the award of concession contracts: for instance, the contracting authority should award the concession to the bidder submitting the most economically advantageous offer; and the length of the contract should be the minimum period required to repay the capital invested under normal market conditions.[12] Nonetheless, within these general principles, contracting authorities still have discretionary powers to design concessions in ways that could harm consumers.

Harm to competition

The current design of concession contracts in Iceland may restrict competition in the provision of food, beverages, specialised retail and bus transport services at Keflavik International Airport. The competitive barriers identified are likely to harm airport users by leading to an under provision of commercial services at excessively high prices. Even if the high revenues generated by commercial services partially cross-subsidise the price of aeronautical services, passengers may still end up spending more in total. Once all travelling expenses are considered, passengers may decide to travel less frequently to Iceland, due to the high price of essential services such as bus connections between the airport and the city centre.

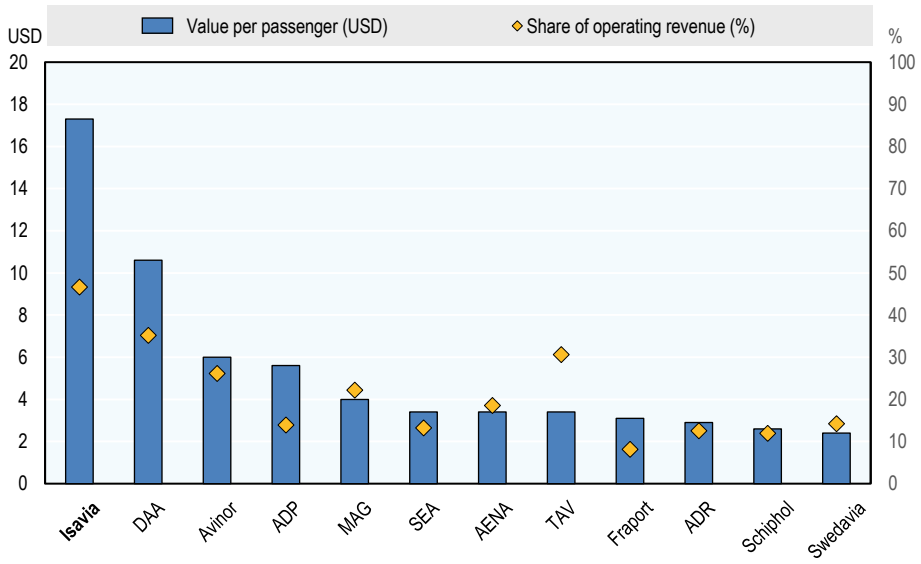
First, the current awarding criteria for concessions has the effect of maximising Isavia's revenues and preventing private operators from providing commercial services at competitive prices. Indeed, while the competitive awarding of a concession has the potential of introducing competition for the market, the dimension on which bidders compete ultimately depends on the awarding criteria. In Iceland, by awarding the concession to the bidder who offers the highest concession fee, bidders compete on how much they pay to Isavia, instead of competing on the price charged to consumers or on the quality of the service. This results in the private operator who wins the contract paying a high concession fee, which is passed through to consumers in the form of a high price.

Second, the fact that the fee paid by private operators to Isavia comprises not only a fixed but also a variable component (turnover fee) may create a "double marginalisation problem", resulting in inefficiently high prices that may exceed the monopoly level (Ghili and Schmitt, 2018[22]; Joskow, 2010[23]). Double marginalisation occurs when two vertically-related firms independently set price-cost margins without considering the negative impact of the lost sales on each other. In this case, as Isavia charges a turnover fee as a percentage of the sales to the private operator, the latter is required to set a sufficiently high price to consumers that covers both Isavia's margin and its own margin. Double marginalisation can be solved by increasing the weight of fixed fees or through other contractual arrangements.

Third, the relatively long lease terms of concession contracts may limit the frequency with which bidders compete for the market, preventing the timely entry of more efficient operators with better offerings. While a long lease term could be potentially justified if private operators must undertake a substantial investment, the pre-qualification documents and requests for proposals do not appear to impose any minimum investment requirements on operators, suggesting that in some cases the length of the contract might be longer than what it is strictly necessary. For that reason, unless private operators have to incur in a substantial level of investment, designing concessions with short lease terms or replacing them with licensing agreements could reduce competitive harm.

The accumulated effect of these competitive barriers, combined with the lack of inter-airport competition or economic regulation of airports in Iceland, could explain the fact that Isavia has the highest concession revenue per passenger among all European airport groups (Figure 8.11). In comparison with most airports, where each passenger pays USD 6 or less in concession fees, a passenger spends more than USD 17 in Icelandic airports. Naturally, passengers end up paying much more for commercial services in Iceland airports, as the total price must comprise not only the concession fee paid to Isavia, but also the cost incurred to provide the service and the price-cost margin of the private operator.

Figure 8.11. Concession revenue of European airports groups in 2017



Source: Adapted from Air Transport Research Society (2019[11]).

Recommendation

The OECD recommends Isavia revise future concession contracts for the provision of food, beverages, specialised retail and bus transport services at Keflavik International Airport, namely by:

1. Eliminating any awarding criteria that aim to maximise the value of concession fees paid by the concession operators. Instead, Isavia could consider alternative criteria that are more likely to benefit consumers, such as the price charged to consumers, the minimum volume of sales and quality measures (e.g. investment incurred by the operator).
2. Reducing turnover fees that are not related to variable costs incurred by Isavia on behalf of the concession operators. If necessary, Isavia could increase the weight of fixed fees, so as to reduce the potential for double marginalisation.
3. Defining the lease term by taking into consideration the minimum level of investment that the private operator must incur, which ideally should be foreseen in the concession contract. If no investment is required, consider awarding the concession for a shorter term or even replacing the concession with a licensing agreement.

The implementation of this recommendation should be supervised by the Icelandic Transport Authority.

8.2. Taxis

Taxis are an important transport option for tourists, both within Reykjavík and between Reykjavík and Keflavik airport. The taxi industry is heavily regulated in Iceland, resulting in a limited supply of taxis and high prices. Moreover, ridesourcing services are not permitted under the current legislation and have not had a significant impact on the market to date. These restrictions have a negative impact on the tourist sector and the economy more generally. However, new legislation, which would substantially change the regulatory environment for both the taxi and ridesourcing sector, has been proposed in Alþingi, the Icelandic Parliament. This section briefly describes the current state of the taxi industry, with reference to the existing regulation, before describing and analysing the key elements of the proposed new legislation.

The current framework for taxi regulation in Iceland

The number of taxi licences is tightly regulated, with very few additional licences being issued in recent years. Only individuals are able to hold taxi licences. Licence-holders can hold only a single licence and must drive the taxi as their primary economic activity, although they are permitted to employ substitute drivers to drive the taxi at other times. Applicants must complete lengthy and expensive training, which covers significant material that is unrelated to the provision of safe, quality services. Licences that become available due to the death or retirement of the licence holder are allocated to individuals with the most experience in the industry[13] – usually substitute drivers. Taxis are required to operate solely within their licensed zone[14] and to be affiliated to a dispatch service. Fares are not regulated, but are required to be calculated via meters. In practice, maximum fares are typically set by dispatch companies, pursuant to an exemption from the competition law authorised by the competition authority[15].

Market outcomes

The number of taxis in the Reykjavík zone has increased by only 3.5% in the past 17 years[16]. Reflecting this, in recent times, drivers that have been allocated surrendered licences have all had at least 900 days (i.e. around three years) experience. In common with most heavily regulated taxi industries, the number of taxis is low relative to Iceland's population. Iceland's ratio of 2.0 taxis per 1,000 inhabitants is slightly higher than those of Norway, Sweden and Finland, which range from 1.6 – 1.7 per 1,000, but much lower than Denmark's ratio of 7.0 per 1,000. Taxi prices are high: For example, airport pickup at Keflavik is approximately twice as expensive as in comparable countries with similar distances between the airport and city. The largest taxi dispatch station (Hreyfill, with 65% market share in Reykjavík and the airport area (ICA, 2019, p. 2[24])) offers Airport pickup for ISK 16 490 (EUR 122) (Hreyfill, 2020[25]), compared with EUR 55-60 from Arlanda airport to Stockholm (AirMundo, 2020[26]) and 709 NOK (67 EUR) from Gardermoen airport to Oslo[17] (Oslo Taxi, 2020[27]). A taxi price index compiled by Carspring in 2017, based on a 3 km ride with 1 minute of waiting time, found that Iceland had the second highest price of the cities examined and the highest of the reference countries (see Table 8.1).

Table 8.1. Taxi fares in the reference countries

3 km ride with 1 min waiting time including starting fee

Country	City	Fare price (€)
Iceland	Reykjavik	14,20
Denmark	Copenhagen	12.23
Finland	Helsinki	11.38
UK	London	10.97
Netherlands	Amsterdam	9.50
Norway	Oslo	9.27
Sweden	Stockholm	9.08
Ireland	Dublin	8.14
New Zealand	Auckland	8.14

Note: Reykjavík, Iceland, was not among the countries in the index. Reykjavík's relative position was calculated with Carspring's method using prices from Hreyfill in 2017.
Sources: Carspring (2017[28]); Hreyfill (2020[25]).

Reforming taxi regulation

The arrival of ridesourcing services have posed fundamental challenges for the taxi industry in many countries around the world. The combination of app-based booking, dispatch and payment services and the part-time use of under-utilised private vehicles has enabled ridesourcing operators to provide attractive, high-quality services at lower cost than traditional taxi services. The willingness of operators to exploit legislative ambiguities to operate outside the ambit of existing taxi and private hire vehicle legislation has enabled them to rapidly enter markets and gain substantial market share. Their strong competitive challenge to traditional taxis has also served to highlight the failings of static and restrictive bodies of taxi regulation in many countries (International Transport Forum, 2019[29]).

Some governments have responded to lobbying from traditional taxi operators by seeking to prevent, or strictly limit, the operations of ridesourcing. However, strong consumer demand for ridesourcing services, supplemented by increasing recognition of the size of the welfare gains associated with this innovative business model, has led many to change their initial approach and reform regulatory structures to facilitate the operation of ridesourcing to varying degrees.

In the EEA, challenges to legacy taxi regulation on the grounds of non-compliance with the EEA agreement has also been an important driver of reform. In February 2017, the ESA[18] delivered a reasoned opinion that the Norwegian taxi law, by imposing a quantitative limit on taxi licence numbers and requiring mandatory dispatch station affiliation, was in breach of Norway's obligations under Article 31(1) of the EEA Agreement (ESA, 2017[30]). Norway responded by adopting legislation to establish a more liberalised taxi regulatory framework, which came into effect in July 2020. This legislation eliminates restrictions related to the number of licences, dispatch centre affiliation and training courses (Goverment of Norway, 2020[31]).

The current Icelandic taxi law has restrictions that are identical to the previous framework in Norway, leading the ESA to announce its intention to pursue an own-initiative case regarding the regulation of access to the Icelandic taxi market in January 2017, just ahead of the publication of its opinion regarding the Norwegian legislation (Starfshópur um heildarendurskoðun á íslensku regluverki um leigubifreiðar, 2018[32]). The Icelandic Minister of Transport subsequently appointed a working group tasked with reviewing the taxi law and new draft legislation was introduced to the Alþingi in November 2019.

The proposed law includes several substantial liberalising measures. In particular, the limit on the number of taxi licences would be removed and alternatives to a calibrated taximeter would be able to be used to calculate fares. However, some barriers to competition would remain, while barriers that are not in the

current law would be introduced. Given the advanced stage that the proposed reforms have now reached, the analysis below focuses on the proposed law rather than the current taxi law.

8.2.2. Professional competence

Description of the barrier

The proposed law largely maintains the same licensing structure as the current law. There are three different licences:

- Taxi driver licences: A licence is needed to drive a taxi without owning or operating a taxi. This licence is comparable to the licence needed to be a substitute driver.
- Taxi operation licences: A licence is needed to operate a taxi. This licence is largely similar to the current operation licence.
- Dispatch operation licences: Licence for operating a dispatch service. A dispatch service can take over some obligations of the taxi operator such as making sure substitute drivers have a taxi driver licence and filing mandatory GPS records in the Transport Authority's (TA) database.

Applicants for both a taxi driver licence and taxi operation licence are required to hold a category B general driving licence, complete a taxi driver training course and pass a test. The cost for these courses (under the current law) is ISK 170 000 (EUR 1 260) for a taxi operator licence, and ISK 160 000 (EUR 1 185) for the taxi driver licence (for substitute drivers). The provisions and the preamble of the proposed law state that the curriculum for the courses will be unchanged from the current ones. Table 8.2 sets out the current curriculum and the time allocated to each subject.

Table 8.2. Taxi licence course materials – Driver and operation licences

Taxi driver licence		
Subject	Topics	Number of hours
Transport Authority	The role of the Transport Authority regarding licences. Introduction to TA databases	1
Helping the blind	How to assist the blind, special dangers to the blind	2
Taxi rates	Taxi rates, taxi meter, city vs. rural rates, rate for sizes of vehicles, how to use a radio, how to use taxi holding areas	3
Working procedure for taxi drivers	Street grids, neighbourhoods/boroughs, navigation equipment, communication with police,	3
Hreyfill computer system	how to use the system, quick access functions, updates and new features	3
Service	Reading the needs of the customer, importance of tidiness, what to notice on the job	3
Work reports of operators	Knowledge of related documents, filling out working reports, electric payments,	3
Narcotics	Knowing symptoms of drug use, Drugs on the market, safe interactions	3
Tourism	Role of the taxi in tourism, tourism sites in Reykjavik, tourism sites in south and west of Iceland	3
Taxi operation licence		
Transport Authority	The role of the Transport Authority regarding licences. Introduction to TA databases	1
Taxes	Income tax and property tax, pay role tax and forms, pension funds, deductibles, tax returns, review procedure and appeals.	1
Professionalism	Views and opinions, tidiness, taxi driver as a professional, social status, good communication, active listening, self-image	7
Working environment	Warning signs from the body, responsibility for own health, skeletal system, fatigue, working environment, noise, temperature, lighting, air quality, shoes, way of life	2

Insurance	Liability, damages, common accidents and preventive measures	3
Finance and business management	Understanding fixed/variable cost, turnover, capital need, loan options, financial ratios, financial statements	6
First Aid	Protecting the scene, prioritising patients, First aid for taxi drivers.	4
Labour law	State and citizen, law culture and religion, western law, contracts, labour law, constitution, contractor vs. Employee,	4
Eco-driving	Eco-driving basics for taxis, time and cost savings of eco driving	1
Guiding tourists. Reykjavik, golden circle and the Blue lagoon	Routes explained, time management in tours, history of sites, geology of sites	4
Culture worlds	Introduction to other culture worlds, characteristics of other cultures, dos and don´ts in communication	4

Source: (Ökuskólinn í Mjódd, n.d.[33])

Harm to competition

The courses impose both time and financial costs on taxi drivers and thereby create disincentives to enter the market, particularly for those who wish to drive part-time as substitute drivers, including drivers on ridesourcing platforms (for whom part-time or flexible work is common (Hall and Krueger, 2015, pp. 17-19[34]). The policy objectives of ensuring professional competence are specified in the proposal's preamble, and relate to the safety of passengers and the quality of service.

Some subjects covered in the courses are directly associated with the policy objective. First aid, assisting the disabled and knowing how to deal with inebriated passengers contribute to the safety of passengers and the driver. The relationship between other course subjects and the policy objective is less clear, particularly as regards taxes, finance and business management, bookkeeping and professionalism. Moreover, similar requirements are not imposed on other service-based businesses in Iceland.

Similar requirements exist in Denmark, where applicants must complete a course on labour, traffic and taxi law, first aid, customer service (including vulnerable groups), conflict and communication and driving lessons using GPS, before undertaking a written and practical test. The course, including the test, requires 74 hours to complete (Færdselsstyrelsen, 2020[35]), or twice as long as the current Icelandic taxi operators' course. However, such requirements go beyond what is required in most of the other reference countries. For example:

- In Ireland, drivers are required to take a driver theory test, for which online preparation is available and material made available online. No physical course attendance is required (Road Safety Authority, 2020[36]).
- In New Zealand, taxi drivers must hold an area knowledge certificate for the area they intend to operate in. The certificate is comprised of objectives that range from knowledge in English, advantageous route description, address of major buildings and landmarks and navigation. No course is required and applicants are given four hours to complete the test.
- New legislation adopted in Victoria (Australia) in 2017[19] to reform taxi regulation and legitimise ridesourcing operations removed previous requirements for taxi drivers to complete well over 100 hours of training before becoming accredited.
- As part of its 2020 regulatory reforms, Norway abandoned its previous knowledge test (n. *kjentmannsprøve)* and now only requires drivers to know first aid and have knowledge about transporting vulnerable customers (Goverment of Norway, 2020[31]).

The existing driver training requirements, which would be retained under the draft bill, go beyond what is justified for passenger and road safety, and may detract from the proposed legislation's objectives of enabling new digital services in Iceland. The extensive requirements may contribute to the high cost of the course: for

example, the EUR1 185 cost of the 21 hour taxi driver licence course is equivalent to EUR56 per hour of tuition. This high cost almost certainly acts as a significant disincentive to part-time drivers, in particular.

Recommendation

The OECD recommends that coursework not related to passenger, driver and public safety, such as bookkeeping, be eliminated from the requirements for taxi licences.

The OECD also recommends that the government of Iceland consider measures to reduce the cost of the course for taxi drivers in light of the reduced curriculum.

8.2.3. Limits on ability to hold licences

Description of the barrier

The proposed legislation states that a taxi operator licence can only be held by individuals, and a person can only hold one licence. In addition, the licence-holder would be required to own the vehicle intended to be used as a taxi.

Harm to competition

These restrictions would limit the range of business models that can be adopted in the industry. In particular, it prevents the establishment of taxi companies that own multiple vehicles and hire drivers as employees. Taxi drivers are thus required to be entrepreneurs with access to a vehicle, and can only share their assets part-time with a licensed replacement driver. Such restrictions appear typically to be adopted in the context of regulated restrictions on the supply of licences and may reflect a desire to avoid the risk of monopolisation of the limited available supply of licences by a small number of operators. They may also reflect a policymaker preference for independent “owner/operator” businesses over larger businesses employing drivers. However, given that the legislation will remove the current limits on taxi licence availability, there is no obvious basis for retaining such restrictions.

In many other jurisdictions (OECD, 2018, p. 3[37]), multi-car taxi businesses have emerged. These can give rise to significant economies of scale, including by managing vehicle downtime risk, spreading repair and maintenance costs, and diversifying service offerings (e.g. providing multiple cars for events). In a competitive market, cost savings due to these efficiencies would lead to lower consumer prices, , while service quality gains would also be anticipated.

The policy objectives underlying the proposed restrictions in this area are unclear and are not stated in the preamble. Other transport businesses such as buses, delivery services and water transport are not required to be operated by individuals.

While these restrictions exist in several other jurisdictions, they are relatively uncommon. Among the Nordic countries, Denmark allows a taxi operator to hold more than one licence and hire drivers (OECD, 2018[37]), while Sweden allows companies to operate taxi businesses (Sveriges Riksdag, 2019[38]).

Recommendation

The OECD recommends that the new legislation should allow taxi licences to be held by businesses as well as individuals, and that businesses be allowed to own multiple taxi licences.

8.2.4. Taxi meters or pre-negotiated prices

Description of the barrier

Taxi meters that measure distance travelled have traditionally been mandatory for taxis. The proposed law would require taxis to have a taxi meter if the fare depends on distance travelled or time travelled. However, taxis would not be required to have a taxi meter when the fare is pre-negotiated, provided that passengers have access to the formula governing the price.

Harm to competition

New technologies, including app-based ride hailing services, can render specialised equipment such as meters unnecessary as means of ensuring consumer protection. As a contribution from Denmark to a recent OECD roundtable noted (2018, p. 12[39]):

> *In fact, applications can provide the benefits of a meter, a credit card payment unit, and tracking and communication equipment relatively cheaply. They can also increase the utilisation rate (time that a taxi spends on ride) and hence spread any fixed costs over a larger number of rides.*

The preamble of the proposed law specifically states that changes to the existing provisions relating to taximeters are proposed in order to enable ridesourcing services to enter the market while also fulfilling all the same conditions as traditional taxis. The aim is that, collectively, the abolition of geographical restrictions, quotas, mandatory dispatch affiliations and taxi meter requirements will enable more diversified services (including ridesourcing services) to develop.

However, stakeholders believe that the proposed exemption from the use of a meter when the price is pre-negotiated may not be sufficient to enable ridesourcing-applications to operate using their standard model. This is because the price quoted to a prospective passenger before they accept the ride is an estimated price for the journey, rather than being entirely fixed. The final price may differ from the estimate due to route or time variation, based on formulae set out by the service provider. By contrast, the proposed legislative requirement for the price to be pre-negotiated if a meter is not to be required does not allow for variation from the initial estimate.

While the removal of the current limits on taxi licence numbers would, in itself, be expected to yield important welfare gains, international experience indicates that the successful establishment of a ridesourcing sector will give rise to important additional gains (International Transport Forum, 2019[29]). Given that ambiguities may be used to challenge the ability of ridesourcing firms from introducing their business model in Iceland, the current provisions could reduce the benefits of the proposed legislation.

Recommendation

The OECD recommends that the proposed exemption from taximeter requirements be broadened. Specifically, it should explicitly allow for the use of alternative pricing schemes of the type commonly used by ridesourcing services – i.e. providing an initial fare estimate that is subject to some variation on the basis of transparently disclosed factors (e.g. variations in route).

8.3. Car rentals

Iceland is a large and sparsely populated country. The most popular touristic attractions are scattered around Iceland, and many travellers choose to drive around the island during their stay. Almost all tourists travelled to Iceland via Keflavik Airport in 2019, or 98.7%, and only 0.4% came with the cruise ship MS Nörrona, via Seyðisfjörður. (Ferðamálastofa, 2020[40]) Therefore, only a fraction of tourists bring their car with them and most require some type of transportation during their stay.

The official recital of the sector's framework law, Law no. 65/2015[20] on Car Rentals, recognises that, since the year 2000, tourism has grown significantly in Iceland (Althingi, 2015[41]). Indeed, since 2010, tourism has grown by almost 20% per year (Ferðamálastofa, 2020[40]).That increase in tourism has led to a significant increase in car rentals, and car rental outlets. In 2006, 58 car rental companies were operating in the country but by the end of 2013, this had reached the total of 143 (Althingi, 2015[41]) Demand for rentals includes high-end and economy cars, as well as other types of vehicles, such as motorcycles and snowmobiles (Althingi, 2015[41]).

We understand that this increase triggered debates in Iceland regarding the lack of supervision of car rentals and safety issues. As a result, a review of the car rental legislation, former Law no. 64/2000 on Car Rentals, was conducted. After several years of discussions with stakeholders, the Law no. 65/2015 was enacted in 2015.

Regulation no. 840/2015 on Car Rentals is based on this framework law. This regulation broadened the scope of the car rental framework (relative to the preceding, Regulation no. 751/2003) from only requiring cars to be registered to requiring that all other vehicles must also be registered (e.g. motorcycles) (Althingi, 2015[41]).

8.3.1. Physical premises

Description of the barrier

Law no. 65/2015 requires car rental businesses to be operated in a permanent establishment open to the public. Car rental firms may set up a branch once they obtain an operating licence, and shall then notify the Icelandic Transport Authority of the branch details and confirm the positive opinion of the local municipality in which the branch will be located (Article 3, Paragraph 5) (Althingi, 2015[41]).

The official recital indicates that the positive opinion of the local authority will include: an assessment of its location with regard to planning provisions; an assessment of the situation of the establishment; and, an indication of how many cars can be parked at the establishment (Althingi, 2015[41]).

The policy objective of requiring physical premises is not clear and cannot be found in the official recital.

Harm to competition

The obligation to have a permanent establishment open to the public can increase costs and limit the emergence of alternative business models, including seasonal establishments and small or single-owner enterprises from entering the market. This can lead to fewer operators in the market, and can lead to higher prices charged to consumers. Several jurisdictions, including Sweden, do not impose physical establishment requirements on car rental businesses. This allows alternative business models using digital solutions to emerge. For example, InterRent car rental offers the Key´N Go self service that allows clients to collect rental keys from in a locker with a digital code, and makes cars available in parking spots with security camera coverage. A requirement of physical premises would prevent this type of alternative service. In addition, a range of peer-to-peer car sharing applications have been introduced through which access can be given to clients remotely via their smartphone.[21]

The requirement for a positive opinion from the local authority of the establishment (in addition to existing zoning regulations for land use) imposes an administrative burden on new car rental locations, and the content of these opinions can lead to subjectivity, undermining business certainty.

Recommendations

The OECD recommends that the government of Iceland abolish the requirement for car rental operators to have one fixed establishment open to the public in order to start operations. In addition, the government could consider whether further reforms are needed to enable alternative business models for car rentals and car-sharing to emerge.

The OECD recommends that the requirement for a car rental location to obtain a positive opinion from the local authority be abolished, or at least that clear guidelines be established for any local review.

8.3.2. Professional indemnity insurance

Description of the barrier

According to Law no. 65/2015 and Regulation no. 840/2015 on Car Rental Operators, indemnity insurance is required in order to receive an operating licences (Article 4 paragraph 4 and 5), with minimum coverage of ISK 500 000 for each individual incident.

The total amount of insurance coverage within the insurance year shall be based on the number of cars/vehicles to rent:

- 1 - 10 cars: ISK 2 million [EUR 12 750]
- 11 - 25 cars: ISK 2.5 million [EUR 15 950]
- 26 - 50 cars: ISK 3.5 million [EUR 22 330]
- 51 - 75 cars: ISK 4.5 million [EUR 28 700]
- More than 75 cars: ISK 6 million [EUR 38 280]
- Other registration vehicles ISK 2 million [EUR 12 750].

The insurance amounts are based on the consumer price index in May 2015 and should change on 1 May each year in accordance with changes in the index at that time.

This professional indemnity insurance does not insure against damage to vehicles, drivers or passengers. Each vehicle in a car rental's fleet has mandatory vehicle insurance, which provides financial relief in case of a collision. Professional indemnity insurance, mandatory for certain professionals and businesses (such as auditors, real estate agents, car dealers and insurance brokers), seeks to cover certain risks of financial harm, such as errors in drafting contracts or neglect by an agent in providing the services. Requirements for this type of insurance are more common for licensed professionals than service providers, including car rentals.

This requirement has remained unchanged since 2000 and according to the official recital of the former Law no. 64/2000 on Car Rentals (Althingi, 2000[42]), the professional indemnity insurance would be similar to travel agency insurance, in accordance with the scope of the business, for example, based on the number of cars rented at any given time.

Harm to competition

It is not clear why indemnity insurance, usually focused on addressing professional neglect or error, is mandatory for car rental operates – particularly since it does not cover risks associated with vehicle,

passenger or driver damages. We understand from stakeholders that there are very few claims for payment of damages covered by these policies, with one insurance company receiving only four claims in three years while having around 50 active certificates of insurance outstanding.

Premiums for car rentals for professional indemnity insurance range from ISK 100 000 [EUR 750] to ISK 300 000 [EUR 2 250] depending upon the size of the fleet of vehicles. These premiums increase the cost of doing business and at the margin, may discourage some firms from entering, particularly since the required insurance coverage is in addition to the standard capital requirements for starting a business in Iceland. This may particularly be the case for new digital platforms seeking to introduce car sharing services.

Recommendations

The OECD recommends that the requirement for car rental operators to have indemnity insurance be abolished.[22]

Annex 8.A. Data on airport cost competitiveness and charges

Table 8.A.1. Cost competitiveness of European airports in 2017

Airport	Ownership	Variable Input Price (P)	Variable Factor Productivity (VFP)	Unit Variable Cost (P/VFP)
Cologne/Bonn Konrad Adenauer Airport (CGN)	Public	0.875	0.327	2.677
Keflavik International Airport (KEF)	**Public**	**1.312**	**0.501**	**2.617**
Paris Charles de Gaulle Airport (CDG)	PPP (mostly public)	0.966	0.383	2.520
Paris Orly Airport (ORY)	PPP (mostly public)	1.048	0.422	2.484
Berlin Schönefeld Airport (SXF)	Public	0.911	0.367	2.483
Ben Gurion International Airport (TLV)	Public	1.245	0.546	2.280
Munich Airport (MUC)	Public	0.773	0.353	2.187
Helsinki Vantaa Airport (HEL)	Public	1.096	0.539	2.033
Genève Aéroport (GVA)	Public	1.386	0.708	1.959
Milan Malpensa Airport (MXP)	PPP (mostly public)	0.845	0.433	1.952
Hannover Airport (HAJ)	PPP (mostly public)	0.850	0.470	1.810
Milan Linate Airport (LIN)	PPP (mostly public)	0.847	0.471	1.797
Berlin Tegel Airport (TXL)	Public	0.882	0.494	1.785
Frankfurt Airport (FRA)	PPP (mostly public)	0.779	0.443	1.760
Zurich Airport (ZRH)	PPP (mostly private)	1.281	0.752	1.703
Vienna International Airport (VIE)	PPP (mostly private)	0.876	0.531	1.650
Dublin Airport (DUB)	Public	0.904	0.549	1.648
London Heathrow Airport (LHR)	Private	0.876	0.535	1.637
Düsseldorf International Airport (DUS)	PPP (equally pub. & priv.)	0.721	0.451	1.600
Hamburg Airport (HAM)	PPP (mostly public)	0.860	0.548	1.570
Turin Caselle Airport (TRN)	PPP (mostly private)	0.743	0.497	1.496
Stuttgart Airport (STR)	Public	0.646	0.437	1.479
Madrid Barajas Airport (MAD)	PPP (mostly public)	0.838	0.591	1.419
London Stansted Airport (STN)	PPP (mostly public)	0.717	0.542	1.323
EuroAirport Basel-Mulhouse-Freiburg (BSL)	Public	1.197	0.908	1.319
Bologna Airport (BLQ)	PPP (mostly public)	0.773	0.591	1.307
Venice Marco Polo Airport (VCE)	PPP (mostly private)	0.753	0.581	1.297
Ljubljana Jože Pučnik Airport (LJU)	Private	0.530	0.410	1.294
Istanbul Atatürk Airport (IST)	PPP (equally pub. & priv.)	0.949	0.754	1.258
Amsterdam Airport Schiphol (AMS)	PPP (mostly public)	1.006	0.806	1.248
Bergamo-Orio al Serio Airport (BGY)	PPP (mostly public)	0.746	0.608	1.226
London Gatwick International Airport (LGW)	Private	0.941	0.791	1.190
Bratislava Milan Rastislav Stefanik (BTS)	Public	0.364	0.310	1.176
Manchester Airport (MAN)	PPP (mostly public)	0.706	0.623	1.133
Naples International Airport (NAP)	PPP (mostly private)	0.809	0.760	1.064
Lennart Meri Tallinn Airport (TLL)	Public	0.482	0.461	1.045
Malaga-Costa del Sol Airport (AGP)	PPP (mostly public)	0.821	0.789	1.040

Airport	Ownership	Variable Input Price (P)	Variable Factor Productivity (VFP)	Unit Variable Cost (P/VFP)
Copenhagen Airport Kastrup (CPH)	**PPP (mostly private)**	**1**	**1**	**1**
Barcelona El Prat Airport (BCN)	PPP (mostly public)	0.837	0.858	0.975
Rome Fiumicino Airport (FCO)	PPP (mostly private)	0.754	0.790	0.955
Belgrade Nikola Tesla Airport (BEG)	PPP (mostly public)	0.442	0.475	0.931
Birmingham Airport (BHX)	PPP (mostly private)	0.756	0.817	0.925
Edinburgh Airport (EDI)	Private	0.822	0.896	0.917
Rome Ciampino Airport (CIA)	PPP (mostly private)	0.754	0.839	0.899
Palma de Mallorca Airport (PMI)	PPP (mostly public)	0.826	0.983	0.840
Porto Airport (OPO)	Private	0.687	0.854	0.804
Alicante Airport (ALC)	PPP (mostly public)	0.914	1.170	0.781
Lisbon Portela Airport (LIS)	Private	0.687	0.923	0.744
Gran Canaria Airport (LPA)	PPP (mostly public)	0.840	1.143	0.735
Malta International Airport (MLA)	PPP (mostly private)	0.520	0.794	0.655
Athens International Airport (ATH)	PPP (mostly public)	0.731	1.274	0.574
	Average	**0.842**	**0.649**	**1.435**

Note: The variable input price is calculated by dividing total operating expenses by an aggregate variable input index, which comprises labour and soft input. Variable factor productivity (VFP) is the aggregate output produced per unit of aggregate variable input. The unit variable cost measures the total operating expenses incurred per unit of aggregate output. All figures are normalised at the regional base airport (CPH).
Source: Adapted from Air Transport Research Society (2019[11]).

Table 8.A.2. Adjusted cost competitiveness of European airports in 2017

Airport	Ownership	Variable Input Price (P)	Residual VFP	Adjust. U.V. Cost (P / Residual VFP)
Cologne/Bonn Konrad Adenauer Airport (CGN)	Fully public	0.875	0.371	2.358
Keflavik International Airport (KEF)	**Fully public**	**1.312**	**0.502**	**2.614**
Paris Charles de Gaulle Airport (CDG)	Mostly public	0.966	0.428	2.257
Paris Orly Airport (ORY)	Mostly public	1.048	0.42	2.495
Berlin Schönefeld Airport (SXF)	Fully public	0.911	0.27	3.374
Ben Gurion International Airport (TLV)	Fully public	1.245	0.554	2.247
Munich Airport (MUC)	Fully public	0.773	0.309	2.502
Helsinki Vantaa Airport (HEL)	Fully public	1.096	0.434	2.525
Genève Aéroport (GVA)	Fully public	1.386	0.659	2.103
Milan Malpensa Airport (MXP)	Mostly public	0.845	0.423	1.998
Hannover Airport (HAJ)	Mostly public	0.85	0.498	1.707
Milan Linate Airport (LIN)	Mostly public	0.847	0.361	2.346
Berlin Tegel Airport (TXL)	Fully public	0.882	0.378	2.333
Frankfurt Airport (FRA)	Mostly public	0.779	0.384	2.029
Zurich Airport (ZRH)	Mostly private	1.281	0.759	1.688
Vienna International Airport (VIE)	Mostly private	0.876	0.39	2.246
Dublin Airport (DUB)	Fully public	0.904	0.48	1.883
London Heathrow Airport (LHR)	Fully private	0.876	0.291	3.010
Düsseldorf International Airport (DUS)	Equally public & private	0.721	0.383	1.883
Hamburg Airport (HAM)	Mostly public	0.86	0.427	2.014
Turin Caselle Airport (TRN)	Mostly private	0.743	0.39	1.905
Stuttgart Airport (STR)	Fully public	0.646	0.355	1.820
Madrid Barajas Airport (MAD)	Mostly public	0.838	0.508	1.650
London Stansted Airport (STN)	Mostly public	0.717	0.464	1.545
EuroAirport Basel-Mulhouse-Freiburg (BSL)	Fully public	1.197	0.976	1.226
Bologna Airport (BLQ)	Mostly public	0.773	0.536	1.442
Venice Marco Polo Airport (VCE)	Mostly private	0.753	0.612	1.230

Airport	Ownership	Variable Input Price (P)	Residual VFP	Adjust. U.V. Cost (P / Residual VFP)
Ljubljana Jože Pučnik Airport (LJU)	Fully private	0.53	0.526	1.008
Istanbul Atatürk Airport (IST)	Equally public & private	0.949	0.675	1.406
Amsterdam Airport Schiphol (AMS)	Mostly public	1.006	0.813	1.237
Bergamo-Orio al Serio Airport (BGY)	Mostly public	0.746	0.544	1.371
London Gatwick International Airport (LGW)	Fully private	0.941	0.606	1.553
Bratislava Milan Rastislav Stefanik (BTS)	Fully public	0.364	0.385	0.945
Manchester Airport (MAN)	Mostly public	0.706	0.444	1.590
Naples International Airport (NAP)	Mostly private	0.809	0.558	1.450
Lennart Meri Tallinn Airport (TLL)	Fully public	0.482	0.473	1.019
Malaga-Costa del Sol Airport (AGP)	Mostly public	0.821	0.5	1.642
Copenhagen Airport Kastrup (CPH)	**Mostly private**	**1**	**1**	**1**
Barcelona El Prat Airport (BCN)	Mostly public	0.837	0.669	1.251
Rome Fiumicino Airport (FCO)	Mostly private	0.754	0.665	1.134
Belgrade Nikola Tesla Airport (BEG)	Mostly public	0.442	0.377	1.172
Birmingham Airport (BHX)	Mostly private	0.756	0.92	0.822
Edinburgh Airport (EDI)	Fully private	0.822	0.74	1.111
Rome Ciampino Airport (CIA)	Mostly private	0.754	0.749	1.007
Palma de Mallorca Airport (PMI)	Mostly public	0.826	0.644	1.283
Porto Airport (OPO)	Fully private	0.687	0.7	0.981
Alicante Airport (ALC)	Mostly public	0.914	0.796	1.148
Lisbon Portela Airport (LIS)	Fully private	0.687	0.718	0.957
Gran Canaria Airport (LPA)	Mostly public	0.84	0.89	0.944
Malta International Airport (MLA)	Mostly private	0.52	0.721	0.721
Athens International Airport (ATH)	Mostly public	0.731	1.071	0.683
	Average	**0.842**	**0.564**	**1.644**

Note: The residual VFP is equal to the gross VFP after removing the effects of factors beyond managers' control, such as airport size, passenger-freight traffic mix, percentage of international passengers, average aircraft size, etc. The adjusted unit variable cost is the cost of providing one aggregate unit of output, after controling for factors not related to the quality of management. All figures are normalised at the regional base airport (CPH).
Source: Adapted from Air Transport Research Society (2019[11]).

Table 8.A.3. Combined Landing and Terminal Charges in European Airports in 2019 (USD)

Airport	Boeing 777-300ER (396 seats)	Boeing 767-400 (304 seats)	Boeing 737-800 (162 seats)	AirBus 320 (150 seats)	CRJ200-LR (50 seats)	Average charges per seat
London Heathrow Airport (LHR)	22624	18233	11365	10793	3770	335
Aeroporto de Lyon-Saint-Exupéry (LYS)	13394	10681	6612	6280	3454	221
London Gatwick Airport (LGW) - peak	10106	8606	6141	5945	4172	215
Rome Fiumicino Airport (FCO) - peak	14553	11267	6110	5752	2205	194
Salzburg Airport W. A. Mozart (SZG)	16981	12096	5820	5499	1783	191
Birmingham Airport (BHX)	14781	10562	5893	5488	2234	190
Ben Gurion International Airport (TLV)	16379	11736	5878	5506	1817	189
Bristol Airport (BRS)	16901	11711	5706	5369	1825	189
Lisbon Portela Airport (LIS)	14362	10561	5703	5387	2302	188
Budapest Ferenc Liszt Int. Airp. (BUD)	14506	10599	5691	5346	2004	182
Rome Fiumicino Airp. (FCO) - off-peak	13734	10590	5684	5328	1941	179
Zurich Airport (ZRH)	13699	11113	5382	5045	1662	171
Paris Charles de Gaulle Airport (CDG)	13583	9908	5274	4856	1831	168
Edinburgh Airport (EDI)	12741	9849	6261	6039	1187	167
Keflavik Int. Airport (KEF) - summer	**13068**	**9714**	**5170**	**4845**	**1856**	**166**
Madrid Barajas Airport (MAD)	14066	9941	5000	4716	1713	165

Airport	Boeing 777-300ER (396 seats)	Boeing 767-400 (304 seats)	Boeing 737-800 (162 seats)	AirBus 320 (150 seats)	CRJ200-LR (50 seats)	Average charges per seat
Turin-Caselle Airport (TRN) - winter	12105	9040	4834	4528	1741	155
Frankfurt Airport (FRA)	11573	9297	4787	4287	1855	155
Paris Orly Airport (ORY)	12457	9044	4813	4430	1688	154
Venice Marco Polo Airport (VCE)	9980	7147	3562	3554	2919	153
Turin-Caselle Airport (TRN) - summer	11761	8842	4759	4454	1721	152
Milan Linate Airport (LIN)	15585	9966	3992	3747	1416	150
Vienna International Airport (VIE)	12364	9055	4707	4411	1454	149
Ljubljana Jože Pučnik Airport (LJU)	13095	9901	4409	4149	1389	148
Brussels Airport (BRU) - day	11377	8981	4759	4440	1471	147
Amsterdam Airport Schiphol (AMS)	12718	9191	4578	4291	1348	146
Naples Intern. Airport (NAP) - summer	12110	8670	4394	4129	1463	143
Barcelona El Prat Airport (BCN)	12199	8572	4292	4053	1478	142
Franjo Tuđman Airport Zagreb (ZAG)	11851	8691	4448	4148	1371	141
Milan Malpensa Airport (MXP)	11778	8405	4179	3938	1469	139
Porto Airport (OPO)	9814	7756	4423	4148	1545	136
Manchester Airport (MAN) - peak	11246	8356	4341	4078	1281	135
Istanbul Atatürk Airport (IST)	11681	8213	3995	3791	1435	135
Munich Airport (MUC)	10493	8208	4254	3971	1328	133
Ben Gurion Airport (TLV) - LLCs	11801	8219	4004	3770	1238	131
Václav Havel Airport Prague (PRG)	10286	7760	4157	3904	1406	131
EuroAirport Basel-Mulhouse-Freiburg (BSL) - Swiss sector	10859	8052	3987	3717	1386	131
Genève Aéroport (GVA)	11551	8513	4013	3768	1194	131
Sheremetyevo AS Pushkin Airp. (SVO)	12395	8283	3856	3661	1184	130
Hannover Airport (HAJ)	10876	7695	4037	3812	1313	129
Kyiv Boryspil International Airport (KBP)	9077	6278	3033	3022	2293	128
Glasgow International Airport (GLA)	11532	7926	3820	3609	1204	127
Bergamo-Orio al Serio Airport (BGY)	10210	7371	3742	3515	1262	122
Dublin Airport (DUB)	10149	6912	3626	3469	1332	121
Pulkovo Airport (LED) - T1	11591	7669	3530	3359	1083	120
London Gatwick Airp. (LGW) - off-peak	7596	6096	3631	3435	1662	118
EuroAirport Basel-Mulhouse-Freiburg (BSL) - France sector	9875	7226	3625	3380	1114	116
Berlin Tegel Airport (TXL)	9942	7771	3441	3165	1117	115
Bratislava Milan Rastislav Stef. (BTS)	9921	7289	3560	3369	1094	115
Naples Intern. Airport (NAP) - winter	9593	6893	3518	3306	1193	115
London Luton Airport (LTN)	9401	6744	3447	3243	1190	113
Manchester Airport (MAN) - off-peak	8301	6647	3690	3465	1136	111
Nice Côte d'Azur Airport (NCE)	9777	6978	3505	3164	1020	111
Stuttgart Airport (STR)	6908	5521	2578	2574	2083	110
Copenhagen Airport Kastrup (CPH)	9190	6637	3348	3130	1031	107
Düsseldorf International Airport (DUS)	7359	5744	3209	3016	1382	105
Pulkovo Airport (LED) - T2	10189	6593	2957	2828	906	103
Malaga-Costa del Sol Airport (AGP)	8918	6155	3040	2884	1073	102
Alicante Airport (ALC)	8918	6155	3040	2884	1073	102
Gran Canaria Airport (LPA)	8918	6155	3040	2884	1073	102
Palma de Mallorca Airport (PMI)	8918	6155	3040	2884	1073	102
Sofia International Airport (SOF)	8453	5749	2847	2716	1172	99
Malta International Airport (MLA)	8123	5953	3038	2832	925	96
Bologna Airport (BLQ)	8801	6060	2890	2721	845	95
London Stansted Airp. (STN) - off-peak	6607	5235	3319	3157	886	93

Airport	Boeing 777-300ER (396 seats)	Boeing 767-400 (304 seats)	Boeing 737-800 (162 seats)	AirBus 320 (150 seats)	CRJ200-LR (50 seats)	Average charges per seat
London Stansted Airport (STN) - peak	7070	5120	2879	2714	1047	92
Hamburg Airport (HAM)	7802	5741	2727	2592	894	91
Rome Ciampino Airport (CIA)	8881	5875	2760	2639	700	90
Warsaw Chopin Airport (WAW)	6727	5162	2869	2708	882	87
Helsinki Vantaa Airport (HEL)	7109	5190	2560	2397	777	82
Cologne/Bonn K. A. Airp. (CGN)	6098	4682	2439	2300	812	77
Stockholm Arlanda Airport (ARN)	5864	4655	2579	2415	729	77
Berlin Schönefeld Airport (SXF)	5754	5033	2202	2084	710	73
Belgrade Nikola Tesla Airport (BEG)	7016	4141	1771	1750	744	69
Oslo Gardermoen Airport (OSL)	5072	3937	2179	2055	675	66
Riga International Airport (RIG)	5262	3758	1907	1795	650	62
Lennart Meri Tallinn Airport (TLL)	5785	3827	1761	1676	541	60
Athens International Airport (ATH)	2747	2110	1330	1317	609	43
Sabiha Gokcen Int. Airport (SAW)	3257	2033	920	881	364	34
Average	**10508**	**7699**	**3983**	**3756**	**1420**	**130**

Source: Adapted from Air Transport Research Society (2019), "Airport Benchmarking Report 2019: Global Standards for Airport Excellence".

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[1] https://www.stjornarradid.is/efst-a-baugi/frettir/stok-frett/2020/04/07/Aukin-fjarfesting-a-Sudurnesjum-/ .

[2] *Wow air ehf. v The Icelandic Competition Authority (Samkeppniseftirlitið), Isavia ohf. and Icelandair ehf.* Case E-18/14, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:E2014J0018.

[3] Decision by the Icelandic Competition Authority no. 32/2020, regarding fees/charges for using different parking zones at the Airport.

[4] Law no. 78/2008.

[5] Law no. 78/2008 art. 4 authorises Isavia to establish other companies and to become a shareholder of other companies.

[6] It is difficult to control for some external factors that could help explaining the high unit costs observed in Iceland, such as bad weather conditions. Nevertheless, it should be noted that Isavia is less cost competitive than the airport groups operating in other Nordic countries with similar weather conditions.

[7] Soft inputs include utilities, materials, maintenance, travel expenses, outsourced services and consulting services, among others.

[8] https://www.isavia.is/en/corporate/news-and-media/news/keflavik-airport-4th-in-asq-awards.

[9] Since 1997, the EU Directive 96/67/EC has opened the provision of ground handling services to competition, though member states may limit the total number of providers for certain services.

[10] *"Other countries defend that* ex post *regulation is much more rigorous than* ex ante *regulation (carried out by a regulatory agency) and that the latter should be triggered by a court of law (or by a regulatory agency) when necessary (e.g., Australian airports regulation)."* (Marques and Brochado, 2008[13])

[11] The OECD understands that this may be partially attributable to the fact that Isavia operates an arrival duty free store that generates significant revenue. Airports in the EU do not feature duty free purchases on arrival (see, for instance, https://www.forbes.com/sites/kevinrozario/2020/07/23/europes-airports-slam-one-sided-aid-to-airlines-and-call-for-arrival-duty-free-sales/#a8a558429b3c). However, the Oslo and Zurich airports do offer arrival duty free. The non-aeronautic revenue per passenger in Keflavik is 5% higher than in Zurich and 58% higher than in Oslo (according to calculations based on data from the Air Transport Research Society (2019[11])).

[12] Directive 2014/23/EU on the award of concession contracts, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2014_094_R_0001_01.

[13] A surviving spouse may utilize an operation licence for up to three years cf. Art. 9 par 8 of the taxi law no. 134/2001

[14] There are three restricted zones covering the most densely populated areas. Other areas are unrestricted.

[15] Since every taxi is an independent operator serviced by a dispatch station, an exemption from the ICA is necessary in order for taxis driving from the same station are not found to be price fixing.

[16] In 2003, the restricted zone of Reykjavik had 520 licences and Reykjanes peninsula had 40. The zones were merged in 2005 with the combined number of licences unchanged. In 2017 20 licences where added amounting to 3.5% increase in 17 years.

[17] The distance from Keflavik airport to Reykjavik city centre is 48 km, compared with 44km from Arlanda to Stockholm city centre and 50km from Gardermoen to post code 0570.

[18] The ESA is responsible for monitoring compliance with the European Economic Area (EEA) rules in Iceland, Liechtenstein and Norway.

[19] Commercial Passenger Vehicle Act 2017, Commercial Passenger Vehicle Industry Regulations 2018. See: www.legislation.vic.gov.au.

[20] Here is a link to the law and the official recital - https://www.althingi.is/altext/144/s/0629.html

[21] See, for instance, https://www.getaround.com/.

[22] The same recommendation applies to individuals who rent out their cars, private car leases, according to article 11 paragraph 3.

Annex A. Methodology

In November 2018, the Icelandic Ministry of Industries and Innovation (MII) and the OECD signed an agreement for the OECD Competition Division to conduct a competition assessment review of laws and regulations in two sectors of the Iceland economy: construction and tourism.

The assessment of laws and regulations in the scope of the present project was carried out in six phases, as agreed between the MII and the OECD. This annex describes the methodology followed in each of the project phases.

Stage 1: the Inception report

Before the initial mapping and collection of regulations, an "inception report" was prepared to give an initial economic overview of the sectors under analysis and to establish initial sector boundaries. The report benefited from consultations with the MII, the Icelandic Competition Authority (ICA), the government expert working group (the High-level Committee, or HLC) and a number of local business associations.

Stage 2: mapping and collection of regulations

The aim of Stage 2 of the project was to identify and collect all sector-relevant laws and regulations, using the initial sector boundaries defined in Stage 1. Whenever possible, we adopted a definition consistent with the NACE classification in order to ensure consistency with international practice and to facilitate comparisons with other European countries. Where necessary, we used other sources, such as the ISCO codes, European Commission Directives and implementing Icelandic laws, past competition assessment reviews, other relevant academic and non-academic literature, and consultations with ministerial experts from the Icelandic government, to further define the sector boundaries for the purposes of identifying the relevant legislation.

The OECD team identified and collected the relevant legislation using a variety of sources. The main sources included the website of the official gazette, as well as websites of the relevant authorities and of the main industry and professional associations. In addition, in order to ensure that all important pieces of legislation were covered by the study, the team consulted with all competent line ministries and public bodies involved in the sectors, members of the HLC composed of senior government officials, and industry.

Over the course of the project, the mapping of the legislation was refined, as additional pieces of legislation were discovered by the team or were issued by the authorities, while other pieces initially identified were found not to be relevant to the sectors. In total, 632 legal texts were selected for analysis, including laws, regulations, rules, instructions, parliamentary resolutions, codes of conduct, tariffs, bylaws and ordinances.

For each of the sectors, the project team collected data and information, covering activity trends and main indicators such as revenue, employment, and gross value added (GVA). The team also consulted with industry associations to improve its understanding of the sectors and the challenges faced by the participants in these sectors. Throughout the project, the OECD consulted widely with various government entities and private stakeholders, as well as competition authorities in the reference countries for context. The interviews with market participants contributed to a better understanding of how the sectors under

investigation work in practice and helped in the discussion of potential barriers deriving from the legislation or misinterpretation of specific provisions.

Stage 3: screening for potential restrictions to competition

In the third stage of the project, the main work stream was the screening of the legislation to identify potentially restrictive provisions. Among these, the team examined pieces of EU legislation that have been transposed in accordance with the EEA agreement into Icelandic law. In some cases, there is discretion with regard to implementation, for instance, flexibility to impose additional requirements. These provisions, introduced at national level, were examined for their impact on competition.

The legislation collected in Stage 2 was analysed using the framework provided by the OECD "Competition Assessment Toolkit". The Toolkit, developed by Working Party 2 of the OECD Competition Committee, provides a general methodology for identifying potential obstacles to competition in laws and regulations. One of the main elements of the Toolkit is a "Competition Checklist" that asks a series of simple questions to screen laws and regulations that have the potential to unnecessarily restrain competition (see Box A.1).

Following the methodology of the Toolkit, the OECD team compiled a list of all the provisions that answered positively to any of the questions in the checklist. The government experts received draft lists and were given an opportunity to comment, as were the members of the HLC. After this stage, there were 850 individual articles remaining with the potential to restrict competition in the construction or tourism sectors in Iceland.

Box A.3. OECD Competition Checklist

Further competition assessment should be conducted if a piece of legislation answers 'yes' to any of the following questions:

(A) Limits the number or range of suppliers

This is likely to be the case if the piece of legislation:

1. Grants exclusive rights for a supplier to provide goods or services.
2. Establishes a licence, permit or authorisation process as a requirement of operation.
3. Limits the ability of some types of suppliers to provide a good or service.
4. Significantly raises the cost of entry or exit by a supplier.
5. Creates a geographical barrier to the ability of companies to supply goods services or labour, or invest capital.

(B) Limits the ability of suppliers to compete

This is likely to be the case if the piece of legislation:

1. Limits sellers' ability to set the prices for goods or services.
2. Limits freedom of suppliers to advertise or market their goods or services.
3. Sets standards for product quality that provide an advantage to some suppliers over others or that are above the level that some well-informed customers would choose.
4. Significantly raises costs of production for some suppliers relative to others (especially by treating incumbents differently from new entrants).

(C) Reduces the incentive of suppliers to compete

This may be the case if the piece of legislation:

1. Creates a self-regulatory or co-regulatory regime.
2. Requires or encourages information on supplier outputs, prices, sales or costs to be published.
3. Exempts the activity of a particular industry or group of suppliers from the operation of general competition law.

(D) Limits the choices and information available to customers

This may be the case if the piece of legislation:

1. Limits the ability of consumers to decide from whom they purchase.
2. Reduces mobility of customers between suppliers of goods or services by increasing the explicit or implicit costs of changing suppliers.
3. Fundamentally changes information required by buyers to shop effectively.

Source: OECD (2017[1]).

Stage 4: In-depth analysis of the harm to competition

The provisions carried forward to Stage 4 were investigated in order to (i) identify the objective of the policy maker; and (ii) assess whether they could result in harm to competition.

The team researched the policy objectives in order to examine the proportionality of the selected provisions with the intended policy objective. An additional purpose in identifying the objectives was to prepare for the formulation of alternatives to existing regulations, when required, taking account of the objective of the specific provisions. The team researched the objective of the policy maker by looking into the recitals of the legislation, where available, and through discussions with the relevant public authorities.

The analysis of the harm to competition was carried out qualitatively and involved a variety of tools, including economic analysis, collection of background information on the sector and its regulation, and research into the regulations applied in other OECD countries. Interviews with market participants and with government experts complemented the analysis, by providing crucial information on the actual implementation and effects of the provisions.

In the course of Stage 4, several more potential barriers were eliminated from the analysis because the boundaries of the sectors were further narrowed to focus exclusively on the most relevant services for businesses in the selected sectors. At the end of Stage 4, there were 676 barriers left which were deemed potentially harmful to competition.

Stages 5 and 6: formulation of recommendations and final report

The team developed draft recommendations for those provisions that were found to restrict competition. In this process, we relied on international experience whenever available. When it was not possible to identify international best practice, we proposed alternatives that were less restrictive to competition while still achieving the initial objective of the policy maker. Draft recommendations were presented to the HLC. Following consultation with the ministerial experts and other stakeholders, the recommendations were finalised and this final report was produced.

To calculate the overall consumer benefits from the implementation of the recommendations, turnover data for the relevant sub-sectors was gathered from the European Union's statistics service EUROSTAT, within the Structural Business Statistics database. The subsectors were selected in accordance with the scope set out in the Inception Report, and adjusted according to data availability and the match between the recommendations and the activities included in the sector.[1] The OECD made a conservative assessment regarding:

- **the proportion of the subsector likely to be affected by the recommendation** (this was particularly important where the subsector covered activities that are not affected by the recommendation)
- **the magnitude of this impact,** either a 1% or 5% decrease in prices was assumed according to the type of recommendation, which is at the low end of available data collected by the OECD regarding the price impacts of procompetitive regulatory reform.

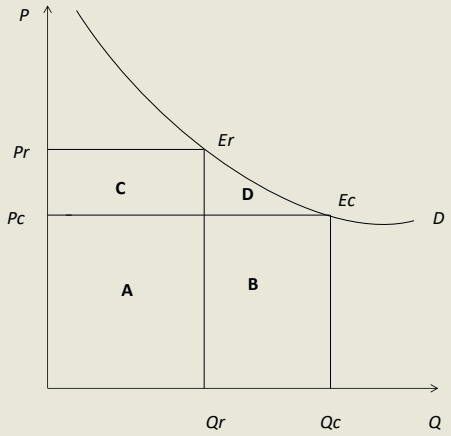
The consumer benefit was then calculated according to the procedure set out in Box A.2 below.

In total, 438 recommendations were submitted to the Icelandic administration (see Annex B).

Box A.4. Measuring changes in consumer surplus

The effects of changing regulations can be examined as movements from one point on the demand curve to another. For regulations that have the effect of limiting supply or raising price, an estimate of consumer benefit or harm from the change from one equilibrium to another can be calculated. Graphically, the change is illustrated for a constant elasticity demand curve. E_r shows the equilibrium with the restrictive regulation, E_c shows the equilibrium point with the competitive regulation. The competitive equilibrium is different from the restrictive regulation equilibrium in two important ways: lower price and higher quantity. These properties are a well-known result from many models of competition.

Figure A.1. Changes in consumer surplus



Under the assumption of constant elasticity of demand the equation for consumer benefit is:

$$CB = C + D \approx (P_r - P_c)Q_r + \frac{1}{2}(P_r - P_c)(Q_c - Q_r)$$

Where price changes are expected, a basic formula for a standard measure of consumer benefit from eliminating the restriction is:

$$CB = \left(\rho + \frac{1}{2}\epsilon\rho^2\right)R_r$$

Where *CB*: standard measure of consumer harm, ρ: percentage change in price related to restriction, *R*: sector revenue and ϵ: demand elasticity. When elasticity is not known, a relatively standard assumption is that $|\epsilon|=2$. This value corresponds to more elastic demand than in a monopoly market, but less than the perfectly elastic demand in a competitive market. Under this assumption, the expression above simplifies to:

$$CB = (\rho + \rho^2)R_r$$

Several economic assumptions were made:

- We assume away any taxes, i.e., any implication resulting from the taxation regime on consumer surplus.
- We assume a regular, linear (or near linear), demand function, with no random term.
- We assume the set of services within each sector constitutes a "composite service" with "volume" *Q*, for which a "composite price" *P* is charged in the market.

- We assume the balance among the different services within each "composite service" does not change, or changes only in a negligible way, following the price changes that may result from the implementation of the issued recommendations.
- We do not factor in any interdependence between price and quality levels (although changes in any one may affect the other). This is equivalent to assuming that the "quality" of the different services remains constant or experiences a non-significant change. By "quality", we mean a term that can involve a distribution of quality levels depending on who provides the service. The quality mean could remain unchanged as a result of implementing a certain recommendation, but the distribution of such quality over the different service providers could change (mean-preserving spread). In the latter case, even with an unchanged mean, there would be welfare effects just due to the change in the mean-preserving distribution of quality levels.
- We make no distinction here between Marshallian (relation between prices and income) and Hicksian (relation between prices and utility) demand functions. In any case, since we will be assuming certain values for the demand elasticities ($\epsilon = 2$), these values could be assumed for any of these two types of demand functions.

Source: OECD (2017[1]).

Stage 7: end of project and implementation support

Following the delivery of the final report and final recommendations to the government of Iceland in September 2020, the MII and OECD will meet to discuss lessons learned and follow-up actions. For the remainder of 2020, the OECD will provide technical advice on any draft legislation prepared by the Icelandic government, based on the OECD's recommendations. The OECD will not be involved in the drafting the proposed legislative changes, but may comment on content if asked. The Icelandic government remains ultimately responsible for legislative changes.

Co-operation with the Icelandic administration

Another important component of the project was to provide assistance in building up the competition assessment capabilities of the Icelandic administration. The OECD organised three workshops during the course of the project. In Stage 2 of the project, this covered an introduction to competition and regulation, and an overview of the project and of the methodology in the mapping stage. In Stage 3, the team provided substantive training on the OECD Competition Assessment Toolkit applied in screening the legislation. In Stage 4, examples and applications of quantitative methods were presented.

The Icelandic government experts provided a significant contribution on the mapping exercise of the legislation by commenting on whether the regulations collected were comprehensive. Subsequently, the close co-operation with the government experts continued with the identification of the objectives of the legislation in their sectors of expertise and discussion on the provisions identified by the OECD as restrictive on the basis of the Competition Assessment Checklist. The OECD team had, in total, over 100 meetings with the national ministries and authorities and with stakeholders, including sectoral experts.

References

OECD (2017), *Competition Assessment Toolkit: Volume 1. Principles*, OECD, Paris, http://www.oecd.org/daf/competition/assessment-toolkit.htm. [1]

Notes

[1] The sub-sectors included in the consumer benefits calculation are:

- Taxi operation (NACE 49.32)
- Service activities incidental to air transportation (NACE 52.23)
- Hotels and similar accommodation (NACE 55.10)
- Holiday and other short-stay accommodation (NACE 55.20)
- Camping ground, recreational vehicles parks and trailer parks (NACE 55.30)
- Manufacture of bakery and farinaceous products (NACE 10.7)
- Photographic activities (NACE 74.2)
- Renting and leasing of cars and light motor vehicles (NACE 77.11)
- Tour operator activities (NACE 79.12)
- Other reservation service and related activities (NACE 79.9)
- Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (NACE 16)
- Manufacture of glass and glass products (NACE 23.1)
- Manufacture of other porcelain and ceramic products (NACE 23.4)
- Manufacture of articles of concrete, cement and plaster (NACE 23.5)
- Cutting, shaping and finishing of stone (NACE 23.7)
- Aluminium production (NACE 24.24)
- Manufacture of structural metal products (NACE 25.1)
- Treatment and coating of metals; machining (NACE 25.6)
- Manufacture of agricultural and forestry machinery (NACE 28.3)
- Development of building projects (NACE 41.1)
- Construction of residential and non-residential buildings (NACE 43.1)
- Demolition and site preparation (NACE 43.1)
- Electrical, plumbing and other construction installation activities (NACE 43.2)
- Building completion and finishing (NACE 43.3)
- Other specialised construction activities (NACE 43.9)
- Buying and selling of own real estate (NACE 68.1)
- Real estate activities on a fee or contract basis (NACE 68.3)
- Architectural activities (NACE 71.11)
- Engineering activities and related technical consultancy (NACE 71.12)

Annex B. Recommendations

Table B.1. Recommendations on planning and land use regulation (see Chapter 3)

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-1	Law no. 123/2010 on Planning	Art. 7 par. 5	Planning	All municipalities must employ a planning officer to oversee preparation of municipal development plans. Qualifications to work as a planning officer are: i) they must be a licenced planner or a licenced architect, construction engineer, landscape architect, or technology engineer; ii) they must have specialised in planning in school or have at least two years of work experience in the field.	The policy objective is not explained in the official recital. However, the recital states that it is the planning officer's responsibility to ensure professional preparation of construction regarding appearance of buildings and shapes considering aesthetics and placement of structures.	This provision creates a reserved activity for planning officers. Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. See also line PR-1.	Undertake a broad review of the current regulatory requirements for professions to determine whether reserved activities or protected title should be narrowed or abolished, as per line PR-1.
PL-2	Law no. 123/2010 on Planning	Art. 7 par. 8	Planning	In addition to planning officers, others who fulfil the same qualifications may work on preparing development plans, provided that they are on the National Planning Agency's (NPA) list.	See line PL-1.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. See also lines PL-1 and PR-1.	Undertake a broad review of the current regulatory requirements for professions to determine whether reserved activities or protected title should be narrowed or abolished, as per line PR-1.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-3	Law no. 123/2010 on Planning	Art. 12 par. 4	Planning	During the preparation of new development plans, every effort should be made to seek the views and proposals of the local residents, relevant authorities, and other stakeholders.	The official recital highlights the importance of consultation with stakeholders and residents.	This provision poses no harm on competition grounds but corresponds to an administrative burden. Stakeholders have pointed out that the planning legislation entails repeated review processes that cause significant delays in the construction process since they do not specify timeframes or deadlines. Long delays and the uncertainty of the final conclusion add to the cost of the construction.	Review the entire process involved in preparing and amending development plans, aiming to simplify and clarify the procedures (and associated timing) and reduce the steps required without forfeiting consultation.
PL-4	Law no. 123/2010 on Planning	Art. 12 par. 6	Planning	Special provisions may be included in development plans to protect the characteristics of older settlements or other cultural heritage sites, nature reserves, nature or vegetation due to the historical, natural or cultural value.	The official recital states that the purpose of this provision is to protect the characteristics of older settlements or other cultural heritage sites, natural remains, natural heritage, or vegetation for historical, natural, or cultural value in development plans.	No harm to competition identified.	No recommendation.
PL-5	Law no. 123/2010 on Planning	Art. 13 par. 2	Developme nt permit	All quarrying on land (including in rivers, lakes, and the seabed near the shore) is subject to a development permit. Before a permit is granted, the opinion of the Environment Agency of Iceland and the relevant conservation committee should be sought unless an approved municipal plan includes the above parties' opinion.	The official recital states this provision aims to further clarify the role of the government in the utilisation of minerals.	Development permits for quarrying are issued for a specified period of time and specify the size of the quarrying area, the working depth, the quantity and the type of material that can be used, the processing time and the finishing of the quarrying area. The need for such permits, and the requirement to seek the opinion of the Environment Agency and the relevant conservation committee before granting such a permit appears proportionate to the potential environmental impact of quarrying activities. However, the open-ended timeframe can cause delays in the permit application process, which increases the administrative burden and costs.	Consider introducing clear timeframes for the process associated with applying for a development permit for quarrying, including the timeframe for requesting the opinion of the Environment Agency of Iceland.
PL-6	Law no. 123/2010 on Planning	Art. 13 par. 7	Developme nt permit	If there is uncertainty as to whether the proposed construction has a serious or irreversible effect on certain ecosystems and minerals that enjoy special	The official recital states that the policy objective is to protect the environment and ecosystems.	This article allows for the municipalities to impose conditions on the development permit to reduce possible effects on ecosystems. These conditions can be burdensome for the construction in question. However, the provision is not vague and states clearly that the possible effects have to be probable and significant and therefore the imposed conditions are proportionate to achieving the underlying policy objectives. Therefore, no harm to competition is identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				protection under the Law on Nature Conservation or Remains, the applicant for a development permit should obtain expert opinion on possible and significant effects on those ecosystems or mines. The relevant municipal council is authorised to impose conditions on the development permit which are considered necessary to reduce such effects.			
PL-7	Law no. 123/2010 on Planning	Art. 13 par. 8	Development permit	An applicant for a development permit and the relevant municipal council may present a case before the Environmental and Natural Resources Appeals Committee if there is any doubt as to whether a construction is subject to a development permit.	The policy objective is not explained in the official recital.	This provision could possibly cause delays in instances where the development in question is not subject to a development permit. Stakeholders have noted that the processing time of this committee is often long. According to information on the committee's website, the average speed with which cases before the committee were processed was 8.2 months in 2019 and 10.6 months in 2018. While it is understood that the delays have reduced due to additional funding in recent times, long delays and the uncertainty of the final conclusion add to the cost of the development.	Review whether the review processes can be undertaken in a timelier manner, notwithstanding recent improvements in processing times.
PL-8	Law no. 123/2010 on Planning	Art. 13 par. 9	Development permit	If a development permit is applied for in an area that is within one nautical mile from the coastal area, the licensor should seek the opinion of the relevant municipalities before the permit is granted.	The official recital states that the provision provides for the municipalities' right to comment.	The lack of any timeframe for obtaining the opinion of relevant municipalities creates uncertainty and increases the administrative burden associated with this provision.	Consider introducing clear timeframes for requesting the opinion of the relevant municipalities.
PL-9	Law no. 123/2010 on Planning	Art. 14 par. 3	Development permit	A municipal council may grant a development permit on the conditions that may appear in the opinion of the NPA.	To ensure development permits reflect the opinions of the NPA.	A municipal council may bind a development permit to the conditions stated in the opinion of the NPA. The provision is in accordance with the view that the results of the assessment shall be taken into consideration when issuing a permit for construction. In addition, the municipal council may bind the implementation of conditions that are set in accordance with	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Furthermore, the municipal council is authorised to impose conditions that are set in accordance with the development plans of the municipality.		the existing municipal plans, as the implementation must always be in accordance with such plans. The purpose of the provision is to ensure that the implementation is in accordance with the current development plans. Imposing conditions for granting development permit may in some cases be necessary. It is important that the legislation provides an objective criterion on possible conditions to prevent ambiguity and legal uncertainty. Those objective criteria are listed in art. 10 par.4 of the regulation no. 772/2012 on development permits. The criteria listed there is clear and proportional to the policy objective of this provision. Therefore, there is no harm to competition.	
PL-10	Law no. 123/2010 on Planning	Art. 14 par. 4	Development permit	Decisions of the municipal council on development permits for projects subject to the assessment of the NPA related to the Environmental Impact Assessment Law, must be advertised in the Legal Gazette and a national newspaper issued within two weeks from the issue of the permit. The decision must specify the right of appeal and the deadlines.	The policy objective is not explained in the official recital.	No harm on competition grounds. However, to improve transparency, decisions could also be published in an online format.	Publish the decisions in an online format to ensure the widest possible distribution.
PL-11	Law no. 123/2010 on Planning	Art. 15 par. 1	Development permit	The issuing of a development permit is subject to the following conditions: i) the granting of a permit has been approved by the licensor; ii) a development permit fee has been paid or agreed on its payment.	The policy objective is not explained in the official recital.	Administrative fees lead to an increase in the costs incurred by applicants, potentially leading to higher prices. When administrative fees are substantial, they may raise entry costs and can potentially prevent some agents from entering the market. According to good international practice, fees should be transparent, non-discriminatory, and based on the costs incurred. Notwithstanding this, these fees represent a fee for a service, which is levied on the user, and they appear to be proportional to the costs incurred. Hence, there does not appear to be substantial harm to competition.	No recommendation.
PL-12	Law no. 123/2010 on Planning	Art. 16 par. 1	Development permit	The municipal council monitors whether developments are in accordance with the issued development	The official recital states that it is necessary that the relevant municipalities supervise whether developments are in	No harm on competition grounds. However, development permits should be granted electronically to reduce the administrative burden associated with having to present the permit to inspectors.	Development permits should be granted electronically and should be able to be accessed electronically. See also line PL-43.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				permit. A development permit must always be accessible to inspectors.	accordance with the issued permit.		
PL-13	Law no. 123/2010 on Planning	Art. 17 par. 1,2	Planning levy	The planning fee is collected on new buildings, calculated as 0.3% of the fire-insurance value of each real-estate ownership unit. It is collected directly by the state treasury (the state planning fund is funded with an allocation from the state budget).	The official recital states that the purpose of the planning fee is to cover the cost of development plan preparations (including the cost of various development projects, such as hypsometry for the use of mapmaking or research projects).	This provision imposes a fee that raises costs for all house builders across the market. That is, it raises the marginal cost of construction. Notwithstanding this, planning processes impose costs that should be recovered from those that cause the costs to be incurred. It is not clear whether the level of this fee is proportionate to the costs imposed by the planning process.	Review the collection and use of this fee to ensure it is proportionate to the costs imposed by planning-related processes and borne by those that impose the costs.
PL-14	Law no. 123/2010 on Planning	Art. 19 par. 1	Parking-space fees	If it is not possible to fit the required number of car-parking spaces in the local plan, the municipal council may levy a parking-space fee on the developer or owner. The fee is the estimated cost of constructing the parking spaces and is used fund development of public parking spaces in the vicinity.	The policy objective is not explained in the official recital. We understand that the objective is to allow for an exemption for the required number of parking spaces in exchange for paying the parking-space fee.	Local plans may stipulate parking requirements for new buildings. This provision allows for an exemption for the required number of parking spaces in exchange for paying the parking-space fee. This fee should not be higher than the estimated cost of constructing a parking space. According to Reykjavík municipality's tariffs, the estimated cost of constructing a parking space is ISK 1,850,000 [EUR 13,704]. The requirement in local plans to include parking spaces (or the parking space fee exemption) raise the cost of housing construction significantly, which is ultimately passed on to the final consumer in the form of higher housing costs. While these requirements have a clear policy justification, it is important they accord with the municipality's objectives regarding sustainable urban mobility. If such requirements are set too high, this can raise construction costs unnecessarily; if set too low, there can be negative impacts where there is insufficient provisioning of parking spaces.	Assess whether the parking space requirements in local and municipal plans in the Reykjavík Capital Area are appropriate given the area's objectives regarding sustainable urban mobility.
PL-15	Local plan for Úlfarsárdalur in Reykjavík, 19. February 2018.	Chapter 2.1.9 parking lots and garages	Planning	Within the area of the local plan, this provision stipulates parking lot requirements for various apartment types.	There is no official recital and the policy objective is not explained in the local plan.	This provision is one example of a requirement in a local plan for a minimum amount of parking lots. It requires: one parking lot (outside or in a garage) for flats smaller than 60 m^2; 1.5 parking lots (outside or in a garage) for flats sized 60-80 m^2; 2 parking lots (outside or in a garage) for flats larger than 80 m^2; one parking lot in a garage and two parking lots outside for single family housing (excluding parking lots in front of a garage). There are numerous other local plans in force that contains such requirements. This provision imposes high costs and raises building costs significantly.	See line PL-14.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-16	Law no. 123/2010 on Planning	Art. 20 par. 2	Planning fee	Whenever it is necessary to prepare a development plan or make amendments to it, due to development projects that are subject to a development permit, the municipalities can collect fees for planning work necessary for the development project.	The policy objective is not explained in the official recital.	These fees may not amount to more than the cost of the planning work, issuing the permits, site measurements, monitoring inspection and certification provided by the building inspector. This provision can raise cost significantly when extensive changes to development plans are necessary due to development projects that are subject to a development permit. However, such fees are arguably justified on the basis that they are user-pays, they are proportional to the costs incurred, and they support the achievement of the underlying objectives.	No recommendation.
PL-17	Law no. 123/2010 on Planning	Art. 20 par. 3	Planning / development permit fee	The municipalities shall publicly issue tariffs according to art. 20 par 1 and 2.	The policy objective is not explained in the official recital.	No harm to competition.	No recommendation.
PL-18	Law no. 123/2010 on Planning	Art. 30 par. 1	Municipal plan	The municipal council should compile a prospectus when preparing a municipal plan proposal stating its priorities, information on the premises and existing policy and the intended planning process. Comments should be sought from the NPA and commentators, and there should be public consultation.	The official recital states that preparation of the municipal plan should be done in a transparent manner from the beginning. It emphasises public and stakeholder consultation.	The first step of developing a municipal plan is the compilation of a prospectus, which must be presented to the public and others for review. According to stakeholders, a prospectus is useful in order to receive important comments and reviews from the public, stakeholders, and public authorities early in the planning process. However, stakeholders claim that the review process is lengthy and causes delays, especially as there are several opportunities for stakeholders and the public to comment on proposed changes. Further, the provision does not specify the timeframe or deadlines for receiving comments.	Review the entire process involved in preparing and amending municipal development plans, aiming to simplify and clarify the procedures (and associated timing) and reduce the steps required without forfeiting consultation.
PL-19	Law no. 123/2010 on Planning	Art. 30 par. 2	Municipal plan	This provision outlines the second consultation requirements during the process for developing municipal plans.	The official recital states that it is important to consult with all relevant stakeholders if the organizational structure has an impact on the municipality.	Following the presentation of a prospectus, the next step in the process for developing a municipal plan is the presentation of the planning proposal. Before a proposal for a municipal plan is considered by the municipal council, the proposal, its premises and environmental assessment, where appropriate, should be presented to the residents of the municipality and other stakeholders at a general meeting or in another satisfactory manner. The proposal is also presented to neighbouring municipalities and a regional planning committee in those areas where such a committee is acting. The proposal is additionally presented to other municipalities who may have stakes in the planning proposal. This provision does not specify any timeframe or deadlines for the public or	See line PL-18.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						other stakeholders to submit their comments. This raises uncertainty and costs, as discussed above.	
PL-20	Law no. 123/2010 on Planning	Art. 30 par. 3	Municipal plan	This provision sets out consultation requirements between the municipal council and the NPA on the municipal planning proposal, following the council's processing of the proposal.	There is no official recital. Our understanding is that this provision aims to ensure that the planning proposal satisfies all requirements for a municipal plan.	This provision entails that a planning proposal must be reviewed by the NPA following the municipal council's processing of the proposal. This added step is an administrative burden that can cause delays. In addition, the municipality is not bound by the NPA's review at this stage and can advertise the planning proposal without changes when an agreement is not reached with the NPA. Furthermore, the NPA is also involved in the planning preparation in the last stage of the planning process. This adds to the heavy process for amending or preparing a municipal plan that is especially burdensome for smaller operators in the market that do not have the same resources as larger operators.	See line PL-18.
PL-21	Law no. 123/2010 on Planning	Art. 31 par. 2	Municipal plan	The planning proposal advertisement must specify where the proposal will be displayed and for how long. Stakeholders should have the opportunity to comment on the proposal within a specified time no less than six weeks from the date of the advertisement.	The policy objective is not explained in the official recital.	As above (line PL-20).	See line PL-18.
PL-22	Law no. 123/2010 on Planning	Art. 32 par. 1	Municipal plan	If the municipal council decides to make fundamental amendments to the planning proposal, the planning proposal shall be advertised again, as referred to in art. 31 of this law.	The policy objective is not explained in the official recital. Our understanding is that this allows the public an opportunity to comment on any fundamental amendments made to the development plan.	This provision can cause even further delays during the preparation process. Even though this is only applicable in instances when fundamental amendments are made to the planning proposal after it has been presented to the public, this can cause even further delays, of at least six weeks, in the process.	See line PL-18.
PL-23	Law no. 123/2010 on Planning	Art. 32 par. 2	Municipal plan	This provision requires a presentation of the approved proposal for a municipal development plan to the public. However, it does not allow for further public	The official recital states that the provision increased the timeframe from eight weeks, to twelve weeks.	When a municipal council has approved a proposal for a municipal plan, the it should submit the proposal to the NPA, together with comments and the council's reviews, within twelve weeks after the deadline for submitting comments in accordance with Art. 31. The municipal council's decision must be advertised and the parties who submitted comments during the public consultation period should receive the municipal council's reviews on their comments. This presentation to the public is	See line PL-18.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				consultation on the planning proposal.		however not a part of the public consultation process. No further harm to competition from this provision.	
PL-24	Law no. 123/2010 on Planning	Art. 32 par. 3	Municipal plan	The NPA shall within four weeks of receiving an approved planning proposal from the municipal council, confirm it and advertise it in the B section of the Government Gazette.	The policy objective is not explained in the official recital.	No harm to competition identified.	No recommendation.
PL-25	Law no. 123/2010 on Planning	Art. 32 par. 4, 5	Municipal plan	This provision sets out a process for the NPA to propose that the minister refuse, suspend, or confirm the municipal plan.	No official recital but our understanding is that this provision aims to ensure that NPA can intervene in a municipal plan that has not been prepared in the appropriate manner or is not in accordance with the law and regulations.	If the NPA considers that a municipal plan should be rejected or suspended in whole or in part, it should send a proposal to the minister within four weeks of receiving a proposal for a municipal plan. After seeking the opinion of the municipal council, the minister should refuse, suspend, or confirm the municipal plan within three months from receiving the proposal. This provision corresponds to an administrative burden as it can cause delays, even though the timeframe is stated clearly in the provision. According to the NPA, this provision has only been implemented once in the last ten years. Notwithstanding this, it may be important to retain a process whereby the NPA can intervene where a municipal plan is not in accordance with the underlying laws and regulations.	See line PL-18.
PL-26	Law no. 123/2010 on Planning	Art. 33 par. 1	Municipal plan	The municipal council may, subject to the opinion of the NPA and the minister's agreement, postpone (for up to four years) implementing a municipal plan for a specific geographical area if uncertainties or disputes arise.	The policy objective is not explained in the official recital. This article has not been changed since the original law from 1964. According to the NPA, the four-year timeframe refers to the four-year period between local government elections.	The provision can delay the planning process by up to four years. Further, the criteria in the provision are vague which could lead to arbitrary decisions and legal uncertainty. A valid municipal and local plan is necessary in order to get a building permit for a building, so this could have a significant effect on operators.	Abolish this provision or consider whether it can be redrafted to provide more clarity on what justifies postponing implementation of a municipal plan for a specific area.
PL-27	Law no. 123/2010 on Planning	Art. 36 par. 1	Municipal plan	The procedure for amending a municipal plan is the same as for preparing a new one, except that a prospectus may not be required for an amendment.	The policy objective is not explained in the official recital.	All municipalities are required to have a municipal plan in force but the process of preparing a new municipal plan and major amendments to it is the same apart from the need to develop a prospectus. Therefore, the amendment process is still relatively burdensome. This increases cost which is especially burdensome for smaller operators in the market that do not have the same resources as larger operators.	See line PL-18.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-28	Law no. 123/2010 on Planning	Art. 36 par. 2	Municipal plan	This provision allows for a simpler procedure for amending a municipal plan when the proposed changes are insignificant.	The policy objective is not explained in the official recital. The recital states that the provision should explain when proposed changes to a municipal plan are insignificant. Our understanding is that the objective is to make the procedure for making minor amendments to a municipal plan more efficient.	For such amendments, the municipal council need only submit a reasoned proposal for the change to the NPA. The council's conclusion shall be advertised. When assessing whether a change to the municipal plan can be considered insignificant, it must take into account whether it has significant changes in land use, is likely to have a major impact on individual parties or affect large areas. The NPA has to confirm the proposal within four weeks from the receipt of the proposal and advertise it in Section B of the Government Gazette. If the NPA does not agree that changes are insignificant, the municipal council should be notified, and the normal procedure should be as the one for the preparation of the municipal plan. The procedure for minor amendments is much simpler, which can minimise delays and decrease the administrative burden caused by the regular procedure. However, there is some uncertainty about what qualifies as an insignificant change.	See line PL-18.
PL-29	Law no. 123/2010 on Planning	Art. 37 par. 5	Local plan	When preparing a local plan in a built-up neighbourhood, the conservation value of a built-in settlement and individual existing buildings should be considered using a house examination report. The provision then allows flexibility and emphasis on general rules on appearance.	The official recital states that the purpose of this provision is to make the premises of a house examination report clearer, in order to have a better basis for taking decisions on house preservation.	The leeway of this provision gives further options for conservation of built-in settlements and individual existing buildings consistent with the policy objective. This provision seems to be proportionate to its objective. Furthermore, the provision allows for a simpler procedure on the preparation of a local plan in a built-up neighbourhood, since it is permissible to deviate from the requirements on presentation imposed by local plans, which can usually cause significant delays during the process. No harm to competition identified.	No recommendation.
PL-30	Law no. 123/2010 on Planning	Art. 38 par. 2	Local plan	A landowner or a developer may request a municipal council to prepare a proposal for a new local plan or amendments to an existing local plan, at their own expense. The municipal council may also grant the landowner or developer, on request, permission to work on a preparation of a local plan, at their own expense.	There is no information or official recital on the policy objective.	While this provision is important for landowners who wish to build on their own land, the heavy procedure put in place for preparing a new local plan or making amendments to it can cause delays and raise cost significantly. The repeated review process is an administrative burden that can cause delays in the construction process. Long delays and the uncertainty of the final conclusion add to the cost of the construction.	No recommendation.

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PL-31	Law no. 123/2010 on Planning	Art. 39 par. 1	Local plan	When privately-owned land is made into housing plots through a local plan at the landowner's request, they should make over to the municipality, without compensation, those parts of the land which under the plan are intended for common needs (e.g. roads, playgrounds, and open areas). (Limited to one third of the plot area.).	There is no information or official recital on the policy objective.	No harm to competition identified.	No recommendation.
PL-32	Law no. 123/2010 on Planning	Art. 40 par 1,3	Local plan	The municipal council should compile a prospectus of the planning project when it starts preparing a local plan proposal, outlining its priorities, information on the premises and existing policy, and the planning process. Comments should be sought from the NPA and other commentators and presented to the public.	The official recital states that this article is based on the principle that the prospectus should be completed early on for planning projects.	The long process involving repeated consultation periods associated with the preparation of a local plan imposes a high administrative burden. The first step is the compilation of a prospectus, which has to be presented to the public for review. (The prospectus can only be skipped when the all major premises of the local plan are addressed in the municipal plan.) While this process is useful, it can also cause delays, especially as there are multiple consultation periods built into the process. Further, the lack of timeframes or deadlines for receiving comments adds to the uncertainty and administrative burden.	Review the entire process involved in preparing and amending local development plans, aiming to simplify and clarify the procedures (and associated timing) and reduce the steps required without forfeiting consultation.
PL-33	Law no. 123/2010 on Planning	Art. 40 par. 4	Local plan	Before a proposal for a local plan is considered by the municipal council, the proposal, its premises and environmental assessment, when appropriate, should be presented to the residents of the municipality and other stakeholders at general	The policy objective is not explained in the official recital.	Following the presentation of a prospectus, the next step in the review process is this presentation of the planning proposal. This is the second requirement of a presentation to the public during the planning preparation process. The municipal council may only skip this step if all major premises of the local plan are addressed in the municipal plan. This repeated review process is an administrative burden that can cause delays. Further, this provision does not specify the timeframe or deadlines for receiving comments, which causes uncertainty.	See line PL-32.

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				meetings or in another satisfactory manner. The presentation should be advertised prominently.			
PL-34	Law no. 123/2010 on Planning	Art. 41 par. 3	Local plan	When the consultation deadline has passed, the municipal council shall discuss the proposal, following the planning committee's review, and decide whether they support any amendments to the proposal, and advertise their decision. This step can be skipped if no comments on the planning proposal were received.	The policy objective is not explained in the official recital.	This provision corresponds to an administrative burden involving an additional presentation to the public. This step can only be skipped if no comments on the planning proposal were delivered to the municipality.	See line PL-32.
PL-35	Law no. 123/2010 on Planning	Art. 41 par. 4	Local plan	If the municipal council decides to make fundamental amendments to the planning proposal of a local plan, it shall be advertised again according to art. 41. par. 1 of this law.	The policy objective is not explained in the official recital.	Even though this is only applicable in instances when fundamental amendments are made to the planning proposal after it has been presented to the public, this can cause even further delays in the process.	See line PL-32.
PL-36	Law no. 123/2010 on Planning	Art. 43 par. 1	Local plan	The process for making changes to a local plan is the same as for making a new local plan, except that the prospectus is not necessary for amendments.	There is no information or official recital on the policy objective	When a proposed construction is not in accordance with the local plan and a change to the plan is needed, the process of amending the local plan is very heavy and burdensome. This heavy process for amending a local plan increases costs and it is especially burdensome for smaller operators in the market that do not have the same resources as larger operators.	See line PL-32.
PL-37	Law no. 123/2010 on Planning	Art. 43 par. 2	Local plan	This provision allows for a simpler procedure for insignificant changes to a local plan.	To provide a faster process for more minor changes.	This provision allows for a simpler procedure for minor amendments to a local plan, which decreases administrative burdens in the process of amending local plans. Stakeholders have however commented that though the process is simpler, the neighbourhood presentation procedure can also be quite burdensome and cause delays.	See line PL-32.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-38	Law no. 130/2011 on the Environment and Natural Resources Appeals Board	Art. 4 par. 6	Planning	The Environment and Natural Resources Appeals board makes rulings on disputes regarding issues on planning matters and construction, within three months of receiving all documents. This can be extended to six months for complex cases. Complaints, relating to significant financial interests shall be expedited.	The policy objective cannot be found in the official recital.	According to this provision, the Appeals Board has three months to issue their ruling. Stakeholders have pointed out that the Appeals Board rarely issues its rulings within this timeframe. According to information on the committee's website, the average speed with which cases before the committee were processed was 8.2 months in 2019 and 10.6 months in 2018. While it is understood that the delays have reduced due to additional funding in recent times, long delays and the uncertainty of the final conclusion add to the cost of the development. The long process time that does not conform with the legal timeframe leads to legal uncertainty which may deter investors and thereby reduce or prevent new entry into the sector, thereby restricting supply and diminishing the competitive constraints.	The appeals committee should review whether their processes can be undertaken in a timelier manner, notwithstanding recent improvements to processing times.
PL-39	Regulation no. 737/1997 on planning fee.	Art. 1 par. 1	Planning	The planning fee is 0.3% of the assessed fire insurance value of a building.	The official recital states that the purpose of the planning fee is to cover the cost of development plan preparations (including the cost of various development projects, such as hypsometry for the use of mapmaking or research projects).	This provision imposes a fee that raises costs for all house builders across the market. That is, it raises the marginal cost of construction. Notwithstanding this, planning processes impose costs that should be recovered from those that cause the costs to be incurred. It is not clear whether the level of this fee is proportionate to the costs imposed by the planning process. See also line PL-13.	Review the collection and use of this fee to ensure it is proportionate to the costs imposed by planning-related processes and borne by those that impose the costs, consistent with line PL-13.
PL-40	Regulation no. 543/1996 on street construction fee.	Art. 5 par. 1	Construction fee	Street construction fee is 15% of the building cost per square meter in the apartment building index as calculated by Statistics Iceland on the basis of Law no. 42/1987, on the building cost index, unless the municipal council has prescribed a lower fee in its ordinance.	The aim of this bill is to provide the legal basis for the calculation and collection of this tax.	The street construction fee raises costs for all house builders across the market, which is ultimately borne by consumers. The tax can be up to 15% of the estimated building cost. As an example of the total cost, the amount of the fee for constructing a 250 square meter detached house in any of the municipalities within the Reykjavík Capital Area in January 2020 was ISK 8 600 750 [EUR 63 709]. From an economic perspective, this fee raises the marginal cost of construction. The OECD understands that municipalities in Iceland are responsible for a significant part of the road infrastructure within their territory, and this needs to be funded in some way. However, having this cost borne entirely by new construction (including extensions and renovations) inflates the costs of such construction. Such costs contribute to the already high housing costs in the Reykjavík Capital Area. The street construction fee appears particularly burdensome given its high level and the fact that it applies to all construction projects, not just those increase demand for road infrastructure.	Assess whether the street construction fee is higher than necessary, and moreover, whether there may be less distortionary ways of collecting revenue to fund road infrastructure (i.e. that do not fall solely on new construction projects).

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PL-41	Regulation no. 621/1997 on an appeals board according to art. 8 of Law no. 73/1997.	Art. 4	Planning	The appeals board should make its ruling at least within two months after receiving a complaint. This can be extended upon notification by another three months for complex cases.	No official recital.	This regulation has no legal effect since the appeals board no longer exists.	The entire regulation should be abolished and removed from the statute books.
PL-42	Regulation no. 772/2012 on development permits	Art. 7 par. 1	Development permit	A development permit should be issued based on a local plan (or a municipal plan if the relevant construction is listed in the municipal plan).	According to art. 2, the aim of this regulation is to promote the rational and efficient use of land and land quality, to ensure the protection of the landscape, nature and cultural heritage and to prevent environmental damage and overuse, with sustainable development as a guide.	A development permit is not required when building a house but can be required for quarrying, and is therefore within the scope of the project. All constructions that require a development permit have to be in accordance with development plans, either the local plan or the municipal plan. This can be an administrative burden since it means that changes to the relevant development plans might be required in order to get a development permit for a construction. However, the requirement in this provision poses no harm to competition.	No recommendation.
PL-43	Regulation no. 772/2012 on development permits	Art. 7 par. 2	Development permit	This provision outlines the information that must be provided,and how it must be provided, when applying for a development permit.	See line PL-42.	The information requirements are extensive, which can increase the cost of each construction. In addition, the planning committee is given leeway to require further documentation, which further increases costs and uncertainty. Further, all information is requested in paper form. This unnecessarily increases the costs associated with applying for the permit, especially as, according to stakeholders, all design documents are digital.	Review the process for applying for and granting a development permit to assess whether all documents are required. The government should also develop a means by which the application and permit can be made electronically. See also line PL-12.
PL-44	Regulation no. 772/2012 on development permits	Art. 7 par. 3	Development permit	When a local plan does not apply and an application for a development permit has been submitted based on the municipal plan, it must also include an application summary as specified under this provision	See line PL-42.	The requirement of a summary in a certain scale is unnecessary if the provision allows for electronically submission of the documentation. Requirements of submission of summaries on paper in a certain scale is an administrative burden that entails added cost. New technology supersedes the need for physical presence or signatures and imposes the presence of the individual resulting in an opportunity cost.	See line PL-43.

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PL-45	Regulation no. 772/2012 on development permits	Art. 7 par. 4	Development permit	A development permit application must include reviews from commentators unless the relevant development plan includes those reviews.	See line PL-42.	This provision does not include any time limit for the relevant authorities or commenters to submit their review on the proposed development. This can cause serious delays since the application is not sufficient without the required reviews.	In addition to the recommendation in line PL-43, the regulations should stipulate clear timeframes for providing comments.
PL-46	Regulation no. 772/2012 on development permits	Art. 7 par. 5	Development permit	This provision includes further requirements for a development permit application where a local plan has not been prepared.	See line PL-42.	This provision imposes an additional layer of documentation when applying for a development permit for quarrying when there is no local plan in place. Since quarrying can have significant effects on the environment, this document is likely to help the licensor to make an informed decision on whether to grant the licence. These requirements are proportional to the policy objective and there is no harm to competition.	No recommendation.
PL-47	Regulation no. 772/2012 on development permits	Art. 8 par. 1	Development permit	This provision relates to granting a development permit in an area where a local plan is not in place.	See line PL-42.	This article allows for a simpler procedure when the proposed development is in accordance with the municipal plan but there is no local plan in place. The general rule is that developments that require development permit should be in accordance with the local plan. The preparation and putting in place a local plan can take a long time, and therefore this simpler procedure is likely to prevent long delays. Therefore, this provision does not in itself entail additional administrative burdens. However, it should be noted that stakeholders have mentioned that the procedure of neighbourhood presentation can be too burdensome and cause significant delays.	No recommendation.
PL-48	Regulation no. 772/2012 on development permits	Art. 8 par. 2	Development permit	This provision relates to the procedure within the municipality when an application for a development permit is in an area where a local plan is not in place.	See line PL-42.	This provision lacks transparency and can cause unnecessary delays as the planning committee has the possibility to reject the application of the simpler process for granting a development permit.	No recommendation.
PL-49	Regulation no. 772/2012 on development permits	Art. 9 par. 1	Development permit	This provision relates to granting a development permit in an area where a regional plan, a municipal plan or a local plan is not in place.	See line PL-42.	This provision allows for a simpler procedure for granting a development permit in some cases where there is not a municipal plan in place. This can simplify the procedure since preparation of a municipal plan can take a long time. The condition that there must be recommendations from the NPA is however unclear and the provision does not give much guidance as to what circumstances allow for this exemption from the general rule (i.e., that the proposed development should be in accordance with development plans).	See line PL-43.

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PL-50	Regulation no. 772/2012 on development permits	Art. 10 par. 1	Development permit	This provision outlines what the licensor should assess and the steps to follow in processing an application for a development permit. This includes seeking opinions and required statutory reviews.	See line PL-42.	This provision poses no harm on competition grounds. However, it is an administrative burden to ensure that all the required statutory reviews have been submitted before an application for a development permit is processed. Seeking these reviews can be time-consuming and therefore increase delays in the construction process. Long delays and the uncertainty of the final conclusion add to the cost of the construction.	In addition to the recommendation in line PL-43, the regulations should stipulate clear timeframes for providing comments.
PL-51	Regulation no. 772/2012 on development permits	Art. 10 par. 4	Development permit	The licensor may impose conditions on the development permit, and these should be stated in the development permit.	See line PL-42.	As the conditions must be in accordance with the policy objective of the regulation, this provision is proportional and does not raise competition concerns.	No recommendation.
PL-52	Regulation no. 772/2012 on development permits	Art. 10 par. 7	Development permit	The issuer of the development permit shall sign the permit letter, drawings, and other design data, in order to confirm the approval and issue of the permit.	See line PL-42.	It is an unnecessary administrative burden that the licensor of the development permit shall sign the permit letter, drawings, and other design data. That increases cost and cause unnecessary delays. New technology supersedes the need for physical presence or signatures and imposes the presence of the individual resulting in an opportunity cost.	See line PL-43.
PL-53	Regulation no. 772/2012 on development permits	Art. 10 par. 8	Development permit	Decisions on development permits involving the NPA's opinion should be published in the Legal Gazette and in a national newspaper within two weeks from decision.	See line PL-42.	If the aim of this provision is to ensure visibility to the public, publishing in a newspaper and in the legal gazette must be considered outdated, and not as effective as it once was. As regards to the legal gazette, it requires a subscription that costs ISK 3,000 [EUR 22.22] per year. Therefore, it cannot be viewed as an effective way to reach the public.	Publish the decisions in an online format to ensure the widest possible distribution.
PL-54	Regulation no. 772/2012 on development permits	Art. 11 par. 1	Development permit	A written development permit shall be issued as soon as possible after the permit has been approved and a development permit fee has been paid or payment agreed.	See line PL-42.	The municipal council can collect fees for issuing development permits. There are three categories of fees. 1. A fee of ISK 128 000 [EUR 948] for development permits according to Art. 13 of this law. 2. A fee of ISK 153600 [EUR 1 138] for development permits according to art. 13 that are also under category C of the law on Environmental Impact. 3. A fee of ISK 192000 [EUR 1 422] for development permits that are subject to Environmental Impact Assessment. Administrative fees lead to an increase in the costs incurred by applicants, potentially leading to higher prices and reducing the competitiveness of the construction sector. When administrative fees are substantial, they may actually raise entry costs and potentially prevent some agents from entering the market.	No recommendation.

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PL-55	Regulation no. 772/2012 on development permits	Art. 11 par. 3	Development permit	If the development permit has not been issued within 12 months of its approval, the approval shall expire.	See line PL-42.	This is a reasonable condition and therefore, no harm on competition grounds is identified.	No recommendation.
PL-56	Regulation no. 772/2012 on development permits	Art. 11 par. 4	Development permit	The development permit shall be issued in two copies and shall be made available to a supervisory body at the development site.	See line PL-42.	The requirement that a paper copy of the permit shall be made available to supervisory bodies at the development site is an unnecessary administrative burden. This could alternatively be achieved if the permits were accessed electronically. Moreover, the requirement of a written permit seems obsolete given modern communication technology.	See line PL-43.
PL-57	Regulation no. 772/2012 on development permits	Art. 12 par. 1	Development permit	This provision outlines the information that should be included on the development permit.	See line PL-42.	The requirement of a written permit listing all of these items is time consuming and seems obsolete given modern communication technology. The total effect is one of costly intermediation and delays, which all act as deterrents for investors and developers.	See line PL-43.
PL-58	Regulation no. 772/2012 on development permits	Art. 13 par. 1	Development permit	The municipal council can determine fees for all developments that are subject to the development permit.	See line PL-42.	The charging of administrative fees leads to an increase in the costs incurred by licensors, potentially leading to higher prices and reducing the competitiveness of the construction sector. When administrative fees are substantial, they may actually raise entry costs and potentially prevent some agents from entering the market. Notwithstanding this, the provision states that the permit fee may not exceed the amount of the costs incurred by the municipality due to the issue and preparation of the licence and supervision of the development. Hence, the fees appear proportional.	No recommendation.
PL-59	Regulation no. 772/2012 on development permits	Art. 13 par. 2	Development permit	If a development plan is required or a change is made to it because of a permit-related project, the municipal council may charge a fee for planning work that is necessary for that development.	See line PL-42.	See line PL-58.	No recommendation.
PL-60	Regulation no. 772/2012 on development permits	Art. 13 par. 3	Development permit	The municipality decides the date of payment for the permit fees and how they should be collected. The municipal council	See line PL-42.	As noted in line PL-54, there are three categories of fees. Administrative fees lead to an increase in the costs incurred by applicants, potentially leading to higher prices and reducing the competitiveness of the construction sector. Notwithstanding this, these fees represent a fee for a service, which is levied on the user, and appears to be proportional to the	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				decides the amount of the fee.		costs incurred. Hence, there does not appear to be substantial harm to competition.	
PL-61	Regulation no. 772/2012 on development permits	Art. 14 par. 1	Development permit	A development permit expires if the development has not been initiated within twelve months from its issue.	See line PL-42.	No harm on competition grounds.	No recommendation.
PL-62	Regulation no. 772/2012 on development permits	Art. 14 par. 2	Development permit	If the development ceases for one year or more, the issuer can cancel the development permit.	See line PL-42.	No harm on competition grounds.	No recommendation.
PL-63	Regulation no. 772/2012 on development permits	Art. 15 par. 2	Development permit	The developer must always present an issued development permit, if requested by the supervisory authorities.	See line PL-42.	The requirement that a paper copy of the permit shall be made available to supervisory bodies at the development site is an unnecessary administrative burden. This could alternatively be achieved if permits were able to be accessed electronically. The requirement of a written permit seems obsolete given modern communication technology.	See line PL-43.
PL-64	Regulation no. 772/2012 on development permits	Art. 15 par. 3	Development permit	The issuer may consider the developer's own supervision when determining the scope of the statutory oversight.	See line PL-42.	The article allows for the delegation of supervision to the developer themselves and as such ought to remove an administrative step provided the spirit of the law is being adhered to by the supervisor rather than leading to duplication. No harm on competition grounds.	No recommendation.
PL-65	Regulation no. 772/2012 on development permits	Art. 15 par. 4	Development permit	In extensive developments subject to environmental impact assessment or in the case of a specific or a problematic development, the licensor may appoint a special monitoring body to monitor the conditions of the development.	See line PL-42.	The committee should submit a report on the implementation of supervision at the end of each phase of the project. The developer bears all the costs of the work of the committee. This provision imposes additional supervision requirements, which can raise costs significantly. However, the provision does not provide further instruction on when more extensive supervision is required. This leaves a degree of legal uncertainty and doubts as to the potential magnitude of expenses to be incurred. This may act as a disincentive for developers and investors.	Consider whether this provision can be redrafted to provide more clarity on cases in which a special monitoring body can be used.
PL-66	Regulation no. 90/2013 on planning	Art. 2.5 par. 1	Development plans	All municipalities must employ a planning officer to oversee the preparation of development plans for the municipality.	The policy objective is not explained in the official recital. However, the recital states that it is the planning officer's responsibility to ensure professional	This provision creates a reserved activity for specific professions. Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions.	Undertake a broad review of the current regulatory requirements for professions, as recommended in line PR-1, to determine whether reserved activities or protected title should be narrowed or abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Qualifications to work as a planning officer are: i) they must be a licenced planner or a licenced architect, construction engineer, landscape architect, or technology engineer; ii) they must have specialised in planning in school or have at least two years of work experience in the field.	preparation of construction regarding appearance of buildings and shapes considering aesthetics and placement of structures.	This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. See also line PL-1 and PR-1.	
PL-67	Regulation no. 90/2013 on planning	Art. 2.5 par. 4	Development plans	In addition to planning officers, others who fulfil the same qualification may work on preparing development plans, if they are on the NPA's list.	See line PL-66.	See line PL-66. See also lines PL-2 and PR-1.	See line PL-66.
PL-68	Regulation no. 90/2013 on planning	Art. 2.7 par. 4	Development plans	When development plans are prepared, every effort should be made to seek the viewpoints and proposals of the local population and other interested parties.	The official recital highlights the importance of stakeholder consultation.	The planning legislation entails repeated review processes that cause significant delays in the construction process since they do not specify timeframes or deadlines. Long delays and the uncertainty of the final conclusion add to the cost of the construction.	The timeframe for seeking viewpoints should be clear and proportionate. See also line PL-3.
PL-69	Regulation no. 90/2013 on planning	Art. 4.2.1 par. 1	Municipal plan	When preparing municipal plans, every effort should be made to seek the views and proposals of the residents, the relevant authorities, and other interested stakeholders.	See line PL-68.	See line PL-68.	See line PL-68.
PL-70	Regulation no. 90/2013 on planning	Art. 4.2.1 par. 2	Municipal plan	Parties that are responsible for various policy areas that touch upon the planning should be consulted during the	See line PL-68.	Stakeholders have noted that the process of seeking viewpoints from inhabitants and stakeholders is open-ended and can cause serious delays in the planning process. This heavy process for amending development plans is especially burdensome for smaller operators in the	See line PL-68.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				planning preparation process.		market that do not have the same resources as larger operators.	
PL-71	Regulation no. 90/2013 on planning	Art. 4.2.3 par. 1	Municipal plan	A prospectus should be made in a report together with an overview diagram of the planning area, as per the requirements in this provision.	This provision aims to ensure that land use throughout the country is in line with plans that take into account the economic, social, environmental, health and safety, and cultural needs of the people.	This provision is on what should be listed in a prospectus and it is relevant when a proposed construction is not in accordance with the municipal plan and a major change to it is needed. This provision corresponds to an administrative burden as the compilation of a prospectus is a time-consuming task that can cause significant delays. Long delays and the uncertainty of the conclusion add to the cost of the construction.	See line PL-18.
PL-72	Regulation no. 90/2013 on planning	Art. 4.2.4 par. 1	Municipal plan	Following the discussion by the municipal council of the prospectus, it should be presented to the public and the opinions of relevant commenters and the NPA should be sought.	See line PL-71.	The long process involving repeated consultation periods associated with the preparation of a municipal plan imposes a high administrative burden. The first step is the compilation of a prospectus, which has to be presented to the public for review. While this process is useful, it can also cause delays, especially as there are multiple consultation periods built into the process. Further, the lack of timeframes or deadlines for receiving comments adds to the uncertainty and administrative burden.	See line PL-18.
PL-73	Regulation no. 90/2013 on planning	Art. 4.2.4 par. 3	Municipal plan	The prospectus should invite suggestions within a stated timeframe. The NPA should send comments if necessary, within three weeks. The Planning Committee should consider comments received when processing a proposal for a municipal plan, but is not required to answer them in a formal manner.	See line PL-71.	According to this provision, municipalities can decide on a timeframe for this review process. However, since no timeframe or deadlines for receiving comments is defined, this provision can cause further delays which add to the already heavy process for amending a municipal plan. This is particularly burdensome for smaller operators in the market that do not have the same resources as larger operators. Long delays and the uncertainty of when the conclusion is issued adds to the cost of the construction.	See line PL-18.
PL-74	Regulation no. 90/2013 on planning	Art. 4.5.1 par. 1	Municipal plan	The municipal plan should be presented in a planning report and on a planning diagram and, if needed, on a theme diagram, in the form outlined in this provision.	See line PL-71.	The process for the development of a municipal development plan imposes a repeated review process, which can cause delays. This provision is only relevant when a proposed construction is not in accordance with the municipal plan and a major change to it is needed. The requirements are quite extensive and, therefore, the compiling of a planning report is a time-consuming task that can cause significant delays. Long delays and the uncertainty of when the final conclusion is issued adds to the cost of the construction.	See line PL-18.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-75	Regulation no. 90/2013 on planning	Art. 4.6.1 par. 1	Municipal plan	Before a proposal for a municipal plan is processed by the local authorities, the proposal and accompanying documentation should be presented to the residents of the municipality and other stakeholders at general meeting or in another satisfactory manner.	See line PL-71.	Following the presentation of a prospectus, the next step in the review process is this presentation of the planning proposal, which allows for the public and other stakeholders to submit their comments on the proposed changes. A lack of clear timeframes could lead to delays and uncertainty.	See line PL-18.
PL-76	Regulation no. 90/2013 on planning	Art. 4.6.1 par. 2	Municipal plan	The proposal should also be presented to neighbouring municipal councils and the regional planning committee in areas where such a committee is in place.	See line PL-71.	Additional consultation processes, especially those without clear timeframes can cause delays and increase uncertainty.	See line PL-18.
PL-77	Regulation no. 90/2013 on planning	Art. 4.6.3 par. 1	Municipal plan	The municipal council should advertise a proposal for a municipal plan in a prominent manner, such as in a national newspaper, and in the Legal Gazette. The proposal should be available at the NPA and at the office of the municipality concerned or in another public place. It should also be accessible online.	See line PL-71.	No harm on competition grounds.	No recommendation.
PL-78	Regulation no. 90/2013 on planning	Art. 4.6.3 par. 2	Municipal plan	An advertisement must specify where the proposal is on display and for how long, and that time should not be shorter than the comment deadline, which	See line PL-71.	No harm on competition grounds.	Publish the advertisement online to ensure the widest possible distribution.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				should be at least 6 weeks.			
PL-79	Regulation no. 90/2013 on planning	Art. 5.1.3 par. 2	Local plan	The cost of making a local plan is paid from the municipal fund. A landowner or developer may request a municipal council to make a proposal for a local plan, or a change to a local plan at its own expense. The fee shall not exceed the amount of the planning and presentation and advertising plan.	See line PL-71.	This provision is important for landowners who wish to build on their own land. Given that the fee cannot exceed the amount of the planning and presentation and advertising plan, and it is levied on those that impose the cost, it seems proportional.	No recommendation.
PL-80	Regulation no. 90/2013 on planning	Art. 5.2.1 par. 1	Local plan	During the preparation of local plans, every effort should be made to seek the views of the residents, the relevant authorities, and other stakeholders.	See line PL-71.	While it is important that residents and stakeholders have an opportunity to comment, this provision does not specify a timeframe or deadlines. The repeated review process that this regulation stipulates is an administrative burden that can cause delays in the construction process. Long delays and the uncertainty of the final conclusion add to the cost of the construction.	See line PL-32.
PL-81	Regulation no. 90/2013 on planning	Art. 5.2.1 par. 2	Local plan	Parties that are responsible for various policy areas that touch upon the planning should be consulted during the planning preparation process.	See line PL-71.	See line PL-80.	See line PL-32.
PL-82	Regulation no. 90/2013 on planning	Art. 5.2.1 par. 3	Local plan	If a proposal for a local plan or a proposed amendment to a land border, boundary or municipal boundary is proposed, the owner of that land, landlord or municipal council should be consulted before the proposal is approved for advertising.	See line PL-71.	This provides the opportunity for landowners or landlords to comment on matters concerning their land. The costs incurred are paid by the municipality responsible for the proposal. No harm on competition grounds.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-83	Regulation no. 90/2013 on planning	Art. 5.2.2 par. 1	Local plan	When a landowner or developer makes a proposal for a local plan, they should prepare a prospectus and submit it to the municipal council for approval before it is presented.	See line PL-71.	The long process involving repeated consultation periods associated with the preparation of a local plan imposes a high administrative burden. The first step is the compilation of a prospectus, which has to be presented to the public for review. (The prospectus can only be skipped when the all major premises of the local plan are addressed in the municipal plan.) While this process is useful, it can also cause delays, especially as there are multiple consultation periods built into the process. Further, the lack of timeframes or deadlines for receiving comments adds to the uncertainty and administrative burden.	See line PL-32.
PL-84	Tariff no. 205/2016 for evaluation of environmental impact	Art. 1	Planning	The NPA shall collect a fee to cover all the Agency's procedure cost, subject to art. 8-11 and 15-27 of regulation no. 660/2015 on environmental assessment.	There is no official recital. Our understanding is that the aim of this tariff is to cover the cost of the procedure of specialist review for environmental assessment	The charging of administrative fees leads to an increase in the costs incurred by project owners, potentially leading to higher prices and reducing the competitiveness of the building sector. When administrative fees are substantial, they may raise entry costs and potentially prevent some agents from entering the market. Notwithstanding this, it is reasonable that the NPA recovers the costs of planning processes from those that impose the costs.	No recommendation.
PL-85	Law no. 153/2006 on street construction fee.	Art. 4 par.1	Planning	Street construction fee is 15% of the building cost per square meter in the apartment building index as calculated by Statistics Iceland on the basis of Law no. 42/1987, on the building cost index, unless the local authority has prescribed a lower fee in its ordinance.	The aim of this bill is to provide the legal basis for the calculation and collection of this tax.	The street construction fee raises costs for all house builders across the market, which is ultimately borne by consumers. The tax can be up to 15% of the estimated building cost. As an example of the total cost, the amount of the fee for constructing a 250 square meter detached house in any of the municipalities within the Reykjavík Capital Area in January 2020 was ISK 8 600 750 [EUR 67 709]. From an economic perspective, this fee raises the marginal cost of construction. The OECD understands that municipalities in Iceland are responsible for a significant part of the road infrastructure within their territory, and this needs to be funded in some way. However, having this cost borne entirely by new construction (including extensions and renovations) inflates the costs of such construction. Such costs contribute to the already high housing costs in the Reykjavík Capital Area. The street construction fee appears particularly burdensome given its high level and the fact that it applies to all construction projects, not just those increase demand for road infrastructure.	Assess whether the street construction fee is higher than necessary, and moreover, whether there may be less distortionary ways of collecting revenue to fund road infrastructure (i.e. that do not fall solely on new construction projects).
PL-86	Law no. 87/2015 on protected areas in settlements	Art. 6 par. 2	Planning	All construction within a protected area in settlements shall conform with the protected cultural history of the protected area.	The official recital states that the aim is to protect specific protected areas along with historic settlement. The goal in this paragraph is for municipalities to ensure the	This provision limits the usage of constructions by their owners. Therefore, businesses within a protected area cannot, as easily as in other areas, change their buildings according to the development of their operations. This might therefore decrease the number of suppliers on the market, in these specific areas. The reason for this provision is to protect historic settlements and the rule allows for changes with certain condition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
					conservation value of protected areas within their local boundaries.	This rule seems to be proportionate to its objective. No harm to competition identified.	
PL-87	Law no. 87/2015 on protected areas in settlements	Art. 6 par. 3	Planning	It is forbidden to change, tear down or remove constructions within a protected area, without a permission from the municipal council.	The official recital states that the aim is to protect specific protected areas along with historic settlement. The goal in this paragraph is for municipalities to ensure the conservation value of protected areas within their local boundaries.	Businesses within a protected area cannot, as easily as in other areas, change their buildings freely. However, the reason for this provision is to protect historic settlements and the rule allows for changes under certain conditions. This rule seems to be proportionate to its objective. No harm to competition identified.	No recommendation.
PL-88	Law no. 87/2015 on protected areas in settlements	Art. 7	Planning	Local authorities can decide on further protection of the appearance of a settlement and thus make all construction that affects the appearance of the settlement subject to a licence.	See line PL-87.	See line PL-87.	No recommendation.
PL-89	General rules for allocation for plots and the sale of construction rights for residential housing in Reykjavík	Art. 2 par. 2, 3 and 4	Plot allocation	Those who apply for plots must fulfil certain conditions, including financial capacity. For a married couple or a couple in a registered cohabitation - only one of them must meet these criteria. If two or more applicants apply together, they must both/all fulfil these conditions.	There is no official recital. Our understanding is that the provision aims to make sure that people who buy plots can afford to build on them safely in reasonable time.	These rules are for the allocation of rental plots owned by Reykjavík municipality. The requirements this provision puts in place are both strict and discriminatory. It can be argued that it is reasonable to require that the applicant be able to show that they are financially capable of construction. But only one of a couple needs to meet the requirements but 2 people, neither registered in cohabitation nor married, that apply for a plot both need to fulfil the requirements.	Review this provision and assess whether these rules still make sense. As a principle, all applicants should be treated equally.
PL-90	See line PL-89.	Art. 4 par. 4	Plot allocation	This paragraph is on the documentation that must be enclosed with the plot application.	See line PL-89.	The municipal council can ask for further documentation after the deadline to hand in, but the applicants cannot turn in further documentation after the deadline. No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-91	See line PL-89.	Attached document I	Plot allocation	This is an overview of the fees that can be collected with connection to an application for a plot as well as in connection with building permits and services to connect the building to the infrastructure	There is no official recital. Our understanding is that the aim of this tariff is to cover the cost of the procedure of specialist review and/or work	The charging of administrative fees leads to an increase in the costs incurred by project owners, potentially leading to higher prices and reducing the competitiveness of the building sector. When administrative fees are substantial, they may actually raise entry costs and potentially prevent some agents from entering the market. Notwithstanding this, it is reasonable that fees are charged to cover the costs associated with allocating fees. It is not clear whether this is the case with these fees.	Review whether these fees are transparent, non-discriminatory, and based on the costs incurred with the provision of the underlying services.
PL-92	See line PL-89.	Attached document II	Plot allocation	These are rules on construction deadlines.	There is no official recital. Our understanding is that the provision aims to make sure that people who buy plots build on them in reasonable time to protect the interests of neighbours.	Implementing rules on construction deadlines might be necessary in urban areas since construction work can cause disturbance and discomfort for other in close proximity. If the rules are proportional to that goal, there is no harm to competition.	No recommendation.
PL-93	Rules on allocation of residential building lots and sale in Hafnarfjörður	Art. 2.1 par. 2	Plot allocation	Documentation required if the applicant is a legal entity includes documentation with information on “immaculate construction history”.	There is no official recital. Our understanding is that the provision aims to provide that legal entities that take on plots adhere to construction legislation.	This provision requires that a legal entity applying for a plot in Hafnarfjörður must submit documentation with information on their “immaculate construction history.” This could potentially favour well-established legal entities at the expense of newer businesses that do not have a construction history. Furthermore, this provision is somewhat ambiguous which could create uncertainty.	Consider whether this rule could be redrafted to achieve the same intent without potentially disadvantaging new entrants.
PL-94	See line PL-93.	Art. 3.2	Plot allocation	These factors are relevant when assessing applications of legal entities: financial status, construction history, previous violations of construction terms and quality systems.	See line PL-93.	This does not appear to constitute a harm to competition.	No recommendation.
PL-95	See line PL-93.	Art. 4	Plot allocation	Plots for terraced houses or multi-occupied buildings shall only be granted to a legal entity.	There is no official recital. Our understanding is that the provision aims to prevent legal entities from taking on a plot and construction work they are not capable of finishing	This provision is discriminatory. Even though it is not common practice, private persons could decide to build terrace houses. This limits the already limited options for consumers to buy plots which can limit the options that private persons have when choosing whether it is more economic choice to build their own houses or not. Even so, from a practical and financial point of view may make sense.	Review this provision and assess whether this restriction is required. There are more efficient and less discriminatory ways to ensure financial viability, such as a requirement for adequate insurance.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-96	See line PL-93.	Art. 4.1	Plot allocation	Legal entities can apply for more than one plot while individuals can only apply for one plot and one backup plot.	See line PL-93.	This provision is discriminatory. Even though it is not common practise private persons could decide to build more than one house at a time. This limits the already limited options for consumers to buy plots which can limit the options that private persons have when choosing whether it is more economic choice to build their own houses or not.	See line PL-95.
PL-97	Rules on Allocation of residential building lots for personal use in Kópavogur	Art. 3	Plot allocation	Applicants must demonstrate that they are able to finance the allocation of the plot and the associated house construction. Both the applicant and spouse/co-habitant must not have defaulted on taxes or other government fees.	See line PL-93.	It is not clear that the requirement regarding co-habitants' tax (or government fee) liabilities is appropriate, for co-habitants who are not jointly taxed.	Review this provision and assess whether the condition regarding an applicant's spouse/co-habitant's taxes/government fees is necessary and justified.
PL-98	See line PL-97.	Art. 6	Plot allocation	Applicants must submit written confirmation from a bank regarding liquidity and possible financial credit for the intended construction, and confirmation from the Treasury collector (innheimtumaður ríkissjóðs) that the applicant or his/her spouse does not owe more than 100 000 ISK [EUR 741].	See line PL-93.	This appears proportional to the objective of ensuring that the applicant can finance the purchase and development of the plot.	No recommendation.
PL-99	See line PL-97.	Art. 8	Plot allocation	The applicant shall fulfil the financial requirements decided by the municipal council.	See line PL-93.	While the wording of the article is vague, this appears proportional to the objective of ensuring that the applicant can finance the purchase and development of the plot	No recommendation.
PL-100	See line PL-97.	Art. 12	Plot allocation	If more than one person applies for the same plot, the person that has not been allocated a plot during the previous ten years, has priority.	There is no official recital. Our understanding is that the provision aims to make plots available for new applicants.	Not many plots have been allocated in the capital area in the recent years and demand is high. Therefore, this provision favours those that have not yet been granted a plot. No harm to competition identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PL-101	See line PL-97.	Art. 17	Plot allocation	Construction rights are allocated to the applicant's name. The construction rights cannot be transferred to a third party before construction level 5 has been completed, without the municipal council's consent.	There is no official recital. Our understanding is that the provision aims to hinder re-selling of allocated plots without the consent of the municipality.	This is an exit barrier. This can create artificial scarcity because those who have construction rights cannot sell them freely. This can therefore raise prices. Moreover, exit barriers when they appear binding such as this one, also act as entry barriers. Barriers to exit, like barriers to entry, weaken the market discipline mechanisms of the competitive process, which act to relocate resources from one market or firm to another according to changing conditions. This can lead to less efficient firms staying in the market. As a result, resources (both financial and human capital) become trapped in existing firms instead of being relocated to their most efficient use. Notwithstanding this, it is reasonable for the municipal council to retain some control over plot ownership.	Consider whether this rule could be redrafted to achieve the same intent, providing objective criteria for the municipal council's consent.
PL-102	See line PL-97.	Art. 6 par. 1	Plot allocation	The applicant must submit documentation that provide information on "immaculate construction history".	There is no official recital. Our understanding is that the provision aims to provide that legal entities that take on plots adhere to construction legislation.	This provision requires that a legal entity applying for a plot in Kópavogur must submit documentation with information on their "immaculate construction history." This could potentially favour well-established legal entities at the expense of newer businesses that do not have a construction history. Furthermore, this provision is somewhat ambiguous which could create uncertainty.	Consider whether this rule could be redrafted to achieve the same intent without potentially disadvantaging new entrants.
PL-103	See line PL-97.	Art. 18	Plot allocation	It is not possible to return a plot without the municipal council's consent, which can only be given under special circumstances	There is no official recital. Our understanding is that the provision aims to ensure that an application for a plot is not taken lightly and that it is final	This is an exit barrier. It can create artificial scarcity because those who have been allocated plots cannot return them freely if they decide not to start or finish their building project. This can therefore raise prices. Moreover, exit barriers when they appear binding such as this one, also act as entry barriers. Barriers to exit, like barriers to entry, weaken the market discipline mechanisms of the competitive process, which act to relocate resources from one market or firm to another according to changing conditions. This can lead to less efficient firms staying in the market. As a result, resources (both financial and human capital) become trapped in existing firms instead of being relocated to their most efficient use.	Review this restriction to assess whether it is required.
PL-104	Bylaws on charge for municipal street construction in Kópavogur	Art. 4	Street constructio n	This article specifies how street construction fee is calculated. This is in accordance with art. 4. par. 1 of law no. 153/2006 on street construction fee.	This provision is in accordance with art. 4. par. 1 of law no. 153/2006 which provides the legal basis for the calculation and collection of this tax.	See line PL-85.	See line PL-85.
PL-105	Bylaws on building and construction committee of Garðabær	Art. 3 par. 2	Planning	The building inspector shall seek the planning committee's approval before granting a building permit that allows alterations in a building's	This provision can be found in the building regulation art. 2.3.4	This provision is in accordance with art. 2.3.4 of the building regulation. Needing approval of the planning committee for an alteration of an appearance of a building can cause delays and raise cost. It should be considered here that changes to a local plan might also be required for the planning committee to give their approval. That process can be quite heavy, time consuming and expensive.	Consider abolishing this requirement, or if needed, clarify the article to limit the potential for arbitrary decision making from building inspectors or planning committees.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				structure or appearance unless the change is insignificant.		Furthermore, it should be noted that requiring a building permit for insignificant alterations of a building is rather burdensome, especially since the law on buildings no. 160/2010 allows for a more lenient approach. Art. 9 par. 1 of the law states that the minister can decide in a regulation that minor alterations of construction are not subject to a building permit.	
PL-106	Bylaws on the planning- and environ mental commission of Reykjavík, dated 21 June 2016.	Art. 7 par. 1	Planning	The planning- and environmental commission in Reykjavík shall hold four meetings each month. The chairman can convene an extraordinary meeting when needed. It is allowed to postpone all meetings for two months during the summer.	There is no official recital.	Meetings of this commission are often necessary in order to move the process of proposed changes to development plans further along. Postponing all meetings for two months during the summer can lead to even longer delays in the process.	Reykjavík municipality should review its rules on procedures, aiming to reduce delays in the planning process.
PL-107	Act on landowners no. 81/2004	Art. 5 par. 1	Planning	Land that has been planned as farming land or can be used for farming cannot be used for anything else unless it is specially allowed by law.	The purpose of this law is to set rules on the rights and obligations of landowners to promote agricultural production in those areas dedicated to that purpose.	While this might limit the freedom of owners to use their own land in the way they want, this appears proportional to the policy objective. No harm on competition grounds.	No recommendation.
PL-108	Act on landowners no. 81/2004	Art. 6 par. 2	Planning	Permission from the minister is required for the change of land use in development plans for land that has previously been planned as farming land and is larger than 5 hectares. Such permission must be requested in writing.	See line PL-107.	See line PL-107.	No recommendation.

Table B.2. Recommendations on building regulations (see Chapter 4)

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
Building regulations							
BR-1	Law on Buildings no. 160/2010	Art.7. par 1,2.	Building permit	The municipality has the option to choose to appoint a committee that discusses building permits before they are reviewed by the building inspector. It can choose to make it a requirement for some or all buildings that all members of either the building committee or the municipality agree to a building permit before it is given.	The recital states that the municipalities have a choice to have a building committee oversee the work of the building inspector.	According to this provision, municipalities can choose to add an extra step in the process of issuing building permits. Appointing a committee could delay the permit being issued. The provision is also unclear, making it more prone to inconsistency in how it is applied. This could possibly create an uneven playfield between different geographic areas. Moreover, the provision amounts to an administrative burden. Administrative burdens, while not competition distorting in themselves, increase costs to operators, such as opportunity costs from the time spent on procedures. They may lead to delays and reduce the opportunities to maximise efficiency, while increasing operating costs for existing market participants. Moreover, the administrative burden may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question.	Option 1) Abolish the provision Option 2) If the authorities want to maintain the possibility of establishing a committee then the provision should set a clear timeframe for delivering a reply. If this timeframe is exceeded then the applicant can assume that the permission is granted.
BR-2	Law no. 160/2010 on Buildings	Art 8. par 3	Regulated professions	Local governments are required to have a building inspector. In order for a person to be licenced as an inspector, they must satisfy requirements set out by law about education and experience. it is stipulated that they must be a licenced designer. If the municipality decides to use the same person as both building inspector and for planning then that person must also fulfil requirements for a planning licencing.	The official recital states that after dividing this into two categories, It becomes more important than before that building and planning officials make it clear on the bases of what law they are working under (the planning or the building).	The process for becoming a building inspector is onerous and time consuming. The regulation stipulates that building inspectors must be licensed designers. This requires several steps. First, they must finish a degree in a specific field (e.g. as an engineer or an architect) and then receive authorisation to exercise the profession from the relevant minister. They must then work for a minimum of three years in their respective field under the supervision of a licenced designer and then must pass an exam issued by the Housing and Construction Authority (HCA). Prospective building inspectors then cannot start work until their hire has been notified to the HCA. Building inspectors must also have accreditation to be able to oversee design documents if this task has not been outsourced to inspection agencies that have the required accreditation and a working licence from the HCA. However, having high educational and training requirements for building inspectors is justifiable considering the vital role they play as a supervisory body according to the Building Regulations, and given their role in achieving the objectives of the overarching legislation. Notwithstanding the above, stakeholders noted that there is a lot of inconsistency in how building inspectors interpret the Building	The government of Iceland should consider the following options or a combination of them to improve consistency and accountability of building inspectors: 1) continuous training of building inspectors 2) guidelines, instructions and handbooks that are available to all 3) transparency mechanisms and clear appeals processes to ensure accountability of building inspectors.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						Regulations, which can lead to differences in how it is applied between geographic areas. This inconsistent application could lead to different outcomes and costs between areas.	
BR-3	Law on Buildings no. 160/2010	Art. 13 par. 1(2)	Building permit	To be able to get a building permit, main designs must have been inspected and the permit issuer must have signed them to confirm them.	This provision was amended in 2018 to remove the need for detailed designs. The official recital states that the purpose of the amendment is to increase flexibility and prevent unnecessary delays and cost. The official recital furthermore states that construction is one of the biggest investments made. It is prudent to make sure that minimum safety requirements are upheld.	While the changes that were made to this provision in 2018 represent some progress and simplification, the requirement that all main designs must have been inspected and signed by the permit issuer can still be quite burdensome and cause delays in the building process. Moreover, the requirement of a written permit is time consuming and seems obsolete given modern communication technology. (According to Eurostat, 99% of Icelanders are regular internet users.) Further, according to stakeholders, some permit issuers require that all designs be handed in on paper. This is an administrative burden that increases cost, especially for smaller operators. Stakeholders have furthermore pointed out that this provision does not guarantee that the main designs that are handed in and signed by the permit issuer fulfil all requirements according to the Building Regulation. The permit issuer's inspection and signature does not release the designer of any responsibility. Stakeholders have also pointed out that this process may involve drawings being handed in numerous times causing even further delays. The total effect is one of costly intermediation and delays, which all act as deterrents for investors and developers. See line BR-1 regarding the impact of administrative burdens.	The government of Iceland should simplify and clarify the application process for building permits. There should be clear timeframes and it should be clear which requirements need to be fulfilled. As Iceland is one of the most digitalised countries in the world, applicants should be able to hand in all documentation digitally.
BR-4	Law no. 160/2010 on Buildings	Art. 13 par. 1 (3)	Building permit	To be able to get a building permit the building permit fees and other requisite fees must have been paid. An exemption to this is when the due date of the fees is not until after the building permit is issued.	The policy objective cannot be found in the recital, but it seems to be to ensure that fees are paid before the building is constructed.	There are many requirements that have to be fulfilled in order to receive a building permit. If the issuing of the building permit is delayed for some reason, it is a burden for the operator to have paid the fees without being able to start construction. It is also difficult if not impossible for operators to estimate the total cost of fees that must be paid for a project, which creates uncertainty. Some of these fees are quite expensive, especially for smaller operators that do not have the same resources as larger operators. To give an example of the cost. if one were to build a single dwelling house in Reykjavík in the year 2020 then one would have to pay the following fees to be able to get a building permit: charge for municipal street construction: ISK 34,303 (EUR 249) per square meter; minimum fee for accepting main designs for revision by the building inspector ISK 11200 (EUR 81) and for every following third revision of the main designs. ISK 11200 (EUR 81); revision of all special designs except the for the electricity (e.g. designs for water-pipes, ventilation, bearing capacity) for single dwelling house ISK 84000 (EUR 610); revision of designs for	The amount of the fees should be clear upfront regardless of whether the fee is issued by the state or a municipality. Consider whether building permits could be issued with a notice that the building permit is not valid until the fees are paid. This would be easier if an electronic platform were used to facilitate the process (see recommendation in line BR-28).

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						electricity for a single dwelling house is ISK 151 000 (EUR 1098); calculated for a 150 square meter house where all designs would only need to be handed in once these fees would be ISK 5 381 613 (EUR 39 139).	
BR-5	Law on Buildings no. 160/2010	Art. 13 par. 1 (4)	Building permit	To be able to get a building permit, construction managers must hand in both a signed declaration regarding their liability and a declaration signed by the required master tradespersons (a carpenter, plumber, electrician and a mason) for the construction regarding their liability for the work they are responsible for.	This provision was amended in 2018 to reduce the number of required master tradespersons at the beginning of construction, to avoid token master tradespersons that do not in fact actually work on the construction, ensure efficient administration, and reduce construction cost.	To get a building permit, this provision implies that the construction manager, on behalf of the owner, must hire a carpenter, plumber, electrician and a mason that are all licenced masters in their trade. This is for all projects that require a building permit, regardless of whether these master tradespersons are needed or not. One could, for example, argue that a plumber would not often be required for the construction of a sign that is larger than 1.5 m^2. Further, they must have signed a declaration regarding their liability. The need to hire all of these master tradespersons imposes significant cost and is not required for all construction jobs. Further, the need for such tradespersons to be masters acts as a barrier to competition (see line PR-3).	1) Clarify that only those tradespersons that are relevant to the type of job being undertaken need to be hired. 2) Review the need for the "master" classification – see recommendation in line PR-3. 3) Develop an electronic platform to register what each tradesperson is liable for.
BR-6	Law on Buildings no. 160/2010	Art.13 par. 1 (5)	Building permit	In order to be able to be granted a building permit, it must be written in the data bank of the Iceland Construction Authority that the construction manager and the master tradespersons have in place the required quality control systems.	To ensure that the construction manager and the master tradespersons have in place a quality control system. The requirements of this provision make it simpler for the building inspector to make sure that the relevant master tradespersons have a quality control system. Such systems ensure safety.	A quality control system is a database that includes confirmation of the relevant individual's qualifications, records on internal control, received design documents and various other files. The quality control system must be registered with the HCA. After a registration application has been accepted by the HCA, the system has to be certified by an accredited agency. This costs from ISK 26 100 to ISK 33 500 (EUR 190-244). The HCA then accepts the quality control system if it fulfils all requirements and registers it. If either the construction manager or the master tradespersons do not have the required quality control system or it is not up to the regulated standard, then a building permit cannot be issued. This requirement can be more burdensome for smaller operators or single workers and therefore reduce the number of operators in the market. Combined with the limitations inherent in the licensing system for master tradespersons and construction managers, this limits the options for those who might want to use their services. Stakeholders have pointed out that there is very little if any, supervision with the quality control systems they have in place. Therefore many do not use them. Regardless, it is proportional to the policy objective, but enforcement must be ensured.	No recommendation

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BR-7	Law no. 160/2010 on Buildings	Art. 13 par. 1 (6)	Building permit	In order to be granted a building permit, design managers must have submitted an overview of the internal control on the execution of design and the liability for each designer (explaining what is expected of that designer). The design manager must sign this and confirm that it is an exhaustive list.	The recital does not explain the policy objective thoroughly but this rule is probably to ensure that there is a clear line of liability regarding the designers of a building. Each designer is therefore liable for the part they design.	A design manager is responsible for the coordination of design documents. The design manager shall sign all special drawings to confirm that the coordination is complete before the permit issuer confirms them. This provision requires that before a building permit is issued, the design manager must have submitted an overview of the internal control on the execution of design in addition to an overview of the liability for each designer. This provision can go against some of the benefits that the simplification of the building permit application process was supposed to achieve. Reason being that all designers must be hired very early in the process before the building permit is issued. The requirements of a high level of education in addition to the required overview of liability lead to fewer choices for the consumer and higher prices.	Develop an electronic platform where designers can register what they are liable for. The relevant authorities and other interested parties should be able to access the platform.
BR-8	Law on Buildings no. 160/2010	Art. 14 par. 2	Building permit	Building permits can be revoked by the issuer if construction has not begun within 12 months from the issuing of the building permit. Further explanation on when construction has begun is in the building regulation.	The recital does not explain the policy objective for this article. We understand it is to ensure that the building permits are current and up to date and to protect the interests of neighbours and others that might be affected by ongoing construction.	This seems to be reasonable considering the objective. No harm to competition.	No recommendation.
BR-9	Law on Planning no. 123/2010	Art. 13 par. 3	Planning	he project subject to a construction permit has stopped for 1 year, the local government may, on the proposal of the planning committee, impose daily fines on the licensee.	The recital does not explain the policy objective. We understand seeks to ensure that construction is not ongoing for a very long time, causing inconvenience for neighbours and others.	The provision does not provide clear guidance about the circumstances in which construction is deemed to have been stopped, and what situations would justify a fine. Ambiguous provisions with no objective criteria are more likely to be applied differently between applicants on subjective grounds and are therefore a barrier to competition. This provision leads to legal uncertainty that can be harmful to competition. A likely consequence of this provision is that there are geographical differences in the applied rules between different municipalities. This provision needs clarification to prevent arbitrary rules.	This article needs further clarification to prevent arbitrary rules and discrepancies between municipalities

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BR-10	Law on Buildings no. 160/2010	Art. 35 par. 1	Planning	A safety inspection must be made before the building is taken into use.	We understand that the aim of this provision is to ensure the safety of buildings before they are put into use.	According to this provision, buildings cannot be put into use before a safety inspection has been made. The need to wait for a safety inspection may delay the closing of a project, entailing costs. However, the requirement seems proportional on safety grounds. In practice, stakeholders noted that this safety inspection is not always undertaken and there are buildings in use that have not gone through this type of evaluation. The market has found countermeasures against project owners not fulfilling this article. Banks and other money lenders do not approve loans with buildings as collateral that have not undergone a final inspection or at least do not give as good rates or a worse loan to value ratio.	No recommendation.
BR-11	Building regulation no. 112/2012	Art. 2.3.1.	Building permit	A building permit is needed to be able to start construction for a building, digging for the foundation of a building, changing a building, changing the structure of a building, changing the plumbing, moving or demolishing a building. The Iceland Construction Authority gives further instructions on which buildings need licencing.	There is no official recital. Our understanding is that this provision is to ensure safety of the building and to ensure that all buildings are built according to standards.	According to this provision, a building permit is not only required when building a new building, it is also required for any changes made to a buildings shape or appearance that cannot be considered as maintenance. It does not make any distinction between different types of building projects. Needing a permit for minor changes to a building is excessive. Applying for a building permit includes many steps, e.g. handing in designs, hiring a construction manager, design manager and master tradespersons. This complicated and protracted process can cause delays and raise cost significantly for otherwise simple projects. This in return can lead to consumers choosing not to apply for a building permit at all or not until construction is well under way, betting on the possibility that no one will notice the changes made or inform the supervisory bodies. This in return lessens the value of the building permit itself. In comparison, the Danish and Swedish building regulations provide exemptions for certain building projects.	The government of Iceland should classify buildings based on their usage, complexity in construction, size and societal importance. It should then vary the application process for building permits to reflect this classification, and the type of construction job to be undertaken. Alternatively, or in addition, smaller, less complicated projects could go through a fast track process. Digital processes and registers should be used where possible.
BR-12	Building regulation no. 112/2012	Art. 2.3.4	Building permit	A building permit concerning altering the appearance of a building, that is not in accordance with the relevant local plan, can not be issued without a licence from the concerned planning committee unless the changes are insignificant (which is further defined in the provision).	There is no official recital. Our understanding is that the aim is to ensure that the interests of neighbours and historical buildings are protected.	Needing approval of the planning committee to alter the appearance of a building can cause delays and raise cost. Especially given that changes to a local plan might also be required for the planning committee to give their approval. That process can be complicated, time consuming and expensive (as discussed in Chapter 2). The provision is ambiguous and does not provide any guidance on what conditions are reasonable. Ambiguous provisions with no objective criteria are more likely to be applied differently between applicants on subjective grounds and are therefore a barrier to competition. This provision leads to legal uncertainty and is harmful to competition.	This article needs clarification. There should be clear guidelines to limit arbitrary decision making from building inspectors as well as planning committees.

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BR-13	Building regulation no. 112/2012	Art. 2.3.5(a)	Notified measures	Small changes inside a residential building do not need a building permit if the building inspector is notified of the changes before they are made. These are changes to wet areas, kitchens, minor changes to load bearing walls and light walls e.g.	There is no official recital. Our understanding is that this provision is to have a simpler process in place for minor constructions that are not subject to a building permit.	The objective seems to be to simplify the process for consumers so they do not have to apply for a building permit for minor constructions. However, the notification process is complicated, burdensome and expensive (see line BR-21). Stakeholders have commented that for the smallest changes that need to be notified one would have to at least get a single licenced designer to work for 8-16 hours including the communications with the building inspector. With the hourly rate ranging from ISK 15 000 to ISK 25 000 (EUR 109-182). This means that the final cost would be at least ISK 120 000 (EUR 873) for the designer work. Inspection of the tariffs for building and planning set by the building inspectors of the greater capital area give no definite information on how much it would cost to submit a notification. Stakeholders have pointed out that this provision is not enforced. Small changes inside a building are rarely notified to the building inspector. This lessens the protective objective of the article.	Option 1) Abolish the provision or Option 2) Develop a simplified online notification system with clear requirements that vary depending on the type of job and the health and safety risks associated with the job. If the permit issuer has not made a ruling within a certain period (e.g. 20 days) the applicant is able to commence work.
BR-14	Building regulation no. 112/2012	Art. 2.3.5(b)	Notified measures	All small changes inside a commercial building do not need a building permit if the one who issues the permit is notified of the changes before they are made. Wet areas cannot be moved and load bearing walls changed without a building permit.	See line BR-13.	See line BR-13.	See line BR-13.
BR-15	Building regulation no. 112/2012	Art. 2.3.5 (c)	Notified measures	Certain minor changes to exterior cladding or load-bearing structures of buildings do not need a building permit if the one who issues the permit is notified of the changes beforehand.	See line BR-13.	See line BR-13.	See line BR-13.
BR-16	Building regulation no. 112/2012	Art. 2.3.5. (e)	Notified measures	Height changes to plots must be notified and in some cases need building permits. If	See line BR-13.	See line BR-13.	See line BR-13.

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				notification is not given no changes can be made.			
BR-17	Building regulation no. 112/2012	Art. 2.3.5 (f)	Notified measures	Fences that are up to 1.8 m tall on the site boundary do not need a permit or a notification but the licensor must be handed a signed copy of an agreement between the neighbouring owners.	There is no official recital. Our understanding is that the aim is to ensure that all interested parties have agreed to the fence.	Stakeholders have pointed out that this provision is not enforced. Agreements between the property owners are rarely handed in. This lessens the protective objective of the article.	Option 1) Abolish the provision or Option 2) Hand in agreement electronically.
BR-18	Building regulation no. 112/2012	Art. 2.3.5 (g)	Notified measures	Small houses that fulfil the certain criteria as outlined in the provision do not need building permits:	See line BR-13.	Stakeholders have pointed out that this provision is not enforced. Agreements between the property owners are rarely handed in. This lessens the protective objective of the article.	See line BR-17.
BR-19	Building regulation no. 112/2012	Art. 2.3.5 (h)	Notified measures	Extensions do not need a building permit if they are no bigger than 40 m2, are inside of the building plot and the construction is notified.	See line BR-13.	See line BR-13.	See line BR-13.
BR-20	Building regulation no. 112/2012	Art. 2.3.5 (i)	Notified measures	The construction of small constructions that are not connected to but are part of the property do not need a building permit if they fulfil the requirements in the provision.	See line BR-13.	See line BR-13.	See line BR-13.
BR-21	Building regulation no. 112/2012	Art. 2.3.6	Notified measures	Notifications must include information from licenced designers in all respective fields that explain that the changes do not exceed the limitations of Art. 2.3.5. and are within	See line BR-13.	These requirements are essentially the same as for an application for a building permit. This article imposes a burdensome authorisation process that should not be necessary for minor construction projects. These excessive requirements, i.e. statement by a licenced designer, increase the cost and cause delays of construction. The permit issuer is supposed to deliver notification within 20 days and can request extra 20 days. This seems to indicate that there should be a time limit in place. However as there is no explanation that if there is no answer within 20	See line BR-13.

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				the limits of the development plans. The permit issuer can request 20 further working days to issue the notification. If there are changes made to load-bearing walls or firewalls then the notification from the constructer must be signed by the one who did the changes.		days that work can start, the 20 - 40 day limit has no meaning. Especially because it is clear that work cannot start until the permit issuer has given notification that it is within the limits of article 2.3.5 and the local plan. The article causes delays, added cost and legal uncertainty. Stakeholders have commented that small constructions are rarely notified and that there is little to no enforcement. This in return can give those who do not comply to these requirements an unfair advantage to those who do. See also line BR-13.	
BR-22	Building regulation no. 112/2012	Art. 2.4.1. par. 1 (d)	Building permit	A building permit issuer can request all information that they deem neccesary.	There is no official recital. Our understanding is that this provision is to ensure that there is an option for the building inspector to make sure that all relevant information is available for the building and if not, to enable them to request it.	This is an administrative burden as there is no timeframe or limit to the information that the permit issuer can request. Additionally, taking into account that the permit issuer can ask for any type of additional information, this can lead to discrepancies between different districts because one permit issuer might demand more documents than another might. Overall, this provision gives excessive power to the permit issuer and raises some discriminatory questions.	See line BR-2.
BR-23	Building regulation no. 112/2012	Art. 2.4.3	Building permit	The permit issuer can request an examination, certification, or inspection of a building if there is reasonable concern that it does not fulfil the demands found in Law no. 160/2010 on Buildings or the building regulation no. 112/2012. The issuer can demand that this is done by a certified person.	There is no official recital. Our understanding is that this provision is to ensure that the building fulfils standards and is safe	This provision can raise the cost of the construction significantly. The wording of the article is both open and vague. There is no guidance on the conditions necessary to be considered a certified person or what amounts to reasonable concern. With regards to the fact that law no. 160/2010 on buildings is quite extensive and demands found there are not all bound to safety or structural features. Consequently, this provision is more burdensome than necessary to reach the policy objective to ensure safety and structural integrity of buildings. It should also be noted that the examination required should be in proportion with the construction in question. According to stakeholders, this provision is rarely, if ever used and therefore not enforced or implemented.	The wording of the provision needs to clearly specify what these cases are and what is meant by a “certified person”. All such information should be publicly available, transparent and non-discriminatory.

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BR-24	Building regulation no. 112/2012	Art. 2.4.4 par. 1. (1)	Planning	To be able to get a building permit the building must either adhere to the local plan or have a special permission from the municipality according to law no. 123/2010 art. 43.par.3. The exemption is dependent on minimal impact on neighbours.	This is in accordance with the main provisions of the planning legislation that all construction must be in accordance with development plans.	This provision is in accordance with the planning law. There seems to be no harm to competition. This provision however affirms how many steps are involved when building a house.	No recommendation.
BR-25	Building regulation no. 112/2012	Art. 2.4.4 par. 1 (4)	Building permit	See line BR-5.	See line BR-5.	See line BR-5.	See line BR-5.
BR-26	Building regulation no. 112/2012	Art. 2.4.4 par. 1 (5)	Building permit	See line BR-6.	See line BR-6.	See line BR-6.	No recommendation.
BR-27	Building regulation no. 112/2012	Art. 2.4.4 par. 1 (6)	Building permit	See line BR-7.	See line BR-7.	See line BR-7.	See line BR-7.
BR-28	Building regulation no. 112/2012	Art. 2.4.4 par 2, 4, 5	Designs	Special designs and reports on each project segment must be signed by the permit issuer before the work on that segment starts. Building waste plans must be handed in before beginning construction. If the construction falls under the laws on environmental impact then the National Planning Agency must	This provision was changed in 2018 to lessen the requirements. We understand the objective is to ensure health and safety in relation to the contruction and use of buildings.	Despite the progress and simplification made in 2018, the requirement that all main designs must have been inspected and signed by the permit issuer can still be quite burdensome and cause delays in the building process. According to stakeholders, some permit issuers require that all designs be handed in on actual paper. This is an administrative burden that increases cost, especially for smaller operators. It is especially onerous when the designer is not located in the same area as the permit issuer and when multiple versions need to be printed and submitted. Stakeholders have furthermore pointed out that this provision does not guarantee that the designs fulfil all requirements according to the building regulation. The permit issuer's inspection and signature does not release the designer of any responsibility.	It should be possible to apply for a building permit electronically. There should be clear guidelines to ensure coordinated interpretation from the building inspectors as well as set timeframes. Clear guidelines and timeframes can also improve the quality of the applications to the permit issuer.

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				either have submitted an opinion on the environmental impact of the construction or that the construction does not need obligatory evaluation.			
BR-29	Building regulation no. 112/2012	Art. 2.5.1	Building permit	Building permits are necessary for signs that are larger than 1.5 m²	There is no official recital. Our understanding is that this provision aims to ensure safety.	This provision imposes a very heavy procedure requirement for something so relatively simple. It seems as this could fall under the notification procedure found in art. 2.3.6 of the building regulation.	Replace the requirement for a building permit with the simplified notification procedure recommended in line BR-13.
BR-30	Building regulation no. 112/2012	Art. 3.1.3	Supervision	The issuer of building permits can request further submissions from other supervisory bodies.	There is no official recital. Our understand is that this provision aims to ensure that the designs fulfil specialised design requirements.	The supervisory bodies referred to in the provision are, for example; the fire brigade and the administration of occupational Safety and Health. The provision does not give any guidance as to under what circumstances further submissions are required. This is too open for the building inspector to decide and no timeframe is given to limit the time period within which further documents can be requested. There might be different implementation of this in different geographical areas. This can also delay the decision on whether or not a building permit is issued and therefore makes it more expensive where this is made a requirement.	See lines BR-3 and BR-2.
BR-31	Building regulation no. 112/2012	Art. 3.2.1	Licencing	The Iceland construction authority and building inspectors must have accreditation to oversee designs and assessments unless this part of the supervision is being done by an inspection agency. The accreditation requirements are found in Art. 3.4.1	There is no official recital. Our understand is that this provision aims to ensure that the ones that oversee the designs are fully educated to do so	This provision imposes additional excessive requirements on professionals that have already finished the required education, work experience and tests to be licenced designers according to the law on buildings no. 160/2010. This requirement does not seem to be in line with the fact that these professions are not held liable for any oversight that they might do in their examinations. See also line PR-1.	See PR-1. Consideration should be given to abolishing this provision or removing the requirement for accreditation.
BR-32	Building regulation no. 112/2012	Art. 3.3.1	Licencing	Inspection agency must have licencing from the Iceland construction authority	See line BR-32.	This provision has not been implemented yet. However licencing the agency creates a double-entry burden. This article must be clearer if the regulator finds it necessary to licence the Inspection agency; it must be clear how that licence is obtained. The licence must also not be considered an entry burden or an administrative burden. See also line PR-1.	See lines PR-1 and BR-31.

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BR-33	Building regulation no. 112/2012	Art. 3.8.1	Supervision	Buildings that have either been imported to or built in Iceland can not be used if they have not passed security inspection from the building permit issuer.	There is no official recital. Our understand is that this provision aims to ensure that buildings fulfil Icelandic safety standards.	See line BR-10.	See line BR-10.
BR-34	Building regulation no. 112/2012	Art. 3.9.1	Supervision	A final inspection must be demanded by the construction manager up to three years after the construction is finished (and the safety appraisal done). If the construction manager has demanded this within the timeframe, there is no need for an extra final inspection. The relevant security agencies have to attend the final inspection.	There is no official recital. Our understand is that this provision aims to ensure that buildings fulfil Icelandic safety standards.	This article establishes an authorisation process. The appraisal is something that everyone needs to go through. There should be clear guidelines regarding which security agencies need to attend inspections and for what types of buildings. No harm to competition	No recommendation.
BR-35	Building regulation no. 112/2012	Art. 3.9.4 par. 2	Supervision	If a building is not completed but fulfils all requirements regarding health and safety then there is a possibility for a certificate of final inspection with reservations.	There is no official recital. Our understand is that this provision aims to simplify the inspection process.	This article establishes an authorisation process. The appraisal is something that everyone needs to go through. There should be clear guidelines regarding which security agencies need to attend inspections and for what types of buildings. No harm to competition.	No recommendation.
BR-36	Building regulation no. 112/2012	Art. 4.2.1 par 3	Building permit	Design documents must be in Icelandic unless the permit issuer allows for something else	There is no official recital. Our understanding is that all designs must be readable by the people that have to use them, and it might be difficult to understand the technical terms in other languages than Icelandic	This provision represents a barrier to entry as it forces designers to know Icelandic or to get the design translated, with all the associated costs. This provision is particularly discriminatory for foreign designers, as they would have translation costs, which might lead to higher prices compared to national incumbents and, therefore, to a lower consumer welfare. Designers are expected to understand standards that have not been translated from English into Icelandic so it should be fair to assume that the building inspector would understand designs in English.	English (as well as Icelandic) designs should be accepted.

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BR-37	Building regulation no. 112/2012	Art. 4.2.3 par. 1	Building permit	The permit issuer decides whether all designs should be handed in on paper or electronically	There is no official recital. Our understanding is that this provision aims to ensure that there is a clear copy for storage.	This leeway to choose whether to potentially impose the submission of the designs on paper is potentially expensive as this requires that the designs are printed, signed by hand and then delivered physically to the offices of the building inspector. Stakeholders have pointed out that the requirement to hand in designs on paper is both time consuming, impractical, costly and less environmentally sustainable. Electronic submission of designs or the use of an e-platform would be more efficient and practical.	All designs should be handed in electronically unless the building permit applicant specifically requests to hand them in on paper.
BR-38	Building regulation no. 112/2012	Art. 4.4.1	Building permit	Building permit issuer can demand that when designs are submitted that they are made to a particular scale.	There is no official recital. Our understanding is that this provision aims to ensure that the building inspector can clearly see the details of the design.	This requirement is only relevant when the building inspector requires that the designs are handed in on paper. It is unnecessary if designs can be handed in electronically. This is an administrative burden that raises cost. See line BR-37 for more on the burden of paper documents, and line BR-1 for more on administrative burdens generally.	All designs should be handed in electronically unless the building permit applicant specifically requests to hand them in on paper. There should be public guidance on the details and requirements (including scale) required where applicants choose to hand in paper designs.
BR-39	Building regulation no. 112/2012	Art. 4.4.5 par. 4	Supervision	If asked, the designers for bearing capacity must be able to explain calculations to the permit issuer. The designer shall always have the calculations ready in case they are needed.	There is no official recital. Our understanding is that this provision aims to ensure that if the load bearing is questioned the calculations are available. Further, if changes are made to the building in the future then these calculations might be needed.	There seems to be no barrier to competition. This seems to be a reasonable requirement. It should be noted that it might be simplest for all concerned if these calculations were kept with the designs that are handed in to the building inspector, ideally in electronic form.	No recommendation.
BR-40	Building regulation no. 112/2012	Art. 4.6.1 par. 3	Supervision	If the quality control system of the designer is not certified by a certified inspection agency then the Iceland construction authority has to assess it. If this is not done then the permit issuer cannot receive designs from the designer.	There is no official recital. Our understanding is that this provision aims to make co-operation between parties, organisation and supervision easier for building projects, as having quality control systems that are up to a certain standard makes it	See line BR-6.	No recommendation

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
					easier for these parties to work together.		
BR-41	Building regulation no. 112/2012	Art. 4.7.7 par 1	Supervision	Construction managers have authority from the owner to hire master tradespersons. There must be a written contract between the master tradespersons and the construction managers. The contract shall include information on the work that the master tradespersons are liable for.	There is no official recital. Our understanding is that this provision aims to clarify the requirements between the construction managers and the tradespersons	This provision, combined with article 4.10.1 of the building regulation, where it is stipulated that only a master tradesperson can be held liable for their work, corresponds to an entry barrier as it forbids the construction manager to hire workers who are not master tradespersons. In this regard, it should be possible to hire a certified tradesperson, as the title "master" gives the authorisation to work as a professional, but does not enhance education in the trade itself. Therefore, the need for masters, does not ensure better quality or safety of the building. See also line PR-3.	See line PR-3.
BR-42	Building regulation no. 112/2012	Art. 4.7.8	Supervision	If the construction manager quits before the construction is complete then the construction must be stopped until a new construction manager starts work. The building permit issuer must assess the construction and allow the insurer of the former construction manager to assess the construction as well.	There is no official recital. Our understanding is that this provision aims to ensure that there is never a point in construction where there is no supervision and no clear liability.	Having to wait for a new construction manager can obviously cause delays that can be very costly. It can be challenging to hire a new constructions manager because a new construction manager needs to take over the construction, and all responsibilities and liabilities, without being able to know what has been done completely and the quality of that work. These measures are understandable since the construction manager is legally liable. This provision seems to be proportional.	No recommendation.
BR-43	Building regulation no. 112/2012	Art. 4.10.3	Supervision	If master tradespersons quit before the construction is complete then the work that they were liable for must be stopped until a new master tradesperson starts	There is no official recital. Our understanding is that this provision aims to ensure that there is never a point in construction where there is no supervision and no clear liability.	This provision can cause delays as it might be difficult and time-consuming to hire a new master tradesperson. Nonetheless, the provision is proportional to the policy objective as the master tradespersons are liable for their part of the construction. It should be noted, however, that the requirement that the individual responsible for that part of the construction has to be a master tradesperson rather than a certified tradesperson is unnecessary to ensure safety and quality. The title "master" gives the authorisation to work as a professional, but	See line PR-3.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				work. The construction manager must assess the construction and make an assessment of the work that has already been done by the former master tradesperson		does not enhances education on the trade itself. See also line PR-3.	
BR-44	Building regulation no. 112/2012	Art. 6.1.1 par. 4	Design	It shall be the aim that all construction follows universal design and the grounds are accessible for all without special assistance.	Our understanding is that the aim is to ensure everybody can use buildings without special assistance. This is also to fulfil Iceland's ratification of the United Nations Convention on the Rights of Persons with Disabilities as well as the Nordic Charter on Universal Design.	This provision does not require directly that universal design shall be applied in all construction. It rather requires that it shall be the aim that all construction follows universal design. Stakeholders have pointed out that applying universal design in all construction can raise cost significantly. For example, the universal design requires that there shall be a lift in all multi-unit housing that have more than two stories, which is an expensive requirement. The policy objective is that buildings are accessible to everybody, regardless of their disability. Stakeholders have pointed out that universal design requirements make the design range of buildings and apartments more restricted, which causes less variety in design. Stakeholders argue that there are not many ways to design a small apartment that fulfils all the universal design requirements. This provision is rather a statement of the broad policy objective and therefore should be in a preamble.	This is a policy objective that should be in a preamble in the Law on Buildings no. 112/2012 rather than in the Building Regulation.
BR-45	Building regulation no. 112/2012	Art. 6.1.1 par. 6	Design	A designated facility and storage space for bikes, prams, wheelchairs, sleds and so forth must be in or around the building in accordance with the building's purpose.	See line BR-44.	This provision can be understood to set standards above what some well-informed customers would choose. In some buildings, there is no need for large storage and customers should be able to choose, based on their needs and financial resources. There is no guidance to explain the ambiguous wording. Ambiguous provisions with no objective criteria, or any criteria for that matter, are more likely to be applied differently between applicants on subjective grounds and can, therefore, be a barrier to competition. This provision leads to legal uncertainty and is harmful to competition.	Option 1) Abolish this requirement and allow for the designer of the building to choose the most appropriate design and features to install, including storage space. or Option 2) Give clear guidelines that make it clear what is meant by the wording "building's purpose", and in what circumstances storage might be required.
BR-46	Building regulation no. 112/2012	Art. 6.1.2	Design	Universal design shall make sure that people are not discriminated against because of	See line BR-44.	Because of the broad range of buildings that fall under the requirements of universal design, this raises cost of construction. This is also a standard that is above what some well-informed customers would choose. It is important that everybody can use all buildings, especially	This is a policy objective that should be in a preamble for the law on buildings

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				disabilities, handicap or sickness so that they can safely enter or exit a building even under extraordinary circumstances like in case of fire.		all governmental and public buildings. Furthermore, this provision is more of a policy statement and does not describe how to build. Therefore this provision should belong in a preamble.	
BR-47	Building regulation no. 112/2012	Art. 6.1.3 par. 1 (g)	Design	All buildings that must have a lift must be designed with universal design.	See line BR-44.	This provision corresponds to an entry barrier as it raises construction costs on a broad range of buildings. Taking into account that all buildings with more than two floors must have a lift, this provision is extremely strict and it can significantly increase the building costs, which can lead to higher prices for consumers, making it more difficult for people to buy apartments.	Option 1) Abolish this requirement and allow for the designer of the building to choose the most appropriate design and features to install or Option 2) Replace with a descriptive article which clearly explains the policy objective. To give inspiration and explanation there should also be clear guidelines with examples and information of what problems need to be solved regarding the issue at hand.
BR-48	Building regulation no. 112/2012	Art. 6.1.3 par 1 (h)	Design	In apartments where all main rooms (living room, kitchen, bedroom and bathroom) are on the ground floor, all pathways must be designed with universal design.	See line BR-44.	This provision raises construction costs on a broad range of buildings. The wording also creates uncertainty as it seems to suggest that universal design is only required for the pathways but not necessarily for the rooms.	See line BR-47.
BR-49	Building regulation no. 112/2012	Art. 6.1.5 par. 2	Design	Changes made to older buildings shall be made as much as possible according to universal design.	See line BR-44.	This provision is vague and unclearly worded. This could lead to arbitrary decision making and it also creates legal uncertainty, which can be harmful to competition. The understanding of this article really depends on how the permit issuer understands it and the requirements that they feel must be applied to an older building. Hence, through differences in interpretation, it could also create geographical fragmentation.	We recommend establishing clear guidelines that explain under which conditions imposing universal design are absolutely necessary with the aim of allowing the widest possible choice of the building's features for the owners. The guidelines

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							should also specify which other authorities may have to intervene in the decision making. There also needs to be a way to eliminate inconsistencies between different permit issuers as much as possible.
BR-50	Building regulation no. 112/2012	Art. 6.2.1	Planning	Buildings must be positioned so that they are in harmony with the surroundings. They must be designed with beauty, safety, health, nature, accessibility, usage, weather and energy usage in mind.	There is no official recital. Our understanding is that this is to ensure that the building is built and designed with beauty, safety, health, nature, accessibility, usage, weather and energy usage in mind.	This seems to be unnecessary. Particularly with the demands of the planning law in mind, which already covers these matters. There is no need for the same rule in many provisions. This is a subjective aesthetic assessment that varies between individuals and should not be regulated.	Abolish this provision.
BR-51	Building regulation no. 112/2012	Art. 6.2.2 par. 3.	Planning	Generally, access to buildings shall be designed without steps on walking paths. There is a possible exemption to this if the plots for the buildings are too steep to be able to fulfil this.	See line BR-44.	There seems to be no harm to competition. Detailed guidance can be found in guidelines from the HCA.	No recommendation.
BR-52	Building regulation no. 112/2012	Art. 6.2.2 par. 4	Design	One should take care to ensure that signage on pathways can be read by people of any ability.	See line BR-44.	There seems to be no harm to competition. Detailed guidance can be found in instructions from the Housing and Construction Authority.	No recommendation.
BR-53	Building regulation no. 112/2012	Art. 6.2.2 par. 7	Planning	Parking for cars and other vehicles shall be according to decisions of the municipalities.	There is no official recital. Our understanding is that the aim is to give municipalities the power to decide how many parking places should be allotted to each building.	It must be clear that the municipalities decisions must be in line with the minimum requirements for parking spots for the disabled. It is also questionable whether there is a need to repeat the rules here that are also in the planning legislation. As it stands, this regulation can lead to legal uncertainty.	Abolish this provision.
BR-54	Building regulation no. 112/2012	Art. 6.2.3 par. 1. (a)	Design	When choosing lighting for a building, special regard must be taken to those who are sight	See line BR-44.	There seems to be no harm to competition. Detailed guidance can be found in instructions from the HCA.	No recommendation.

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				impaired this shall also be considered when choosing colours.			
BR-55	Building regulation no. 112/2012	Art. 6.2.3 par. 1. (g)	Design	Slanting walkways shall have a horizontal rest space for every 0.6m rise. They shall be at least 1.5m wide and 1.5m long but 1.8m x 1.8m where it is heavily used.	See line BR-44.	It is questionable whether this should be a requirement for all buildings regardless of usage. This article is both detailed and ambiguous as it does not explain the maximum slanting of the walk way and so does not secure the policy objective.	See line BR-47.
BR-56	Building regulation no. 112/2012	Art. 6.2.4 table 6.01	Planning	Minimum requirements for parking spaces for disabled persons are 1 for buildings with 1-10 apartments, 2 for 11-20 apartments, 3 for 21-40 apartments, 4 for 41-65 apartments and 1 more for every further 25 apartments.	See line BR-44.	This provision corresponds to an entry barrier as it raises building costs significantly. Even so, parking spaces are necessary for many disabled persons, and the regulation is therefore proportional to the policy objective.	No recommendation. The relevant authorities could review this when reviewing parking space requirements more generally (see PL-14).
BR-57	Building regulation no. 112/2012	Art. 6.4.2 par. 2-3	Design	Unobstructed width of all entry doors can be no less than 0.83m and no less than 2.07m high and all balcony or garden doors shall be no less than 0.8m wide and 2m high.	See line BR-44.	This provision is overly specific and may not apply to all buildings. While it is important to guarantee the access and safety of all people, over-specification can deprive consumers of their personal choice. For comparison, in the Swedish building regulation, the wording of the corresponding article is that "Accessible and usable doors and gates shall be designed to ensure they allow passage by wheelchair and ensure that there is sufficient space for opening and closing the door or gate from a wheelchair. Other openings in the passageways shall also be designed to allow passage by wheelchair." To counter the open wording of the article in the Swedish regulation there are very detailed general recommendations.	See line BR-47.
BR-58	Building regulation no. 112/2012	Art. 6.4.2 par. 4	Design	Exterior doors shall require no more force to open than 25N on the handle and no more than 40N on the door. If the building requires universal design, then	See line BR-44.	This provision is overly specific and may not apply to all buildings. While it is important to guarantee the access and safety of all people, over-specification can deprive consumers of their personal choice. For comparison in the Swedish building regulation the wording of the corresponding article is: "Accessible and usable doors and gates shall be designed to ensure they can be easily opened by people with limited mobility. Handles, control devices and locks shall be located and	See line BR-47.

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				there must be a horizontal landing in front of all doors 1.5m x 1.5m unless the traffic is heavy then 1.8m x 1.8m. There shall be automatic opening switches no further away than 0.5 m from the keyhole of the door and shall be at around 1m high. There shall be at least 0,5m of operating space on the keyhole side of doors, and the threshold shall be no higher than 25mm. The floor of balconies and veranda can be no lower than 100mm that of the flooring of the building and there shall be a bevel to the threshold.		designed to ensure they can be used both by people with limited mobility and people with limited orientation capacity." To counter the open wording of the article in the Swedish regulation there are very detailed general recommendations.	
BR-59	Building regulation no. 112/2012	Art. 6.4.6	Design	An endeavour shall be made to ensure that stairs are no less than three steps, that they are not made of slippery material, are sturdy and the high difference between steps shall be no more than 89mm and there may not be a wider space between the step and the wall than 50mm unless there is a rail to obstruct it. Markings, workmanship and type	See line BR-44.	This provision is overly specific and may not apply to all buildings. While it is important to guarantee the access and safety of all people, over specification can deprive consumers of their personal choice. There does not seem to be clear reasoning for the specifics and when compared to e.g. the Swedish guidelines, which specify different requirements, and the Danish regulation, which has no requirements. Stakeholders have commented that this is article is not being enforced. If there is no enforcement then consumers can choose not to follow the regulation possibly giving them an unfair advantage to those who adhere to the regulation.	See line BR-47.

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				of stairs shall be so that there is no danger that poor sighted or blind individuals walk into them.			
BR-60	Building regulation no. 112/2012	Art. 6.4.9	Design	Stairs to be 30°-36° and the ratio between stair rises shall be 2h+w='600-640' in the middle of the stair. Rises shall be around 120-180mm. There shall be a run no less than 240mm and no less than 260mm if the stairs are for more than one apartment. If the run is less than 300mm then there shall be an insert. The rise and the run of the stair shall be the same for all flights of stairs in the same stair and the run shall be horizontal.	See line BR-44.	This provision is overly specific and may not apply to all buildings. While it is important to guarantee the access and safety of all people, overspecification can deprive consumers of their personal choice. Stakeholders have commented that this is article is not being enforced. If there is no enforcement then consumers can choose not to follow the regulation possibly giving them an unfair advantage to those who adhere to the regulation.	See line BR-47.
BR-61	Building regulation no. 112/2012	Art. 6.4.10	Planning	In rounded stairs the walk path shall be defined as 450mm from the inner handrail and the run shall never be less than 150mm. The run for outdoor stairs shall be no less than 280mm and the rise shall be between 120-160mm. The slant for outdoor steps shall be between 17°and 30°.	See line BR-44.	This provision is overly specific and may not apply to all buildings. While it is important to guarantee the access and safety of all people, overspecification can deprive consumers of their personal choice. Stakeholders have commented that this is article is not being enforced. If there is no enforcement then consumers can choose not to follow the regulation possibly giving them an unfair advantage to those who adhere to the regulation.	See line BR-47.

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BR-62	Building regulation no. 112/2012	Art. 6.4.12 par. 1	Design	There shall be lifts in all buildings, others than villas, row houses or semi-detached houses, that are two stories or more. If it is not possible to have a lift in previously built housing then there shall be a wheelchair lift that can be used without assistance.	See line BR-44.	This is a strict requirement for all houses mentioned in the article. Stakeholders have commented that the added building cost for a lift per apartment, in an apartment complex, is between ISK 1.5 - 2 million (EUR 10 909 – 14 545). Still, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests as well as the possible security benefits of having a lift for emergency transport.	No recommendation.
BR-63	Building regulation no. 112/2012	Art. 6.4.12 par. 1 (3)	Design	Lifts must be positioned to be of the most use for inhabitants and the doors to the lift shall be no less than 0.8m wide and 2m tall	See line BR-44.	Lifts should be fit for purpose. This provision puts strict requirements on lifts that can make compliance difficult. These requirements are very specific and could exclude some suppliers. Other designs are likely to work just as well.	See line BR-47.
BR-64	Building regulation no. 112/2012	Art. 6.4.12 par. 1 (5)	Design	In all buildings that are more than 3 stories there must be a lift. Unless the building is built on a slant so that there is no more than one flight between ground floor exits. This can also be excluded if there are no more than 4 apartments in the building and it is built on a small plot in an area that is already built.	See line BR-44.	This provision can lead to higher construction costs since lifts are expensive. This also sets standards that are above the level of what some well-informed customers would choose. Many people would rather choose less expensive buildings without lifts but with ramps. (Stakeholders have commented that the added building cost for a lift per apartment, in an apartment complex, is between ISK 1.5 - 2 million (EUR 10 909 – 14 545)) In this regard, while in public buildings lifts are necessary and access should be equally good for everyone, it might be possible to reach the provision's objective with less expensive and moderate ways in private buildings (e.g., with ramps). Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests as well as the possible security benefits of having a lift for emergency transport.	No recommendation.
BR-65	Building regulation no. 112/2012	Art. 6.4.12 par. 1 (7)	Design	Lifts must be at least 1.1m x 2.1m of inside diameter and have a 1000kg. Capacity. If the building is only 3 stories then it can be less but it	See line BR-44.	Lifts should be fit for purpose. This provision puts many requirements on lifts that can make compliance difficult and could possibly exclude some suppliers. Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests as well as the possible security benefits of having a lift for emergency transport.	No recommendation.

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				must be able to work for a person in a wheelchair.			
BR-66	Building regulation no. 112/2012	Art. 6.4.12 General recommendation (2)	Design	Lifts must reach basements and attics.	See line BR-44.	This provision leads to higher construction cost, since lifts are expensive. This also sets standards that are above the level of what some well-informed customers would choose. Many people would rather choose less expensive buildings without lifts but with ramps. In public buildings lifts are necessary and access should be equally good for everyone. Possible to reach the provision´s objective with less expensive and moderate way, with ramps e.g. This is a general recommendation so not necessarily binding.	No recommendation.
BR-67	Building regulation no. 112/2012	Art. 6.4.12 General recommendation (3)	Design	When lifts open then they must make a sound.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-68	Building regulation no. 112/2012	Art. 6.4.12 General recommentation (4)	Design	Buttons next to the door shall be 0.7m to 1.2m from the floor and designed as the Iceland Construction Authority requires.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-69	Building regulation no. 112/2012	Art. 6.4.12 General recommendation (5)	Design	The lift buttons shall be 0.5m from the inner corner of the lift and 0.7m to 1.2m from the ground designed like the Iceland Construction Authority requires.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-70	Building regulation no. 112/2012	Art. 6.4.12 General recommendation (6)	Design	There may not be any obstacles in front of the lift for at least 1.8m width and 2m length. In residential houses with 1-3 floors it can be 1.5m x 1.5m	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.

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BR-71	Building regulation no. 112/2012	Art. 6.4.12 General recommendation(7)	Design	If there is a communication system in the lift then there must be a light that goes on when it is on.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-72	Building regulation no. 112/2012	Art. 6.5.1 par. 3	Design	Handrails shall be on both sides of stairs this can be excluded in apartment buildings if there is a lift in the house and the stairs are next to a wall.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-73	Building regulation no. 112/2012	Art. 6.5.1 par. 4	Design	The distance between handrails may be no more than 2.7m.	See line BR-44.	This provision seems reasonable on safety grounds and, therefore, proportional to the policy objective. This is a general recommendation so not necessarily binding. No harm on competition grounds.	No recommendation.
BR-74	Building regulation no. 112/2012	Art. 6.6.1 par. 1 (1)	Design	Inside buildings that are supposed to be designed as universal buildings all signage and other instructions must be as simple and clear as possible. The info shall also be in braille for the blind.	See line BR-44.	This provision seems reasonable on safety grounds. This requirement might raise cost but is proportional. No harm to competition identified. If this is to be in the regulation it must be enforced.	No recommendation.
BR-75	Building regulation no. 112/2012	Art. 6.6.1 par. 1 (2)	Design	Inside buildings that are supposed to be designed as universal buildings all handles, buttons and switches must be simple enough in use for them to be usable for the widest group of handicapped individuals.	See line BR-44.	This provision seems reasonable on safety grounds. This requirement might raise cost but is proportional. No harm to competition identified. If this is to be in the regulation it must be enforced.	No recommendation.

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BR-76	Building regulation no. 112/2012	Art. 6.6.1 par. 1 (3)	Design	Inside buildings that are supposed to be designed as universal buildings according to art. 6.1.3 all mixer taps must be usable with one hand.	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses, as it sets standards for all accommodations that need to be designed with regard to universal design, then this can limit the consumer choice. Even so this provision seems reasonable on safety grounds. This requirement might raise cost but is proportional. No harm to competition identified. If this is to be in the regulation it must be enforced.	No recommendation.
BR-77	Building regulation no. 112/2012	Art. 6.7.1 par. 2	Design	An apartment must have at least one room, kitchen facilities and bathroom. All these elements must be interconnected and not through the common areas of the building. The apartment must have use of a private storage area and a private or shared washing facilities. Apartments in apartment buildings must have private or shared storage facilities for bicycles and prams.	There is no official recital. Our understanding is that this provision is to ensure that residential apartments should have minimum standards of living and this rule is to protect those standards.	This provision set standards that are above the level that some well-informed customers would choose. It is a very specific requirement and detailed, without taking the need and choice of the inhabitants into consideration. This provision also adds costs. Some people might want to buy an apartment with more bedrooms instead of a laundry room or storage, others would want a cheaper apartment without those rooms. This provision is outdated and too much interference from the lawmakers. Should be up to the inhabitants to decide how they want to use the space.	Abolish this requirement and allow for the designer of the building to choose the most appropriate design and features to install.
BR-78	Building regulation no. 112/2012	Art. 6.7.1 par. 3	Design	The rooms mentioned in the second paragraph of this article must all be big enough to have space for the fixtures needed for the spaces. The designer must explain that the size is enough for the number of persons that are meant to live in the space.	See line BR-77.	This provision can be understood to set standards above what some well-informed customers would choose. There is no guidance to explain the ambiguous wording. Ambiguous provisions with no objective criteria, or any criteria for that matter, are more likely to be applied differently between applicants on subjective grounds and can therefore be a barrier to competition. This provision leads to legal uncertainty and is harmful to competition.	Option 1) Abolish this requirement and allow for the designer of the building to choose the most appropriate design and features to install. or Option 2) Give clear guidelines that make it clear what is meant by the wording “be big enough to have space for the fixtures needed for the spaces”.

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BR-79	Building regulation no. 112/2012	Art. 6.7.1 par. 4	Design	All bathrooms shall have a toilet, basin and bathing facilities. Bathroom sanitary equipment are allowed in more than one room but the basin must be in the same room as the toilet. The entrance to the bathroom cannot be through the bedroom and the entry to other rooms cannot be through the bathroom, except for the washing facilities, unless there are other bathrooms in the building.	See line BR-77.	This should not be regulated, even though it might improve quality, it does so at higher expense and takes away the choice of individuals. It may also set standards that are above the level of what some well-informed customers would choose.	Abolish this provision
BR-80	Building regulation no. 112/2012	Art. 6.7.1 par. 5	Design	There must be a hall in all apartments unless the apartment is specially designed to fulfil requirements regarding noise levels, fire safety, ventilation and draughts.	See line BR-77.	Unless it is definite that having a hall in all apartments ensures that noise levels are to a more tolerable level, fire safety is better and that it protects against ventilation and draughts, then this should not be regulated as it goes against the policy objective of the article.	See line BR-47.
BR-81	Building regulation no. 112/2012	Art. 6.7.1 par. 6	Design	There must be windows that open in all bedrooms and the entrance to bedrooms or other areas of the apartment cannot only be through other bedrooms.	See line BR-77.	This provision corresponds to an entry and operational barrier, as it limits the choice of consumers by setting the standards above the level of what some well-informed customers would choose. In this regard, having these specific requirements raises building costs, which can lead to higher prices to consumers.	See line BR-47.
BR-82	Building regulation no. 112/2012	Art. 6.7.1 par. 7	Design	Private storage units cannot be in the same room as washing facilities of residents. The entrance of pram	See line BR-77.	This provision corresponds to an entry barrier as it sets standards that are above the level that some (perhaps even many) well-informed customers would choose. The provision entails a very detailed and specific set of requirements, without taking the need and choice of the inhabitants into consideration. Some people might want to buy an	See line BR-47.

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				storages cannot be through the car park. Bicycle storage entry can be through the car park if the bicycles have a separate path to get to the storage area.		apartment with more bedrooms instead of a laundry room or storage, others would want a cheaper apartment without those rooms. In principle, the inhabitants should decide how they want to use the space. The article can be found in a subchapter of the building regulation that is named residential apartments and residential housing. Therefore, it is a limitation on all types of residential buildings. The need to comply with all these requirements raises costs and can lead to higher prices to consumers.	
BR-83	Building regulation no. 112/2012	Art. 6.7.1 par. 8	Design	A separate apartment on the top floor must have more than just ceiling windows	We understand that this provision is specifically motivated by fire safety, and the need to ensure sufficient fire escape points.	This provision corresponds to an entry and operational barrier, as it limits the choice of consumers by setting the standards above the level of what some well-informed customers would choose. In this regard, having these specific requirements raises building costs, which can lead to higher prices to consumers. If the policy objective of this article is to ensure fire safety then that should be clear from the reading the article.	Replace with a descriptive article which clearly explains the policy objective regarding fire safety. To give inspiration and explanation there should also be clear guidelines with examples and information of what problems need to be solved regarding the issue at hand.
BR-84	Building regulation no. 112/2012	Art. 6.7.2 par. 2	Design	Ceiling height must not be less than 2.5m from floor unless the average height is 2.2m and it's 2.5m or more in more than 2/3 of the room. Attics must have an average height of 2.2m and it must be at least 2.5 in 1/3 of the room	See line BR-77.	This provision sets standards that are above what some well-informed customers would choose. This takes away the choice of individuals.	See line BR-47.
BR-85	Building regulation no. 112/2012	Art. 6.7.2 par. 3	Design	The aggregate aperture of windows in a room may be no less than 1/10 of the floor space of the room	See line BR-77.	This provision corresponds to an entry and operational barrier, as it limits the choice of consumers by setting the standards above the level of what some well-informed customers would choose. In this regard, having these specific requirements raises building costs, which can lead to higher prices to consumers.	See line BR-47.
BR-86	Building regulation no. 112/2012	Art. 6.7.3 par.1 (a)	Design	For buildings designed with universal design then at least one room must have 1,5m in diameter operating space in front of bed	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses, as it sets standards for all accommodations that need to be designed with regard to universal design, this provision corresponds to an entry barrier as it sets standards that are above the level that some well-informed	See line BR-47.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				and closet. If the apartment is less than 55m^2 then 1.3m in diameter.		customers would choose. In most cases this imposes a very limited choice of design and the look of an interior of a building and removes the ability for the individuals to adapt the interior to their own taste. The provision entails a detailed and specific set of requirements, without taking the need and choice of the inhabitants into consideration. The detailed requirements can limit other possible design options that might still fulfil the policy objective. The need to comply with all these requirements can raise costs and can lead to higher prices to consumers.	
BR-87	Building regulation no. 112/2012	Art. 6.7.3 par.1 (b)	Design	The living room must have operating space that is no less than 1.5m in diameter. If the apartment is less than 55m^2 then 1.3m in diameter.	See line BR-44.	See line BR-86.	See line BR-47.
BR-88	Building regulation no. 112/2012	Art. 6.7.3 par. 1 (c)	Design	There must be space to access windows that can be opened and it cannot be less than 1.5m wide or 1.3m wide in apartments that are less than 55sqm.	See line BR-44.	See line BR-86.	See line BR-47.
BR-89	Building regulation no. 112/2012	Art. 6.7.3 par. 1 (d)	Design	Operating space in front of kitchen must be at least 1.5m in diameter. If the apartment is less than 55m^2 then 1.3m in diameter. If this is not the case then they must be able to change it.	See line BR-44.	See line BR-86.	See line BR-47.
BR-90	Building regulation no. 112/2012	Art. 6.7.3 par. 1 (e)	Design	The operating space in washing facilities shall have 1.5m turning room in diameter and at least 1.3 m diameter for apartments that are smaller than 55sqm.	See line BR-44.	See line BR-86.	See line BR-47.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BR-91	Building regulation no. 112/2012	Art. 6.7.3 par. 1 (f)	Design	There must be access to storage areas for the disabled.	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses that need to be designed with regard to universal design then this provision corresponds to entry and operational barrier as it set standards that are above the level that some well-informed customers would choose. Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests.	No recommendation.
BR-92	Building regulation no. 112/2012	Art. 6.7.3 par 2 (a)	Design	At least one bathroom in an apartment that is designed with universal design shall have at least 1,5m diameter of turning room.	See line BR-44.	See line BR-86.	See line BR-47.
BR-93	Building regulation no. 112/2012	Art. 6.7.3 par 2(b)	Design	There must be a step-free shower area for all apartments that need to be designed according to universal design	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses, as it sets standards for all accommodations that need to be designed with regard to universal design, this provision corresponds to an entry barrier as it sets standards that are above the level that some well-informed customers would choose. Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests. No harm to competition	No recommendation.
BR-94	Building regulation no. 112/2012	Art. 6.7.3 par. 2 (c)	Design	Type and finish of walls must be so that required assistance equipment can be installed for all apartments that need to be designed according to universal design.	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses, as it sets standards for all accommodations that need to be designed with regard to universal design, this provision corresponds to an entry barrier as it sets standards that are above the level that some well-informed customers would choose. Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests	No recommendation.
BR-95	Building regulation no. 112/2012	Art. 6.7.3 par. 2 (d)	Design	Bathroom door can only open out or be a slide door in universal designs for all apartments that need to be designed according to universal design	See line BR-44.	The regulations impose that all public buildings and buildings for disabled/elderly people should be designed in a way that suits people of all abilities. Because of the wide spectrum of houses, as it sets standards for all accommodations that need to be designed with regard to universal design, this provision corresponds to an entry barrier as it sets standards that are above the level that some well-informed customers would choose. This can impose a very limited choice of	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						design and the look of an interior of a building and removes the ability for the individuals to adapt the interior to their own taste. The provision entails a detailed and specific set of requirements, without taking the need and choice of the inhabitants into consideration. The detailed requirements can limit other possible design options that might still fulfil the policy objective. The need to comply with all these requirements can raise costs and can lead to higher prices to consumers. Even so, this can be considered proportional when considering the policy objective of making a building fit for use for all inhabitants and guests	
BR-96	Building regulation no. 112/2012	Art. 6.7.4 par. 1 (a-d)	Design	A new apartment cannot be in a basement unless a) at least one side of the apartment is not underground b) the side that is not underground must face south, south-east, south-west or west and the adjacent room should be the living room.	See line BR-44.	This provision set standards that are above the level that some well-informed customers would choose. It is a very specific requirements and detailed, without taking the need and choice of the inhabitants into consideration. This provision also adds costs without necessarily complying with the policy objectives. Some people might want to buy an apartment in a basement, that is cheaper than others. This provision is outdated and too much interference from the lawmakers.	Abolish this provision
BR-97	Building regulation no. 112/2012	Art. 6.7.4 par. 2	Design	One bedroom can be in the basement if the ground outside the room is no more than 0.5m above the floor plate at the window side and cannot be closer than 3m to a road. The room must fulfil all other requirements for the room.	See line BR-44.	This provision set standards that are above the level that some well-informed customers would choose. It is a very specific requirements and detailed, without taking the need and choice of the inhabitants into consideration. This provision also adds costs without necessarily complying with the policy objectives. Some people might want to buy an apartment in a basement, that is cheaper than others. This provision is outdated and too much interference from the lawmakers.	Abolish this provision
BR-98	Building regulation no. 112/2012	Art. 7.1.2. par.1 (g)	Design	The outdoor area around all buildings that require a lift according to universal design, should be designed according to the	See line BR-44.	No harm on competition grounds	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				requirements of universal design as well.			
BR-99	Building regulation no. 112/2012	Art. 7.2.3 par. 2-3	Design	A building permit is required for all fences that divide plots except if they do not require one according to Art. 2.3.5. The owners of the divided plots must be in agreement that the fence is built.	No official recital. Our understanding is that this provision aims to protect the rights of neighbours.	Obtaining a building permit is very excessive and expensive to obtain and so is notifying according to the notification procedure. Stakeholders have furthermore reported that this provision is not implemented or enforced.	Abolish. There should only be a need to get an agreement from the owner of the neighbouring plots.
BR-100	Building regulation no. 112/2012	Art. 8.1.5 par. 1	Permit/structural issues	The permit issuer can always request that a special geotechnical analysis is made by a certified professional.	No official recital. Our understanding is that this provision aims to ensure the structural stability of the building.	Regarding structural stability of the building it is acceptable that a special geotechnical analysis for safety. No harm to competition there. Certification is perhaps unnecessary, educational requirements would reach the same goal.	No recommendation.
BR-101	Building regulation no. 112/2012	Art. 8.2.3 par. 3	Permit/structural issues	If the building is unusual and it can be expected that it can endure some unusual outside or inside tension then the permit issuer can request further calculations regarding the structure.	No official recital. Our understanding is that this provision relates to construction safety.	According to the regulation the designer must be able to show the calculations for the bearing capacity of the building. These calculations should be able to explain the endurance according to standards. The unclear wording of the article can mean that a building isn't unusual unless the building inspector deems it to be so. This ambiguity means that it is more likely that the provision is applied differently between building inspectors on subjective grounds and are therefore a barrier to competition. This provision leads to legal uncertainty and is harmful to competition	See line BR-12.
BR-102	Building regulation no. 112/2012	Art. 10.2.2 par. 4	Design	In rooms that people stay for long periods of time there may not be a draft. Air speed may not be more than 0.15m/s.	No official recital. Our understanding is that this provision relates to construction safety.	This should not be regulated. It is also unclear what constitutes a long period of time. That may create a legal uncertainty. Ambiguous provisions do not provide any guidance on what conditions are reasonable. Ambiguous provisions with no objective criteria, or any criteria for that matter, are more likely to be applied differently between applicants on subjective grounds and are therefore a barrier to competition. This provision leads to legal uncertainty and is harmful to competition.	Abolish this provision.
BR-103	Building regulation no. 112/2012	Art. 10.2.5 par. 1 (2)	Design	All rooms meant for the elderly or the disabled must be ventilated as if they would be home over the whole day.	No official recital but our understanding is that all buildings shall be designed in a way that ensures the health and	Proportional to the policy objective but clear guidelines are required to explain the policy objective and how it can be achieved. No harm to competition	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
					internal environment will not be damaged by; heat, humidity, noise, sewerage, smoke, waste, air pollution, soil, water, gas leak, radiation. The air quality within a building shall be adequate and in accordance with the use of the building. When choosing ventilation type the use must be taken into account.		
BR-104	Building regulation no. 112/2012	Art. 10.4.1	Design	When deciding what is sufficient lighting in housing then all ages must be considered.	There is no official recital. Our understanding is that all building need to have sufficient lighting according to the use of the building. When assessing the normal lighting conditions, all age groups should be considered.	Proportional to the policy objective but clear guidelines are required to explain the policy objective and how it can be achieved. No harm to competition	No recommendation.
BR-105	Building regulation no. 112/2012	Art. 10.5.4 par. 2 (1)(a) General recommendation	Design	Roof slope when using corrugated iron with paper or water resistant plating underlay on roofs must be no less than 1:4.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that ensures that water cannot damage it or create conditions that can cause discomfort, accidents or threat the health of the inhabitants	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.
BR-106	Building regulation no. 112/2012	Art. 10.5.4 par. 2 (1)(b) General	Design	Roof slope on locked metal boarding with a single forge on roofs must be no less than 11°.	See line BR-105.	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
		recommendation					
BR-107	Building regulation no. 112/2012	Art. 10.5.4 par. 2(1)(c) General recommendation	Design	Roof slope on locked metal boarding with a double forge on roofs must be no less than 4°.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that ensures that water cannot damage it or create conditions that can cause discomfort, accidents or threat the health of the inhabitants	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.
BR-108	Building regulation no. 112/2012	Art. 10.5.4 par. 2(1)(d) General recommendation	Design	Roof slope for paper roofs (minimum two layered) must be no less than 1:40.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that ensures that water cannot damage it or create conditions that can cause discomfort, accidents or threat the health of the inhabitants	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.
BR-109	Building regulation no. 112/2012	Art. 10.5.4 par. 2(1)(e) General recommendation	Design	Roof slope for roofs that are isolated from the inside must be no less than 1:40.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that ensures that water cannot damage it or create conditions that can cause discomfort, accidents or threat the health of the inhabitants	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.
BR-110	Building regulation no. 112/2012	Art. 10.5.4 par. 2(2) General recomm	Permit/structural issues	If other materials are used than were mentioned in par.2(1) of this article then the one who requests the permit must give the	There is no official recital. Our understanding is that buildings need to be designed and built in a way that ensures that water cannot damage it or	Proportional to the policy objective but as these are general recommendations, it must be clear in the enforcement that other applications can be used if they fulfil the policy objective. No harm to competition	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
		endatio n		permit issuer test results from a recognised accredited laboratory that the material can withstand the water needed for the requested purpose.	create conditions that can cause discomfort, accidents or threat the health of the inhabitants		
BR-111	Building regulation no. 112/2012	Art. 11.1.3 par. 1(a)	Design	If the usage of buildings is changed then a designer must explain how the acoustics fulfil standards in the building regulation and standards found in it.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that makes noises from the building itself or its immediate vicinity acceptable so people can sleep, rest, work, etc.	This provision refers to a standard that includes the requirements one must fulfil. The standard has to be bought, and its content is not visible to the public. That creates a legal uncertainty that is harmful to competition. This is also an administrative burden. Administrative burdens, while not competition distorting in themselves, increase costs to operators, such as opportunity costs from the time spent on procedures. They may lead to delays and reduce the opportunities to maximise efficiency, while increasing operating costs for existing market participants. Moreover, the administrative burden may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question.	The government should consider the merits of making all mandatory Icelandic standards relating to the construction sector freely available.
BR-112	Building regulation no. 112/2012	Art. 12.8.1 par. 2	Design	In residential housing there must be locked closets for pharmaceuticals and dangerous cleaning chemicals.	There is no official recital. Our understanding is that all buildings need to be designed and built to ensure the owners' safety.	This provision imposes a requirement that can be considered to be common sense. Therefore, it should not be regulated.	Abolish this provision
Standards							
BR-113	Law no. 36/2003 on standards and the Icelandic standards board	Art. 3	Standard s	The government can make some standards mandatory. The standards must be referred to in the regulation.	The official recital states that the main rule should be that a law/regulation shall refer to a standard, instead of repeating all of its content.	This provision raises compliance costs, as people have to purchase the standards to be able to comply with them. The costs can be substantial when taking into account all standards that need to be purchased. For example: ´Electrical and communication installations in residential buildings´ is EUR 35, ´Definitions of progress stages for building construction´ is EUR 38 and ´Conditions of contract for building and works of civil engineering construction´ is EUR 54. Some standards refer to others, therefore everyone who intends to build needs to own most of them. Buying all of the legally binding standards, that are mandatory to use, costs ISK 1308489 or EUR 9170. This provision is especially burdensome for smaller businesses.	The government should consider the merits of making all mandatory Icelandic standards relating to the construction sector freely available.

BR-114	Regulation no. 981/2010 on changes to regulation no. 431/1994 on business with building material	Art. 2	Standards	There is a list of standards that manufacturers and/or sellers of building material must know and buy to be able to meet the requirement imposed by this regulation.	No official recital. Our understanding is that this provision aims to ensure safety of constructions and its inhabitants.	See line BR-113.	See line BR-113.
BR-115	Building regulation no. 112/2012	Art. 8.5.2	Permit/ structural issues	When deciding the thickness of the glass then standard NS 3510 should be taken into consideration. If glass is used as a load bearing structure then the designer must explain how it is satisfactory. Fastenings and glass must be safe for people and animals.	See line BR-114.	See line BR-113.	See line BR-113.
BR-116	Building regulation no. 112/2012	Art. 11.1.2 par. 3	Design	All commercial and residential buildings must fulfil requirements on sound that are found in ÍST 45.	There is no official recital. Our understanding is that buildings need to be designed and built in a way that makes noises from the building itself or its immediate vicinity acceptable so people can sleep, rest, work, etc.	See line BR-113.	See line BR-113.
BR-117	ÍST 51:2001 Definitions of progress stages for building construction	Art. 1	Standards	The purpose of the standard is to describe the progress of construction projects. The standard is neither a description of the building or the construction work nor a building description. It	It says in the standard itself that the purpose is to describe the progress of construction projects.	See line BR-113.	See line BR-113.

				can be used for official registration of construction works.			
BR-118	ÍST 66:2016 Heat loss from buildings - Calculation	Art. 2.2.	Heat loss from buildings	Heat loss from buildings calculation	No official recital. Our understanding is that this provision aims to ensure safety of constructions and its inhabitants.	See line BR-113.	See line BR-113.
BR-119	ÍST 1	All	Paper size	Title: Trimmed sizes of paper. Legally binding standard.	See line BR-118.	See line BR-113.	See line BR-113.
BR-120	ÍST 20-1	All	Modules	Title: Basic module. Legally binding standard.	See line BR-118.	See line BR-113.	See line BR-113.
BR-121	ÍST 20	All	Modular co-ordination	Title: Modular co-ordination in buildings. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-122	ÍST 151	All	Telecommunications	Title: Telecommunications wiring in residential premises - Antenna systems, network systems, telephone systems, building management systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-123	ÍST EN 1990:2002/NA:2011	All	Structural design	Title: Eurocode 0 - Basis of structural design. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-124	ÍST EN 1027	All	Windows and doors	Title: Windows and doors - Water tightness - Test method. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-125	ÍST EN 206	All	Concrete	Title: Concrete - Specification, performance, production and conformity. Legally binding standard. .	See line BR-114.	See line BR-113.	See line BR-113.

BR-126	ÍST EN 13670	All		Title: Execution of concrete structures. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-127	ÍST EN 932-3	All	Aggregates	Title: Test for general properties of aggregates - Part 3: Procedure and terminology for simplified petrographic description. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-128	ÍST EN 10025-2	All	Structural steel	Title: Hot rolled products of structural steels - Part 2: Technical delivery conditions for non-alloy structural steels. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-129	ÍST INSTA 142	All	Timber	Title: Nordic visual strength grading rules for timber. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-130	ÍST EN 15228	All	Timber	Title: Structural timber - Structural timber preservative treated against biological attack. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-131	ÍST EN 14080	All	Timber	Title: Timber structures - Glued laminated timber and glued solid timber. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-132	ÍST EN 13501	All	Fire safety	Title: Fire classification of construction products and building elements. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-133	ÍST EN 54	All	Fire safety	Title: Fire detection and fire alarm systems.	See line BR-114.	See line BR-113.	See line BR-113.

				Legally binding standard.			
BR-134	ÍST EN 12845	All	Fire safety	Title: Fixed firefighting systems - Automatic sprinkler systems - Design, installation and maintenance. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-135	ÍST EN 12259	All	Fire safety	Title: Fixed firefighting systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-136	ÍST EN 14600	All	Fire safety	Title: Door sets and openable windows with fire resisting and/or smoke control characteristics - Requirements and classification. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-137	ÍST EN 12101	All	Fire safety	Title: Smoke and heat control systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-138	ÍST EN 1838	All	Lighting	Title: Lighting application - Emergency lighting. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-139	ÍST EN 50171	All	Central power systems	Title: Central power supply systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-140	ÍST EN 50172	All	Fire safety	Title: Emergency escape lighting systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-141	ÍST EN 60598-2-22	All	Luminaires	Title: Luminaires - Part 2-22: Particular requirements - Luminaires for emergency lighting. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.

BR-142	ÍST EN 179	All	Fire safety	Title: Building hardware - Emergency exit devices operated by a lever handle or push pad, for use on escape routes - Requirements and test methods. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-143	ÍST EN 1125	All	Fire safety	Title: Building hardware - Panic exit devices operated by a horizontal bar, for use on escape routes - Requirements and test methods. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-144	ÍST EN 13501-2	All	Fire safety	Title: Fire classification of construction products and building elements - Part 2: Classification using data from fire resistance test, excluding ventilation services. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-145	ÍST EN 1443	All	Chimneys	Title: Chimneys - General requirements. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-146	ÍST EN 15287-1	All	Chimneys	Title: Chimneys - Design, installation and commissioning of chimneys - Part 1: Chimneys for non-room sealed heating appliances. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-147	ÍST EN 15287-2	All	Chimneys	Title: Chimneys - Design, installation and commissioning of chimneys - Part 2:	See line BR-114.	See line BR-113.	See line BR-113.

				Chimneys for room sealed appliances. Legally binding standard.			
BR-148	ÍST EN 13384-1	All	Chimneys	Title: Chimneys - Thermal and fluid dynamic calculation methods - Part 1: Chimneys serving one appliance. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-149	ÍST EN 13384-2	All	Chimneys	Title: Chimneys - Thermal and fluid dynamic calculation methods - Part 2: Chimneys serving more than one heating appliance. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-150	ÍST EN 13384-3	All	Chimneys	Title: Chimneys - Thermal and fluid dynamic calculation methods - Part 3: Methods for the development of diagrams and tables for chimneys serving one heating appliance. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-151	ÍST EN 14509	All	Small craft	Title: Small craft - Airborne sound emitted by powered recreational craft. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-152	ÍST EN 81-72	All	Lifts	Title: Safety rules for the construction and installation of lifts - Particular applications for passenger and goods passenger lifts -	See line BR-114.	See line BR-113.	See line BR-113.

				Part 72: Firefighters lifts. Legally binding standard.			
BR-153	ÍST EN 1991-1-2	All		Title: Eurocode 1: Actions on structures - Part 1-2: General actions - Actions on structures exposed to fire. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-154	ÍST EN ISO 7730	All	Thermal	Title: Ergonomics of the thermal environment - Analytical determination and interpretation of thermal comfort using calculation of the PMV and PPD indices and local thermal comfort criteria. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-155	ÍST EN 12464-1	All	Lighting	Title: Light and lighting - Lighting of work places - Part 1: Indoor work places. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-156	ÍST EN 12464-2	All	lighting	Title: Light and lighting - Lighting of work places - Part 2: Outdoor work places. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-157	ÍST EN ISO 6946	All	Thermal	Title: Building components and building elements - Thermal resistance and thermal transmittance - Calculation method. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-158	ÍST 69	All	Thermal	Title: Heat appliances - Conversion of the standard thermal output. Legally binding	See line BR-114.	See line BR-113.	See line BR-113.

				standard.			
BR-159	ÍST EN 442	All	Radiators	Title: Radiators and convectors. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-160	ÍST EN 1264	All	Heating and cooling systems	Title: Water based surface embedded heating and cooling systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-161	ÍST EN 12828	All	Heating systems	Title: Heating systems in buildings - Design of water-based heating systems. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-162	ÍST EN 1717	All	Pollution control	Title: Protection against pollution of potable water in water installations and general requirements of devices to prevent pollution by backflow. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-163	ÍST EN 1825-2	All	Grease separators	Title: Grease separators - Part 2: Selection of nominal size, installation, operation and maintenance. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-164	ÍST 150	All	Electrical and communication installations	Title: Electrical and communication installations in residential buildings. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-165	ÍST 151	All	Telecommunications	Title: Telecommunications wiring in residential premises - Antenna systems, network systems, telephone	See line BR-114.	See line BR-113.	See line BR-113.

				systems, building management systems. Legally binding standard.			
BR-166	ÍST 13779	All		This standard has been superseded by a new standard and is therefore null and void.	See line BR-114.	Referring to obsolete standards can create regulatory uncertainty.	Remove the standard from the standards list.
BR-167	ÍST EN 13501	All	Fire safety	Title: Fire classification of construction products and building elements - Part 6: Classification using data from reaction to fire tests on power, control and communication cables. Legally binding standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-168	ÍST 66:2016 Heat loss from buildings - Calculation	Art. 2.3.	Heat loss from buildings	"Heat loss from buildings calculation	See line BR-114.	See line BR-113.	See line BR-113.
BR-169	ÍST 66:2016 Heat loss from buildings - Calculation	Art. 2.4.	Heat loss from buildings	Generally, use -10 °c in well-ventilated spaces.	See line BR-114.	See line BR-113.	See line BR-113.
BR-170	ÍST 66:2016 Heat loss from buildings - Calculation	Art. 2.4.	Heat loss from buildings	In general, use -15 ° C in open spaces.	See line BR-114.	See line BR-113.	See line BR-113.
BR-171	ÍST 66:2016 Heat loss from buildings - Calculation	Art. 4.2.	Heat loss from buildings	Regarding natural ventilation, it is recommended that air exchange in normal residential buildings be at least 0.8 as provided	See line BR-114.	See line BR-113.	See line BR-113.

				for in the construction regulation.			
BR-172	ÍST 66:2016 Heat loss from buildings - Calculation	Art 7.2.2.	Heat loss from buildings	Multiply the λ value by 1.2 when the isolation turns to the soil as, for example, on a culvert or under a floor plate if there are no specific measures to reduce	See line BR-114.	See line BR-113.	See line BR-113.
BR-173	ÍST 67:2003 Water mains	Art. 3.4.1(1)	Water mains	This standard has been superseded by a new standard ÍST 67:2013 and is therefore null and void.	See line BR-114.	Referring to obsolete standards can create regulatory uncertainty.	Remove the standard from the standards list.
BR-174	ÍST 45:2016 Acoustics - Classification for residential- and commercial buildings	Art. 3.2.	Sound classifications	Category A - very good conditions. Individuals are very rarely exposed to disturbances due to sound or noise.	See line BR-114.	See line BR-113.	See line BR-113.
BR-175	ÍST 45:2016 Acoustics - Classification for residential- and commercial buildings	Art 5.1.	Sound classifications	In tables 1 to 8, sound groups for residential buildings is specified.	See line BR-114.	See line BR-113.	See line BR-113.
BR-176	ÍST 45:2016 Acoustics - Classification for residential- and commercial buildings	Art 10.	Sound classifications	In tables 37 to 44 is sound groups for accommodations.	See line BR-114.	See line BR-113.	See line BR-113.

BR-177	Icelandic National Annexes to Eurocodes		Icelandic National Annexes to Eurocodes	This document contains the Icelandic National Annexes to the Euro codes that have been adopted as Icelandic Standards.	See line BR-114.	See line BR-113.	See line BR-113.
BR-178	ÍST 150:2009 Electrical and communication	Art. 4.4. table 1.	Electrical socket	Minimum number requirements of sockets in each room.	See line BR-114.	See line BR-113.	See line BR-113.
BR-179	"ÍST 150:2009 Electrical and communication	Art. 4.7.3.1.	Electrical socket	Electrical socket placement in kitchens.	See line BR-114.	See line BR-113.	See line BR-113.
BR-180	ÍST 150:2009 Electrical and communication	Art. 4.7.3.2.	Electrical socket	Electrical socket placement in kitchens.	See line BR-114.	See line BR-113.	See line BR-113.
BR-181	ÍST 150:2009 Electrical and communication	Art. 5.1, 5.2.1, 5.2.3	Connection for lights	Placement of light connections.	See line BR-114.	See line BR-113.	See line BR-113.
BR-182	ÍST 150:2009 Electrical and communication	Art. 5.3.	Light switches	Light switches in multi-tenant houses.	See line BR-114.	See line BR-113.	See line BR-113.
BR-183	ÍST 150:2009 Electrical and communication	Art. 6.1.	Communication installations	Inlet pipes for communication installations requirements.	See line BR-114.	See line BR-113.	See line BR-113.

BR-184	ÍST 150:2009 Electrical and communication	Art. 6.5	Door bells and phones	Door bell and phone requirements.	See line BR-114.	See line BR-113.	See line BR-113.
BR-185	ÍST 200 Electrical installation for buildings	All	Electrical installations of buildings	Standard on electrical installations of buildings.	See line BR-114.	See line BR-113.	See line BR-113.
BR-186	ÍST 200 Electrical installation for buildings	Chapter 5	Electrical installations of buildings	This chapter is on selection and installation of electrical equipment.	See line BR-114.	See line BR-113.	See line BR-113.
BR-187	ÍST 200 Electrical installation for buildings	Chapter 6	Electrical installations of buildings	Requirements for verification, by inspection and testing, that wiring conforms to the relevant requirements of the second part of the standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-188	ÍST 200 Electrical installation for buildings	Chapter 7	Electrical installations of buildings	This part of the standard is on requirements on certain wiring or locations.	See line BR-114.	See line BR-113.	See line BR-113.
BR-189	ÍST 200 Electrical installation for buildings	Chapter 8	Electrical installations of buildings	An original Icelandic standard on requirements that are not to be found in any European or international standard.	See line BR-114.	See line BR-113.	See line BR-113.
BR-190	ÍST 50:1998 Area and volume of buildings	Art. 1	Standards	This standard is used to calculate the size of all types of buildings.	See line BR-114.	See line BR-113.	See line BR-113.

BR-191	ÍST EN 197-1:2011 Cement - Part 1: Composition,	All	Standard	European standard on cement.	See line BR-114.	See line BR-113.	See line BR-113.

Table B.3. Recommendations on building materials, equipment and facilities (see Chapter 5)

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-1	Law no. 114/2014 on Construction Products	Art. 6 par. 3	Manufacturing of construction products	Manufacturer of a construction product shall pay for evaluation of performance and verification in order to draw up a declaration of performance.	The official recital states that it is fair that manufacturers bear all cost of this process. Regarding to the policy objective, our understanding is that this relates to safety issues.	This provision is on construction products in general.	No recommendation.
BM-2	Law no. 114/2014 on Construction Products	Art. 8	Manufacturing of construction products	It states in the article that EU harmonised standards that have been implemented by Icelandic Standards (the national standards body of Iceland) can be mandatory.	No information on the policy objective in the official recital. The objective of this provision is probably to ensure the safety of buildings.	This provision raises compliance costs, as people have to purchase the standards to be able to comply with them. The costs can be substantial when taking into account all standards that need to be purchased. For example: ´Electrical and communication installations in residential buildings´ is EUR 35, ´Definitions of progress stages for building construction´ is EUR 38 and ´Conditions of contract for building and works of civil engineering construction´ is EUR 54. Some standards refer to others, therefore everyone who intends to build needs to own most of them. Buying all of the legally binding standards, that are mandatory to use, costs ISK 1308489 or EUR 9170. This provision is especially burdensome for smaller businesses.	The government should consider the merits of making all mandatory Icelandic standards relating to the construction sector freely available.
BM-3	Law no. 114/2014 on Construction Products	Art. 10 par. 1-3 and 5.	Manufacturing of construction products	These provisions make it mandatory for manufacturers and importers of constructions products that are not covered by harmonised standards to provide a so	According to the recital, this is needed to be able to assess if the product is fit for the manufacturers' purpose. Confirmation of the characteristics of a construction product is based on approved	Under the CPR, if a construction product is covered by harmonised standards the manufacturer must draw up a DoP in order to affix the CE marking to the product. If there are no harmonised standards, it is not permitted to obtain this declaration according to the CPR. However, under the Icelandic legislation that transposes the CPR, it is mandatory to obtain a DoP	The government should amend Law no. 114/2014 to bring it in line with the CPR requirements under EU law. In doing so, the government should consider including exemptions for construction products that are not

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				called Declaration of Performance (DoP) for at least one of the properties set out in the article.	design and testing standards, as well as other relevant standards intended for such analysis and registration. If the product is covered by harmonised standards this is mandatory under the EU Construction Products Regulation (CPR).	even if there are no harmonised standards for the product. This unnecessarily raises the compliance costs in Iceland due to a poor transposition of the EU requirements. Further, some jurisdictions such as the United Kingdom have included exemptions for non-safety critical products. If Iceland adopted a similar approach this could further reduce the compliance costs associated with the CPR.	safety critical.
BM-4	Law no. 114/2014 on Construction Products	Art. 12 par. 1 and 2	Manufacturing of construction products	This is a requirement that the HCA verifies the performance/usability of construction products.	No information on the policy objective in the official recital. The objective of this provision is probably to ensure the safety of buildings.	No harm to competition.	No recommendation.
BM-5	Law no. 114/2014 on Construction Products	Art. 12 par. 3	Manufacturing of construction products	Manufacturers of a construction product who want to sell their products on the market must obtain a DoP and pay all the associated costs.	The recital states that this provision aims to ensure that any person who requests the DoP bears the associated costs. The bill states that the manufacturer must bear all costs of acquiring European technical assessment and conformity assessment of construction products.	Notwithstanding the limitations of the Icelandic transposition of the CPR mentioned above, there is no harm to competition from manufacturers bearing the costs associated with compliance with the CPR (once the scope of the Icelandic law has been amended as recommended above.	No recommendation.
BM-6	Law no. 114/2014 on Construction Products	Art. 13	Manufacturing of construction products	The article uses the incorrect concept in its caption.	No information on the policy objective in the official recital. The objective of this provision is probably to ensure the safety of buildings.	The title of this article should be „Information on performance“ rather than „Declaration of Performance“, since this article is not about the DoP according to the CPR. The legislator needs to make distinction between the formal DoP and general information on the product. Only the manufacturers of construction products may obtain DoP.	The government should amend the caption and wording of article 13.
BM-7	Law no. 114/2014 on Construction Products	Art. 16 par. 2	Manufacturing of construction products	The Housing and Construction Authority (HCA) verifies that construction products comply with the law. Upon inspection, the HCA may inspect construction products and take samples for examination. The associated costs are paid by the manufacturer.	The policy objective cannot be found in the official recital. Our understanding is that this provision relates promotes the broader objectives of the CPR.	This provision is on construction products in general.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-8	Regulation no. 550/2018 about emissions and waste from Businesses and Pollution Control Supervision	Art. 5	Pollution control	Every business, cf. I.,VII., IX. Appendix, needs a valid operating licence from The Environment Agency of Iceland or district hygiene committees. To be able to get a business licence it needs to fulfil all the requirements according to laws and regulations. Licences are valid for a fixed period and need to be renewed. In the appendixes mentioned in the article are hundreds of different businesses mentioned that require licence from either Environmental Agency or the district Health Committees.	The recital states that this provision aims to create healthy living conditions for the people and to protect the values inherent in a healthy and unpolluted environment. At the same time, the aim of the regulation is to prevent or reduce emissions into the atmosphere, water and soil and to prevent the generation of waste in order to protect the environment.	Requiring a licence to operate the types of businesses listed in the provision it is proportional to the potential environmental risks posed by these businesses given they may be using dangerous and/or contaminating substances etc. No harm to competition identified.	No recommendation.
BM-9	Regulation no. 937/2001 on compensatory measure regarding cement transport	Art. 1	Cement transport	Cement transport costs shall be offset so that the transport cost of cement from each domestic producer or importer will be the same at all the retail outlets covered by this provision.	There is no official recital. Our understanding is that this provision aims to ensure employment, growth and businesses that are outside of the Capital area.	This regulation was established in accordance with law no. 62/1973, which was repealed in 2004. Therefore, this regulation has no legal effect. This is not clear, since the regulation is still in the legal gazette.	Abolish and remove from statue books.
BM-10	Regulation no. 937/2001 on compensatory measure regarding cem ent transport	Art. 3	Cement transport	A transfer netting fee (calculated and paid per ton of cement sold) shall be imposed on all cement produced in the country or exported to the country. Domestic producers and importers engaged in resale of cement in at least two retail outlets, which are also principal	There is no official recital. Our understanding is that this provision aims to ensure employment, growth and businesses that are outside of the Capital area.	This regulation was established in accordance with law no. 62/1973, which was repealed in 2004. Therefore, this regulation has no legal effect. This is not clear, since the regulation is still in the legal gazette.	Abolish and remove from statue books.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				customs ports, shall pay the fee.			
BM-11	Regulation no. 431/1994 on business with building material	Art. 5	Certified Inspection agency	Only agencies that have been certified as specialists in the fields they are inspecting can inspect building materials.	No official recital. Our understanding is that this provision relates to safety issues.	This regulation was made obsolete with law no. 114/2014 but the regulation itself was never abolished.	Abolish and remove from statue books
BM-12	Regulation no. 202/1952 on safety and health measures when spray painting	All	Spray paint	Out of date	-	This entire law is outdated and needs a total renewal due to the development of new technologies and methods.	This law requires amendment to reflect changes in market circumstances. Abolish or abrogate until the law has been updated.
BM-13	Regulation no. 204/1972 on safety precautions while working in construction	All	Safety standards	Out of date	-	This entire law is outdated and needs a total renewal due to development of new technologies and methods.	This law requires amendment to reflect changes in market circumstances. Abolish or abrogate until the law has been updated.
BM-14	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 48 (a) par. 3	Health and safety in the workplace	If the Administration of Occupational Health and Safety (AOHS) suspect that the health and safety of people or objects are threatened by a type of machinery, equipment or facility, they can prohibit or limit its use for up to 4 weeks. This applies even though the item fulfils the provisions of this law and others. The ban can be extended up to 4 weeks if special conditions require it. Manufacturer bears all cost.	The objective of each article is often hard to find, since the law has been amended many times over the years. Our understanding is that this provision aims to ensure safety and well being of people and objects at the work place.	While it is important to have measures to stop usage of dangerous machines, equipment or facilities to protect the health of people or property, this provision allows a lot of discretion to the AOHS. Notwithstanding this, the provision seems proportional to ensuring safety and well-being, especially if there are unforeseen issues that arise.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-15	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 49 par. 1	Health and safety in the workplace	Machine parts, containers, tanks, boilers, utensils, appliances, structures of any kind, house parts, assemblies and other equipment need to be registered and inspected.	See line BM-14.	This provision imposes a high burden on the developer and builder, as well as on the authority in charge of the inspections. It is not clear that all of the equipment referenced in the article are safety critical, so requiring registration and inspection for all such equipment seems disproportionate to the policy objectives. Further, online registration could be a less burdensome option (especially since most Icelanders are regular Internet users). There is also uncertainty in the provision since it refers to regulation no. 580/1995, which does not exist (Rule no. 580/1995 on machines and technical equipment did exist until it was revoked in 2001, it was then replaced with Rule no. 761/2001, which was replaced with regulation no. 1005/2009).	The government should review these requirements to ensure they are necessary to achieving the required objectives. In doing so, it should consider exemptions for equipment that does not raise significant health or safety concerns, especially given that in practice the AOSH does not enforce the requirements except for larger equipment, such as big tanks and boilers.
BM-16	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 49 par. 2	Health and safety in the workplace	The minister issues tariffs on registration and inspection on all items mentioned in the article. The tariffs are accessible online. The single unit price is ISK 2650 [EUR 19]. There are different units for different kind of machinery. For example, a building crane is 15,2 units, that is ISK 40280 [EUR 310].	See line BM-14.	To the extent that the equipment mentioned in the provision is safety critical (see line above), and the inspection and registration costs vary by type of machinery, this provision seems reasonable and poses no harm on competition grounds.	Fees should only be levied for inspecting equipment/machinery that is safety critical (see also above). No further recommendation.
BM-17	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 66 (a) par. 1	Health and safety in the workplace	When a "Health and Safety Work Plan" (all businesses are required to have this plan) requires health and safety expertise that the workplace does not possess, a service provider, validated by the AOHS, should be recruited by the business to ensure the enforcement of the plan.	See line BM-14.	While the requirement to use a validated professional may be proportional to the policy objective, the validation process is costly and time consuming. In particular, an applicant must finish a 3 day course for service providers, that is held in January each year and costs ISK 71300 [EUR 540 Feb 2020]. In addition, the applicant needs to send an application and documents confirming that they have the relevant qualifications, and evaluation of applications takes about 2-6 weeks. In practice, this article does not appear to be enforced, so it is unclear whether such requirements are necessary.	The government could consider whether this provision is still necessary and if so, whether an online registration process for qualified candidates would be more effective.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-18	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 66 (a) par. 2	Health and safety in the workplace	The service provider needs a validation from the AOHS before starting operations.	See line BM-14.	See line BM-17.	See line BM-17.
BM-19	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 92	Health and safety in the workplace	Businesses need to send the AOSH copies of industrial licences issued by police commissioners.	See line BM-14.	Sending documents to the competent authorities is an administrative burden, which can increase costs and decrease efficiency. Further, according to the AOHS, industrial licences are not issued any more.	To the extent that industrial licences are no longer issued, this requirement should be abolished.
BM-20	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 93	Health and safety in the workplace	Anyone who intends to start a business or change a business needs to seek the opinion of the AOHS on whether the activity is in accordance with the law. They should submit a report containing all relevant information.	See line BM-14.	Providing information to the competent authorities does not pose in itself any harm on competition grounds. According to the AOHS, they do not charge for this opinion, which is issued as soon as possible and always within 10 working days. Opinions on larger businesses might require more time, especially if additional documents are required from the applicant. According to Eurostat, 99% of Icelanders are regular internet users. The Icelandic society is therefore already digitally inclusive and as such can be considered 'e-ready'.	Online registration could reduce the administrative burden associated with this requirement.
BM-21	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 95 par. 1	Health and safety in the workplace	Anyone who carries out a business to which this act applies needs a special operating licence from the AOHS.	See line BM-14.	Taking into account the types of businesses covered by the act and the health and safety objectives, the requirement to hold a special licence seems proportional to the policy objective.	Online application systems could reduce the administrative burden associated with this requirement.
BM-22	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 96 par. 1	Health and safety in the workplace	Any activity covered by this act needs to be notified to the AOHS before it commences.	See line BM-14.	The notification process is burdensome and duplicative of the process for obtaining a special operating licence. In particular, all activities for which notification is required have already had to obtain a special operating licence.	Abolish the notification requirement.
BM-23	Law no. 46/1980 on Facility, Security and	Art. 96 par. 2	Health and safety in the workplace	It is prohibited to start operations in a company or part of a company before an inspector has given a certificate to the	See line BM-14.	According to the AOHS, this process is necessary to ensure safety. However, the open-ended nature of this article leads to legal uncertainty.	Establish a clear timeframe in which the AOHS has to provide an answer and if no answer is given within that timeframe it should be considered that an

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
	Hygiene at the Work Place			party that all equipment is in accordance with the law and instructions of the Director of the AOHS.			authorisation is granted.
BM-24	Law no. 46/1980 on Facility, Security and Hygiene at the Work Place	Art. 97	Health and safety in the workplace	If other parties are, according to law, entrusted with granting other types of licences to companies, the operating licence of the AOHS does not take effect until the person has acquired all the other licences.	The objective of each article is often hard to find, since the law has been amended many times over the years. Our understanding is that this provision aims to ensure safety and well being of people and objects at the work place.	According to the AOHS, information on the types of licences needed is available right from the start. However, even though the information might be available from the beginning, requiring licences from different authorities can increase the administrative burden, which can reduce efficiency and increase costs.	The government should make the necessary amendments to the legal framework to allow the relevant agencies (including, for example, the AOSH, the Environmental Agency, and the District Commissioners) to co-operate to allow businesses and individuals to obtain all relevant licences in the one place, in a so-called one-stop shop.
BM-25	Law no. 72/1994 on labelling and disclosure requirement regarding power consumption products	Art. 3 par. 1	Labelling and information requirements regarding products	Suppliers and sellers of products are required to provide information on energy consumption, energy efficiency, noise and other matters relating to the operation of the products sold or leased. This must be written in Icelandic and accessible for the consumer, with labels, tags or brochures that come with the product. Suppliers shall provide this information and pay all cost of translation/printing.	According to the recital, the purpose of this provision is to promote rational and efficient use of energy by ensuring that consumers have easy access to uniform information on energy consumption.	The need to have all the information in Icelandic adds extra cost to those businesses who need to hire a translator because they do not have a native speaker. This provision can be discriminatory towards foreign suppliers. However, consumers should be able to read and understand the specifications of what the product they are buying, so they can be properly informed.	No recommendation
BM-26	Law no. 7/1998 on hygiene and pollution protection	Art. 6 par. 1	Hygiene and pollution control	All business operations must have a valid operating licence issued by The Environment Agency of Iceland or the relevant Health Committee before starting. The business	According to the recital, the purpose of this provision is to create healthy living conditions and to protect the values inherent in a healthy and unpolluted environment.	The requirement, which imposing administrative burden, seems proportional to the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				must be in accordance with the relevant development plans.			
BM-27	Law no. 7/1998 on hygiene and pollution protection	Art. 6 par. 2,3,4	Hygiene and pollution control	Operating licences are issued for a specific period. If circumstances change, the issuer can reconsider or change the licence. If the reconsideration leads to different operational requirements, the issuer should advertise new drafts of the changes for at least 4 weeks. The issuer can extend the current licence for up to 1 year, while the new licence is in progress.	See line BM-26.	If circumstances change, the operator has 1 year to change its operations accordingly, which seems a reasonable timeframe.	No recommendation.
BM-28	Law no. 7/1998 on hygiene and pollution protection	Art. 8 par. 1	Hygiene and pollution control	The minister may decide in a regulation that business operations, such as dry cleaning, steel ship construction, food processing, gas stations, power plants and hair salons (cf. Annex III-V) are subject to a registration obligation instead of an operating licence.	See line BM-26.	This provision is an exemption to the main rule of the need for a licence, and allows for more lenient approach (e.g. registration). Online registration would further reduce the administrative burden.	Online registration would further reduce the administrative burden.
BM-29	Law no. 7/1998 on hygiene and pollution protection	Art. 8 par. 3	Hygiene and pollution control	A business operator who is required to register the operation must do it with the Environment Agency of Iceland before commencing operations.	See line BM-26.	See line BM-28.	See line BM-28.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-30	Law no. 7/1998 on hygiene and pollution protection	Art. 9 par. 1	Hygiene and pollution control	The Environment Agency of Iceland shall ensure that the operation licence itself lists all conditions necessary to ensure compliance with this law.	See line BM-26.	This provision seems proportional to the policy objective. No harm to competition identified.	No recommendation.
BM-31	Law no. 7/1998 on hygiene and pollution protection	Art. 9 par. 3	Hygiene and pollution control	The Environment Agency of Iceland may set more stringent conditions for operating licences than the BAT (Best available technology) results if the minister decides so in a regulation.	See line BM-26.	This provision corresponds to an additional barrier to entry as it imposes more stringent conditions for special cases that are not defined in the law. The article is vaguely written and therefore creates legal uncertainty, which may deter investors and thereby reduce or prevent new entry into the sector, thereby restricting supply and diminishing the competitive constraints. There is no explanation of this in the recital either.	Clarify in which cases the minister may step in and what sort of additional conditions may be set.
BM-32	Law no. 7/1998 on hygiene and pollution protection	Art. 49 par. 1	Health inspectors	Only those who have received the permission from the minister can be hired as health inspectors.	See line BM-26.	This provision creates a reserved activity for health inspectors. Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity.	Undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978, to determine whether reserved activities or protected title should be narrowed or abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-33	Law no. 7/1998 on hygiene and pollution protection	Art. 59 par. 1	Local authorities	Local authorities may adopt their own rules on matters not covered by regulations or issue more detailed requirements, if they comply with the law (e.g., prohibition or restriction of pet ownership, treatment of waste and sewage, fees for licensing, renting or service or liability insurance).	See line BM-26.	This provision could result in different approaches being taken on various matters in different municipalities. This could raise costs for businesses operating in multiple municipalities and could raise costs of production for some suppliers over others. In practice, most key issues are already covered by relevant regulations, and so it is unclear whether this provision is necessary.	The government could consider whether this provision is required to ensure local authorities have appropriate discretion regarding these issues.
BM-34	Law no. 95/2016 on wood and wood products	Art. 13	Authorisation for inspection and disclosure requirements	The HCA, or other timber inspection body, may inspect timber products from sellers, take samples and request information. The seller bears all the associated costs of the investigation.	It states in the recital that this law aims to prevent the illegal logging, trading and marketing of timber.	This provision may raise costs for timber and timber products. Notwithstanding this, the provision appears proportional to the policy objective.	Consideration could be given to whether online registration could reduce the administrative burden associated with this requirement.
BM-35	Law no. 95/2016 on wood and wood products	Art. 15 par. 1	Product recall	The HCA may prohibit the sale and supply of timber and timber products if the product does not fulfil the requirements of law. They may recall products, require disposal of the products or that the product will be stored until they fulfil the requirements.	See line BM-34.	The provision seems proportional to the policy objective.	No recommendation.
BM-36	Law no. 95/2016 on wood and wood products	Art. 17	Seizure of product	The HCA may seize timber and timber products if they do not fulfil the requirements of this law and dispose of the product at the expense of the owner.	See line BM-34.	The provision seems proportional to the policy objective, as per line BM-35.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-37	Regulation no. 153/1986 on tractors and protection mechanism for power transmission	Art. 9 par. 2,3	Drivers safety and facilities	Certain requirements are made to ensure the safety of the driver of tractors. The height from the ground to the machines first step shall not be higher than 55 cm and the distance between each steps shall not be more than 30 cm.	There is no official recital. Our understanding is that this provision aims to ensure safety and well being of people and objects at the work place.	The requirements listed in the regulation are extremely detailed and prescriptive and limit the ways in which the underlying safety objectives can be met. In particular, these requirements might limit other types of machines available in the market. Other types, with different height and steps are probably just as safe. This furthermore sets standards that are above the level that some well-informed customers would choose.	Abolish this provision.
BM-38	Regulation no. 153/1986 on tractors and protection mechanism for power transmission	Art. 24 par. 1,2	Tractor equipment	Certain requirements are made to ensure the quality of the equipment of tractors. Tractors need to have at least 2 head lights that light up 30 cm ahead of the vehicle. At the back of the machine shall be at least 2 red reflectors, not further than 60 cm from each side of the machine.	See line BM-37.	See line BM-37.	Abolish this provision, as per line BM-37.
BM-39	Regulation no. 153/1986 on tractors and protection mechanism for power transmission	Art. 34	Tractor equipment	The AOHS validates the safety of tractors. Applications for validation are sent to the AOHS with the required information. The applicants pay all costs of this process.	See line BM-37.	The need for validation and inspection is not in itself harm to competition. These machines are big, heavy and potentially dangerous. These requirements are proportional and no harm to competition identified. However, the administrative burden could possibly be reduced through an online application process.	Consideration should be given to an online application process.
BM-40	Regulation no. 153/1986 on tractors and protection mechanism for power transmission	Art. 35	Tractor equipment	The drivers seating area needs to be sufficient and at least 45 cm space on each side from the elbow, measured from the centre of the steering wheel. The height from the seat to the lowest part of the roof shall be at least 100 cm, assuming the seat is in its highest setting. It is necessary to have at least	See line BM-37.	The requirements listed in the regulation are extremely detailed and prescriptive and limit the ways in which the underlying safety objectives can be met. In particular, these requirements might limit other types of machines available in the market. Other types, with different height and steps are probably just as safe. This furthermore sets standards that are above the level that some well-informed customers would choose.	Abolish the provision.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				8 cm space from the steering wheel to another object and from the back of the seat to the structure shall be at least 15 cm space.			
BM-41	Regulation no. 153/1986 on tractors and protection mechanism for power transmission	Art. 45	Tractor equipment	When the safety structure deforms or is in need of repair, only those who the AOHS approves of can handle the repair.	See line BM-37.	This provision limits who can provide tractor repairs. Arguably, any registered garage with the right equipment should be able to carry out these repairs. Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity.	Undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978, to determine whether reserved activities or protected title should be narrowed or abolished.
BM-42	Regulation no. 921/2006 on actions against strain from noise at work sites	Art. 7	Health and noise protection plan	Employers needs to prepare and implement a plan to prevent strain and stress from noise in the work place, including a prevention program. When it is not possible to prevent noise, it shall be kept to a minimum.	See line BM-37.	This provision appears to be proportional to its objective. No harm to competition identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-43	Regulation no. 920/2006 on planning and execution of work protection at work sites	Art. 4, 5 and 6	Work protection at work sites	These provisions set different safety requirements (e.g. contact persons, security guards, safety committees) for different categories of businesses based on the business size.	See line BM-37.	Having requirements that vary according to the size of the business reflects the fact that the underlying safety risks can vary with the size of the firms. No harm to competition identified.	No recommendation.
BM-44	Law no. 160/2011 on regional transport aid	Art. 5 par. 1	Transport aid	Subsidies are available for manufacturers of materials that are situated far from domestic market or ports, as they face higher transport costs.	The objective of this act, found in art. 1, is to support the manufacturing industry and employment development in the countryside by offsetting higher transport costs.	Subsidising companies based on costs can increase the overall cost for everyone along the supply chain. Subsidies are costly for society as a whole and consumers are usually the ones that ultimately pay for them through higher prices.	The government of Iceland should review whether there are alternative ways to achieve the objectives of Law no. 160/2011 on Regional Transport Aid (Article 5, paragraph 1) that are less distortionary for competition in respect of building products (and other products covered by the provision).
BM-45	Law no. 40/2010 on land transport	Art. 13	Land transport	A carrier must have all licences and certifications needed for transport operations before starting to operate.	The policy objective cannot be found in the official recital. Our understanding is that this provision aims to ensure safety and well-being of people and objects at the work place.	The requirements appear proportionate to the policy objective.	Consideration should be given to whether online processes could reduce the administrative burden.
BM-46	Law no. 40/2010 on land transport	Art. 30 par. 3	Land transport	The recipient of a product or good needs to report damage as soon as possible, within 3 days of receiving the item. Notification on damage of goods shall be made in writing, not electronically.	The policy objective cannot be found in the official recital. Our understanding is that this provision relates with safety issues.	The fact that one cannot file notifications electronically unnecessarily raises costs and administrative burden. Additionally, the 3 days limit seems very brief.	Allow for these types of notifications to be electronically submitted.
BM-47	Regulation no. 1067/2011 on service providers for fire safety	Art. 3 par. 1	Fire safety	Providers of installations, maintenance and service of fire alarm systems and fire-extinguishing systems, as well as those who carry out fire insulations of constructions need a valid	There is no official recital. Our understanding is that this provision relates with safety issues.	This work is highly challenging and technical with potentially significant impacts for safety. Hence, the requirements are proportional. No harm to competition identified	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				operating licence issued by the HCA.			
BM-48	Regulation no. 1067/2011 on service providers for fire safety	Art. 3 par. 2	Fire safety	The service provider must have sufficient number of qualified employees at service and needs to appoint an accountable manager, must possess the equipment needed. The HCA sets guidelines for the necessary equipment for each sector.	See line BM-47.	While this provision is somewhat vague, in practice, according to the HCA, 1 employee may be sufficient, and that person would be the one responsible for the service.	Consider removing the requirement to have "a sufficient number of employees".
BM-49	Regulation no. 1067/2011 on service providers for fire safety	Art. 3 par. 3	Fire safety	To obtain an operating licence one needs a satisfactory quality management system that has been set up for the operation in accordance with the instructions of the HCA. A quality management system must be certified according to ÍST EN ISO 9001, or approved by the HCA.	See line BM-47.	A quality control system is a database with the relevant individuals' qualifications, records on internal controls, received design documents and various other records. It must be registered with the HCA. After an application for registration has been accepted by the HCA the system has to be certified by an accredited agency. This costs from ISK 26100 to ISK 33500 [EUR 190-244]. The HCA then accepts the quality control system if it fulfils all necessary requirements and registers it. It is required before a building permit can be received. This requirement can be more burdensome for smaller operators or single workers and therefore reduce the number of operators in the market. Further, stakeholders have pointed out that there is very little, if any, supervision with the quality control systems in place. Therefore, many do not use them. Nevertheless, they are an important tool for ensuring safety and are hence, proportional to the underlying objective	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-50	Regulation no. 1067/2011 on service providers for fire safety	Art. 4 par. 1	Fire safety	Before issuing an operating licence, the HCA must audit the equipment and operations of the provider. The operating licence is bound to one or more of the following areas of work: portable fire extinguishers, extinguish systems, fire alarms, air quality measurements, smoke diving equipment or linear gap sealing.	See line BM-47.	According to stakeholders the applicant sends an application with all relevant documents. Then the HCA audits the operation of the provider of fire extinguishers, smoke diving equipment and air quality measurements. When all requirements are met, other areas of the operations are audited. How long that takes depends on how long it takes the provider to fulfil all requirements regarding education, working experience and quality control system. The cost is ISK 16000 -35000 [EUR 115-252 Feb. 2020]. The requirements appear proportional to the safety risks.	No recommendation.
BM-51	Regulation no. 1067/2011 on service providers for fire safety	Art. 5	Fire safety	To be able to provide the services mentioned in this law, employees must be validated by the HCA. An exemption applies for trainees who can work under their supervisors. In order addition, the service provider is required to appoint one employee as an accountable manager.	See line BM-47.	According to stakeholders, to be able to provide services mentioned in this law, one must pass a course at Iðan (IÐAN is a private non profit education and training provider supported by the federation of employees and unions represented by the industries we serve nationwide). The course varies from half a day up to 3 days. Half day courses cost ISK 25000 [EUR 180 Feb 2020], 2 day courses cost ISK 45000 [EUR 324 Feb 2020], 3 day courses cost from ISK 14400 - 72000 [EUR 103-519 2020 Feb]. If one passes these courses, they are validated. These systems are complex and training is necessary to ensure safety. Hence, there should be strict requirements relating to these services.	No recommendation
BM-52	Regulation no. 1067/2011 on service providers for fire safety	Art. 9	Fire safety	All employees that provide services according to this law need a validation of qualification, granted by the HCA. The accountable manager, according to art. 5, should have 3 months of certified work experience at a company with an operating licence.	See line BM-47.	According to stakeholders these courses are held regularly. If there is high demand and people waiting, they will hold another course. Costs are similar as outlined above. The requirements appear proportional to the policy objectives.	No recommendation

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-53	Regulation no. 1067/2011 on service providers for fire safety	Art. 13	Fire safety	An employee serving fire alarm systems shall finish a special training course held by the HCA. The person responsible for the employee shall be a master electrician or have a similar education.	See line BM-47.	The need to take a special training course is understandable and necessary; these are complex devices and need to be fully functional to ensure safety. However, the need to work under a master tradesperson seems disproportionate to the policy objectives. See line PR-3 in the lines on professions for a full discussion of the hard to competition.	See recommendation in line PR-3 regarding regulation of master tradespersons.
BM-54	Building regulation no. 112/2012	Art. 5.1.2	Building material	Cottages built to be moved must have a permit from the building inspector and be branded in a way that the building inspector agrees on unless it is CE-labelled or falls under chapter III. of law no. 114/2014 on construction products.	See line BM-47.	This provision appears proportional to the underlying policy objectives. No harm to competition identified.	No recommendation.
BM-55	Building regulation no. 112/2012	Art. 8.3.5	Permit/ structural issues	Material dealers that sell minerals and/or concrete must regularly have an independent laboratory test the minerals to make sure that they fulfil the standards, i.e., the minerals are either active or inactive and if active that they are under required values.	See line BM-47.	According to stakeholders if the minerals are meant for concrete the minerals need to be in accordance with ÍST EN 12620. Stakeholders have claimed that they take their minerals and matters to be inspected at BSI inspection agency (British Standards Institution in Iceland). Stakeholders in the Capital Area claim that it is discriminatory that manufacturers of these minerals outside of the capital area do not need to fulfil these requirements. This increases cost significantly for some suppliers over others. This provision is in itself not discriminatory or anti competitive, but when some must fulfil the requirements and others do not due to lack of infrastructure and enforcement, then it is harmful to competition. There are very few inspection agencies that test building products to see if they fulfil the standards and they can only test very limited qualities of the products. Manufacturers have tried to get these tests done abroad but that is extremely costly and time consuming. Therefore building products, manufactured in Iceland do not always meet all the requirements set by law.	The government should consider whether this requirement is necessary. If it is, perhaps there should be better enforcement, if not, the provision should be abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-56	Building regulation no. 112/2012	Art. 8.3.10	Permit/ structural issues	Concrete plants are only allowed to produce concrete for buildings if they have made a DoP. To get this they need a positive review from an unbiased laboratory that the ministry of the environment and natural resources has acknowledged according to the law on building materials. The permit issuer shall make sure that the review of the concrete plant is in place for the production of concrete for buildings in his district. If the concrete does not fulfil the requirements found in art. 8.3.1 and art. 8.3.9 of this regulation then the permit issuer shall prohibit its use and report it to the HCA.	See line BM-47.	Manufacturers of concrete can get their production certified by an inspection agency, for example Efla, a domestic engineering company that handles inspections. Stakeholders have pointed out that Iceland is lacking infrastructure in this field. There are very few inspection agencies and they can only test very limited aspects of materials. It is possible to get these tests done abroad but that is very costly.	No recommendation.
BM-57	Building regulation no. 112/2012	Art. 8.3.11 par. 1	Permit/ structural issues	In those instances when there is not a concrete plant in place that fulfils the requirements of art. 8.3.10, the building inspector can allow production of concrete for specified buildings but only if the following requirements are fulfilled; A) The building is not substantial b) if the design of support structure does not require concrete of a higher strength classification than C20/25	See line BM-47.	This provision allows for the use of concrete of a lesser quality in areas where concrete plants do not meet the requirement or do not exist. Stakeholders have informed us that this is particularly the case outside of the capital area. The impact of this clause is discriminatory as it allows producers outside of the capital area to under cut the quality of concrete. This clearly favours some market players over others.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				according to the Icelandic endurance standards cf. art. 8.2.1 c) only approved concrete is used cf. art. 8.3.2 d) Cement is at least 350kg. of each cubic meter of concrete e) The water-cement-number is no larger than 0,45 f) Blending air when placing the concrete is at least 5%.			
BM-58	Building regulation no. 112/2012	Art. 8.3.11 par. 3	Permit/ structural issues	Licences for concrete production must be written and connected to a single specified construction project on the condition that other conditions in art. 9 in law on building materials are fulfilled.	See line BM-47.	The need for a paper licence is outdated and adds to the administrative burden. The objectives of the provision could equally be obtained at lesser cost with an online process.	The government should consider developing an online process for managing this licence.
BM-59	Law no. 77/2019 on traffic	Art. 61 par. 1,2	Driving licence	To be able to operate a tractor or other similar machines one needs a valid driver's licence. If operating a tractor for agricultural work, and the driver is older than 15 years of age there is no need for a valid licence. Machine operator, e.g. Bulldozer or excavator, must have a valid machine operating licence.	According to the official recital it is necessary to ensure that the operator of a machinery has a valid license, these are complex devices and it must be ensured that the operator is fully qualified.	The need for either a driver's licence or a machine operating licence seems proportional to the underlying policy objectives (i.e. to ensure the safety of the driver and nearby persons). However, it is not clear that a driver's licence should be required before obtaining a machine operating licence where such machinery does not travel by road. In these circumstances the requirement is a significant additional burden (it requires a minimum of 17 driver's lessons, three driving schools, and passing a written and practical test for around ISK 200 000 – 250 000 [EUR 1255-1373])..	The government of Iceland should review the merits of requiring individuals to hold a regular driver's licence in order to apply for a machine operating licence. Arguably, this requirement should only apply to machinery that can travel by road.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-60	Law no. 77/2019 on traffic	Art. 62	Driving licence	The minister issues rules on foreign driver's licenses and what requirements need to be fulfilled in order to be fully qualified to operate a vehicle in Iceland.	According to the official recital it is proposed that the minister can decide that a driver's license issued in another state is valid in this country, provided that an Icelandic driver's licence is also valid in that state. Such rules apply to licences issued in the EEA. It is then required that a mutual recognition of licences is enforced between Iceland and other states.	Any licence issued within the EEA should be valid in Iceland according to the Regulation (EC) on mutual recognition no. 764/2008.	Any licence issued within the EEA should be valid in Iceland according to the Regulation (EC) on mutual recognition no. 764/2008.
BM-61	Rules no. 198/1983 on licences to operate machinery	Art. 2	Licence	Only those who have a machine operating licence may operate machines, such as bulldozers and excavators. To receive the licence one must be at least 17 years old, have a driver's licence and hold the required studies and training according to art. 3.,5. and 6.	There is no official recital. In the official recital of the traffic law no. 77/2019, to which this regulation is issued, it is said that an operator of a machinery must have a valid licence; these are complex devices and it must be ensured that the operator is fully qualified.	See line BM-59.	See line BM-59.
					Horizontal legislation		
BM-62	Instructions to the Building Regulation - Issued by the HCA	All	Building regulation	The Building Regulation states that the HCA should issue instructions on specific articles of the regulation for more detailed information.	As above.	The purpose of the instructions is to explain in more detail the relevant provision in the Building Regulation. They should be guidelines that could include pictures or ideas on how to fulfil the regulation, without restricting the industry. They need to be easily accessible and easy to find when in need of further explanation. The instructions are all listed separately on the web site of the HCA. While these are available to all, they are not particularly easy to navigate. In contrast, the Danish building regulation is very easily accessible online and each provision and guidelines to it are listed side by side, see: https://bygningsreglementet.dk/.	To improve accessibility, the Building Regulation could be included in full on the web page of the HCA (or elsewhere online), with improvements made to improve navigation between the regulation and accompanying instructions

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-63	Law on multiple ownership of buildings no. 26/1994	Art. 22 par. 2	Multiple ownership buildings	If an owner of property in a multiple ownership building wants to rent out his garage then they must first offer the other owners the option of renting it at the same price before they rent it to someone outside of the building.	Protection of land owners' rights	The flat owners have to match the market price that the garage owner can get from someone who does not live in the building. Nevertheless, it should be up to the owners to decide what to do with their private property.	Abolish this requirement.
BM-64	Law on multiple ownership of buildings no. 26/1995	Art. 22a par. 1	Multiple ownership buildings	If a garage is in the ownership of a person that does not own other properties in the building then they must give the other owners in the multiple ownership building a chance to buy the garage. If there is not an agreement on the price then a valuer can be hired to do so.	Protection of land owners' rights	This distorts market incentives and interferes with the right to decide what to do with private property.	Abolish this requirement.
BM-65	Law on multiple ownership of buildings no. 26/1996	Art. 27 par. 1	Multiple ownership buildings	If an owner of property in a multiple ownership building wants to make changes to the use of his private property from what was its original usage and it has possible negative impacts on other owners of the building then it must be agreed upon by all owners of the building.	Protection of land owners' rights	No harm on competition grounds.	No recommendation.
BM-66	Law on multiple ownership of buildings no. 26/1997	Art. 74 par. 1	Multiple ownership buildings	The owner board shall make rules for each house regarding the use of common and private areas of the building	Protection of land owners' rights	No harm on competition grounds.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
BM-67	Law on natural preservation no. 60/2013	Art. 58	Protected area	If a landowner believes that the articles in a public notice cause him significant harm or make it disproportionately difficult for him to use his land, he can request an exemption from the minister who must in return get an opinion from the environmental agency and the Institute of natural history. The minister can make requisite conditions for landowners to use this option.	Protection of land owners' rights	According to the first paragraph, article 41, the minister may grant exemptions from the provisions of protection in two cases. On the one hand, if it does not significantly contradict the purpose of the Protocol and has a negligible impact on the protection value of the natural objects to which the Protocol is directed. This may apply to smaller projects that have little impact but are necessary for some reason. Here it matters what kind of protection group the area in question belongs to. Minor construction in an area protected as a natural resource could e.g. significantly disturb the goal of the protection, but comparable construction could have a very negligible impact on the protection objectives of the landscape protection area. However, an exemption may be granted if security considerations or very urgent social interests require it. In order to justify an exemption on this basis, there must be special circumstances and very important interests and it is necessary to disrupt the area concerned. The provision stipulates that the Minister must seek the opinion of the Environment Agency, the Icelandic Institute of Natural History and the relevant Nature Conservation Committee before a decision on an exemption is made. The formulation of this article is not clearly specified, meaning it could be open to abuse or arbitrary decision making. Ideally the circumstances under which this could be used would be clarified, but no harm to competition has been identified.	No recommendation

Table B.4. Recommendations on professions (see Chapter 6)

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Professions			
PR-1	Law no. 42/1978 on manual industry	Art. 1	Regulated professions	This law applies to the operation of any manual trade for commercial purposes. Trade includes both manual trades and industrial trades. Home and domestic improvements/craft shall be exempt from the provisions of this law.	This provision addresses the scope of the law on trade. The official recital states that "the act applies to work on handicrafts for commercial purposes.	The law regulates a wide range of professions – significantly broader than the reference countries. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. These harms, borne out in empirical evidence are most likely when the process of obtaining a license is costly, burdensome, or lengthy, or if there is a limited number of licenses issued. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them.	Undertake a broad review of whether the current restrictions are proportional to the underlying policy objectives. In at least some cases, the policy concerns motivating the adoption of these restrictions may be difficult to identify, or may be outdated, for example, where consumers can more easily overcome information asymmetries through Internet resources. They may also be better addressed through the active enforcement of consumer protection laws. Further, in other cases, regulations focusing on outputs may be more appropriate (e.g. regulating food safety instead of food preparation professions). In these cases, the reserved activities should be narrowed or abolished.
PR-2	Law no. 42/1978 on manual industry	Art. 2, par 1 and 2	Licensing obligations	No person may operate a manual trade in Iceland or in Icelandic territorial waters, unless they hold a licence, in accordance with this law. Notwithstanding, nationals or legal entities of Member States of the EEA Agreement have the right to work in a trade on the basis of Iceland's recognition of employment and industrial training in EEA	Our understanding is that the policy makers believe it is in the public interest to require that only professionals operate a commercial trade.	Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in	Undertake a broad review of the current regulatory requirements for professions, per line PR-1.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				member states, as well as nationals or legal entities of the Member States of the European Free Trade Agreement, Faroe Islands or legal entities in the Faroe Islands.		other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity.	
PR-3	Law no. 42/1978 on manual industry	Art. 8 par. 1 and 2	Regulated professions	Trades operated as a manual trade that are certified in a regulation, shall always be operated under the direction of a master tradesperson. The master tradesperson shall be responsible for ensuring that all work is done properly.	It is our understanding that the legislator sought to guarantee that whoever represents themselves as a tradesperson have the required skills and qualifications to do so, for the protection of the public interest.	As a result of these restrictions, the master of trade holds a monopoly over certain activities in the construction sector. Consumers have no choice but to engage a master whether for a simple or a large-scale project. In addition, if there are no masters available to sign the guarantee for new construction, planning and construction could be disrupted, leading to delays and additional costs for the consumer and other contractors. In particular, before even applying for a building permit, a number of master tradespersons must be hired. The exclusive rights of masters also limit the ability of tradespeople to offer their services, with consequences for consumer choice. In construction projects, the master for each trade will select the tradespeople for the job. In practice, we understand from stakeholders that masters generally select the tradespeople they employ, meaning that independent tradespeople, that do not have the title of master, have limited access to the market. According to stakeholders, this requirement might also be discriminatory, since those who have access to a master, for example, through family or other relationships, may be at an advantage. Further, apprentices must work under the overall responsibility of a master, even though we	Revise the current framework for master tradespersons to address its restrictive effects. The approach could be tailored to the specific requirements, qualifications and risks associated with each trade, and ensure that any retained reserved activities are justified by a clear safety or liability objective. Depending on the circumstances associated with each specific trade, three possible approaches include: a) make it easier for a tradesperson to become a master; b) allow qualified tradespersons to perform the activities currently reserved to masters; c) abolish the entire licensing scheme for the profession, including the regulatory framework for masters.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						understand from stakeholders that in practice most of their on-site training will be managed by a tradesperson. Given that there are fewer masters than tradespeople, apprentices may face challenges in finding a master willing to assume responsibility for their training, even if a tradesperson's qualifications could be sufficient to perform this function. Challenges in finding a master that is accepting apprentices could discourage individuals from joining the profession.	
PR-4	Law no. 42/1978 on manual industry	Art. 8 par. 3	Regulated professions	Associations, tradespersons and master tradespersons associations in the same trade may enter into an agreement between them that industrial workers who are not certified tradesperson can be hired under the guidance of a tradesperson for a certain short period of time, especially when there is an urgent need for increased manpower in the industry. Further, individuals can do manual work on their own homes or minor maintenance on buildings when they are employees of the owners.	The official recital states that this provision seeks to exempt employees performing minor tasks from having tradesperson certifications.	This provision is a recognition that the framework for tradespersons may lead to shortages of workers and may unnecessarily restrict competition.	Undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978, to determine whether reserved activities or protected title should be narrowed or abolished, per line PR-1.
PR-5	Law no. 42/1978 on manual industry	Art. 8 par. 4	Regulated professions	In rural areas, towns, and villages with less than 100 inhabitants, persons do not need to be certified tradesperson to carry out a trade.	The official recital states that it is natural to base on that number and allow uneducated people to work on industrial jobs in rural areas, towns, and villages with less than 100 inhabitants.	This provision is a recognition that the framework for tradespersons may lead to shortages of workers in certain areas and may unnecessarily restrict competition.	Undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978, to determine whether reserved activities or protected title should be narrowed or abolished, per line PR-1.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-6	Law no. 42/1978 on manual industry	Art. 9	Regulated professions	Those who hold a tradespersons certificate or master tradesperson certificate are the only ones who have the right to professional title.	The official recital indicates that qualified tradespersons should have protected title.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity.	Undertake a broad review of the current regulatory requirements for professions, particularly in the Law on Industry no. 42/1978, to determine whether reserved activities or protected title should be narrowed or abolished, per line PR-1.
PR-7	Law no. 42/1978 on manual industry	Art. 10	Regulated professions	To become a master tradesperson, one needs to finish a tradespersons examination, work under the supervision of a master for at least 1 year and finish a masters' examination. If in 5 years you have not yet found a job under the supervision of a master, a 2-year work experience is considered equivalent.	The official recital does not state the policy objective behind this provision.	Restrictions of this nature can lead to lower employment in the trades in question as well as higher prices for consumers. In particular, restrictions such as these create bottlenecks, decreasing the supply of professionals and hindering competent persons from entering the sector, which can lead to higher prices.	Revise the current framework for master tradespersons to address its restrictive effects, per line PR-3.
PR-8	Law no. 42/1978 on manual industry	Art. 17	Regulated professions	The professional rights of a tradesperson who have received them in accordance with any provisions of previous Laws shall remain unaffected by this Law.	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm to competition identified.	No recommendation.
PR-9	Law no. 8/1996 on certification of some professional titles for specialists in the technical - and designing industry	Art. 2	Regulated professions	In order to use the professional title of a regulated profession in the technical and designing industry one needs to have completed a degree in the relevant profession or have received the Minister's approval to carry a corresponding professional title granted in a state that is a part of the European Economic Area or the Treaty for the European Free Trade	The official recital does not state the policy objective behind the licensing requirement.	The provision does not state how the foreign qualification are assessed and confirmed (e.g. the equivalencies between courses of study in different jurisdictions), which leads to legal uncertainty and potentially lengthy procedures. This burden may discourage new entry into the market, and hinder the efficiency and competitiveness of technical design services on offer.	Consider accelerating and establishing clear criteria for the review of professional qualifications. Digital application processes and automatic recognition of certain countries' requirements could further facilitate the process.

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				Association or the Faroe Islands.			
PR-10	Law no. 8/1996 on certification of some professional titles for specialists in the technical - and designing industry	Art. 3	Regulated professions	A person may not use a professional title unless they have satisfied the educational requirements set out by that profession.	The official recital does not state the policy objective behind this provision. Our understanding is that registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	Protected title with reserved activities may exclude other professionals from the exercise of the activity in question, thus reducing the number of suppliers in the market and increasing costs to consumers. While the use of protected titles without reserved activities is less distortionary for competition than reserved activities, it can still have negative consequences for consumers. If the requirements for obtaining a title are excessively onerous or restricted to a limited number of professionals, they can limit the access of consumers to professionals with titles and thus drive up prices	Undertake a broad review of the current regulatory requirements for professions, per line PR-1.
PR-11	Law no. 8/1996 on certification of some professional titles for specialists in the technical - and designing industry	Art. 3 par. 2	Regulated professions	Professional Associations of each profession shall decide requirements and what will count towards a final examination (if it is 3 years or 5 years…). The Ministry will have to confirm the rules and publish them.	The official recital does not state the policy objective behind this provision.	While professional associations may have the expertise to identify the technical skills needed for a professional, they may also have incentives to restrict access to the profession and therefore competition. The OECD understands that the Ministry reviews the proposals of professional associations.	The Ministry should ensure that the requirements proposed by professional associations do not exceed what is required to accomplish the policy objective of the regulation.
PR-12	Regulation no. 585/2011 on recognition of education and work experience in certified trade in Iceland	Art. 4	Regulated professions	Nationals from countries within the European Economic areas who want to work in a certain tradesperson's profession with protected title in Iceland need to apply for the recognition of their education/experience to the Ministry of Education. The application needs to include a diploma from the school/university with translation on length, description of the content of	The official recital states that the professional rights of persons coming from other countries within the EEA shall be recognised, provided that their education meets the minimum qualifications specified in the directives. The role of the Minister here would be to verify the validity of such certificates and to check whether all conditions are met.	This provision imposes a significant administrative burden: according to the Ministry of Industries and Innovation an application (if all relevant information is submitted satisfactorily) will normally take three months. This burden may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question	Consider accelerating and establishing clear timeframes for the review of professional qualifications. Digital application processes and automatic recognition of certain countries' requirements could further facilitate the process.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				the programme, all the subjects etc. along with listed experience in the field and other working rights from the home country.			
PR-13	Regulation no. 585/2011 on recognition of education and work experience in certified trade in Iceland	Art. 5 and 3	Regulated professions	Nationals from countries within the European Economic areas who want to provide a service within a certified tradespersons profession needs to apply for it (The right does not include the right to call themselves a master tradesperson or a tradesperson without further explanation).	Our understanding is that the policy objective is the same as for article 4. of the law on certification of some professional titles for specialists in the technical - and designing industry no. 8/1996. That official recital states that the professional rights of persons coming from other countries within the EEA, shall be recognised, provided that their education meets the minimum qualifications specified in the directives. The role of the Minister here would be to verify the validity of such certificates and to check whether all conditions are met.	This provision imposes a significant administrative burden. An applicant must submit all the relevant papers to Iðan to have their education evaluated as a relevant professional. If successful, it will be sent on to Directorate of Education (Menntamálastofnun) which will evaluates the application and decide if it can be awarded. Iðan is obliged to deal with the request within 6 weeks. We understand that the average timeframe is 4 to 6 weeks. This burden may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question	Consider accelerating and establishing clear timeframes for the review of professional qualifications. Digital application processes and automatic recognition of certain countries' requirements could further facilitate the process. In addition, consider revising the framework for master tradespeople, as set out in line PR-7.
PR-14	Regulation no. 585/2011 on recognition of education and work experience in certified trade in Iceland	Art. 7	Regulated professions	It may be required that an applicant finishes up to a 3 years transition period or takes an evaluation of competence if: a. his education is at least 1 year shorter than is required in Iceland, b. the content of the education is significantly different, c. the profession that is certified in Iceland is applicable to 1 or more certified professions in applicants home country, and the difference is in a special educational requirements set in Iceland.	Our understanding is that the policy objective is the same as for article 4. of the law on certification of some professional titles for specialists in the technical - and designing industry no. 8/1996. That official recital states that the professional rights of persons coming from other countries within the EEA, shall be recognised, provided that their education meets the minimum qualifications specified in the directives. The role of the Minister here would be to verify the validity of such certificates and to check whether all conditions are met.	This provision may unnecessarily restrict access to the market by qualified professionals – particularly if the current framework is overbroad.	Undertake a broad review of the current regulatory requirements for professions, per line PR-1. Consider introducing automatic recognition for qualified professionals from specific jurisdictions.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Applicant can choose between taken an exam or transition period.			
PR-15	Regulation no. 660/2002 on the job title master electrician (raffræðingur)	Art. 2	Regulated professions	In order to be able to use the protected title as a master electrician an applicant needs to have A and B validation issued by The Consumer Agency; or be validated according to the regulation on electricity structure.	Our understanding is that the policy objective of the provision seems to be to ensure a high level of safety	No harm on competition grounds.	No recommendation.
PR-16	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	The following professions shall be licenced and regulated in Iceland [as stipulated in the regulation]: Carpenter, furniture upholster, furniture carpenter, painters, masoner, plumber, wall papering, car builder, auto mechanic, car painter, fur maker, glass finishing and mirror manufacturing, goldsmith, hat stitcher, manufacture of musical instruments, dressmaker, tailor, engraver, shoe repairman, shoe maker, stonework, saddlery, watch making, baker, waiter, chef, meat worker, pastry chef, dairy trade, tinsmith, air mechanic, founder, moulder, fishing net maker, metal turning, ship building, steel making, steel ship building, steel construction builder, welding, motor technology, cooling- and freezing technician, landscape gardening, telecommunications technician, electronic, energy	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	Reserved activity regulations are common in many jurisdictions and can be justified when they are necessary to achieving a clear policy objective, such as the need to protect the safety of consumers obtaining medical advice. However, Iceland grants reserved activities to numerous professions that are not subject to similar restrictions in other jurisdictions. This suggests that, in at least some cases, the regulatory framework may be more extensive than needed to address market failures and other policy objectives. Specifically, less restrictive policy tools are used in other jurisdictions to achieve the same objectives. In particular, in some cases economy-wide protections provided by consumer policy and liability law may be sufficient. In cases where additional protections are deemed essential, these legal frameworks could be complemented by certification, insurance requirements or other measures more narrowly tailored to consumer safety. Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them. For example, these restrictions may impose	Undertake a broad review of the current regulatory requirements for professions, per line PR-1.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				distribution electrician, electro-mechanic technician, electrician, book binder, photographer, pre-pressing, print, hairdresser, beautician.		a level of service quality or specialisation that is greater than a consumer needs, including by limiting the adoption of automated digital services where relevant. Moreover, entry requirements are only a proxy for service quality, and not a guarantee of the desired outcome.	
PR-17	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	Carpenter is a certified and regulated profession.	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them. Requiring applicants to pass an examination to obtain a licence is a significant burden for potential entrants to these professions. It may be duplicative, given that those who have graduated from an accredited vocational tradesperson school should have required skills and qualifications to work as such. If the examination applies a significantly higher standard than vocational school, it may also limit the entry of tradespersons whose services may be less expensive and sought by clients for smaller, less important, or less risky jobs. Further, since examinations are only held only once a year on average, they could significantly delay the entry of new tradespeople into the market.	Undertake a broad review of the current regulatory requirements for professions, per line PR-1. In particular, the OECD recommends that the government of Iceland consider abolishing the reserved activities associated with licensed carpenters. If the government deems it necessary, additional targeted measures regarding insurance and bonding, voluntary certification schemes, and training strategies to ensure trades schools cover specific content, could be put in place. . If reserved activities are retained, the OECD recommends that the government of Iceland consider whether it is necessary for a candidate to take a tradesperson examination if their original vocational certificate covers the same content.
PR-18	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	Plumber is a certified and regulated profession.	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them. Requiring applicants to pass an examination to	In particular, the OECD recommends that the government of Iceland consider abolishing the reserved activities associated with licensed plumbers. If the government deems it necessary, additional targeted measures regarding insurance and bonding,

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						obtain a licence is a significant burden for potential entrants to these professions. It may be duplicative, given that those who have graduated from an accredited vocational tradesperson school should have required skills and qualifications to work as such. If the examination applies a significantly higher standard than vocational school, it may also limit the entry of tradespersons whose services may be less expensive and sought by clients for smaller, less important or less risky jobs. Further, since examinations are only held only once a year on average, they could significantly delay the entry of new tradespeople into the market.	voluntary certification schemes, and training strategies to ensure trades schools cover specific content, could be put in place. . If reserved activities are retained, the OECD recommends that the government of Iceland consider whether it is necessary for a candidate to take a tradesperson examination if their original vocational certificate covers the same content.
PR-19	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	Electrician is a certified and regulated profession.	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services. It is our understanding that electricity is complicated and this is to ensure safety.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them. Requiring applicants to pass an examination to obtain a licence is a significant burden for potential entrants to these professions. It may be duplicative, given that those who have graduated from an accredited vocational tradesperson school should have required skills and qualifications to work as such. If the examination applies a significantly higher standard than vocational school, it may also limit the entry of tradespersons whose services may be less expensive and sought by clients for smaller, less important or less risky jobs. Further, since examinations are only held only once a year on average, they could significantly delay the entry of new tradespeople into the market.	Undertake a broad review of the current regulatory requirements for professions, per line PR-1. In doing so, the OECD recommends that the government of Iceland consider whether it is necessary for a candidate to take a tradesperson examination if their original vocational certificate covers the same content.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-20	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	Baker is a certified and regulated profession.	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	When licensing requirements for performing a reserved activity are burdensome, they can have the effect of reducing the number of licensed professionals in a market. In this case, a four-year qualification process to become a licensed baker appears significantly more burdensome than needed to ensure safe food handling and hygiene. Further, we understand that the required education covers numerous topics beyond food safety – i.e., beyond the core policy justification for this restriction. Finally, food-handling concerns are already addressed under other legislation that requires all food businesses to gain registration and approval from the relevant regional hygiene committees prior to commencing operations. Further, bakeries and other food service businesses undergo regional inspection periodically and according to a specific schedule, on average once a year. In addition to the significant burden licensing imposes on potential entrants into the bakery profession, this restriction also limits innovation and the emergence of alternative business models. In particular, unlicensed individuals may not work as bakers, even in a limited capacity under the supervision and instruction of an experienced baker. None of the reference countries have reserved activities and/or protected title for bakers, suggesting this restriction may not be proportionate to the policy objective.	Abolish the reserved activities and protected title for bakers.
PR-21	Regulation no. 940/1999 on certified trade	Art. 1	Regulated professions	Photographer is a certified and regulated profession.	Registration and the use of the title enables consumers to be sure that the professionals are certified to provide those services.	As with bakers, the process to become a licensed photographer in Iceland is lengthy and costly. This discourages at least some potential service providers, for example, part-time photographers providing services in their spare time or photography assistants working in studios established by experienced photographers, from offering their services. Further, no public policy objective appears to justify this restriction.	Abolish the reserved activities and protected title for photographers.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-22	Regulation no. 940/1999 on certified trade	Art. 2	Regulated professions	Stakeholders in certain professions can request the Minister of Industry to make a profession a certified one. In the application they need to explain the appropriate study period, tests, and skills requirements.	No official recital.	Overbroad professional service regulations can harm consumers, through higher prices and less choice, and the economy more broadly, through limited employment and reduced productivity. Further, the granting of reserved activities may create a mismatch between the services demanded by consumers and those offered to them.	Ensure a clear public safety or other policy rationale for regulating any new professions. Consider whether the objectives would be better addressed through the active enforcement of consumer protection laws. Further, in other cases, regulations focusing on outputs may be more appropriate (e.g. regulating food safety instead of food preparation professions). Consider applying the 2018 EU Directive on Proportionality to requests for professional regulations.
PR-23	Regulation no. 585/2011 on recognition of education and work experience in certified trade in Iceland	Art. 3	Regulated professions	EU/EEA nationals are entitled to work in trades (iðngreinum) in Iceland, but that right does not include the right to use the title "masters tradesperson" or have an apprentice. The Ministry of Education can decide whether that right should be included in the work permit.	No official recital.	The provision prevents EU/EEA nationals from using the title of "master of trade" or have an apprentice. The master of trade holds a monopoly over certain activities in the construction sector. Consumers have no choice but to engage a master whether for a simple or a large-scale project. In addition, if there are no masters available to sign the guarantee for new construction, planning and construction could be disrupted, leading to delays and additional costs for the consumer and other contractors. In particular, before even applying for a building permit, a number of master tradespersons must be hired. The exclusive rights of masters also limit the ability of tradespeople to offer their services, with consequences for consumer choice.	Revise the current framework for master tradespersons, per PR-3.
PR-24	Regulation no. 585/2011 on recognition of education and work experience in certified	Art. 4	Regulated professions	Anyone wishing to work in the field of a licensed industry in Iceland on the basis of foreign vocational education applies for recognition of their education and work experience to the Ministry of Education, Science and	No official recital.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
	trade in Iceland			Culture. The application must be accompanied by a certified copy of the diploma from the home country, together with a certified translation, stating the length of study and content, for example by listing the subjects.			
PR-25	Regulation no. 940/2004 on professional insurance for selling real estate, businesses and ships	Art. 4 par. 4	Regulated professions	Where two or more realtors work together and are jointly liable for the work of each other then they fulfil their insurance obligations by increasing the insurance by 10% for each realtor more than one.	No official recital. Our understanding is that this relates to consumer protection.	Overbroad insurance requirements can impose significant costs on market participants. In this case, the cost will be disproportionately borne by small businesses.	No recommendation.
PR-26	Law no. 70/2015 on the sale of real estate and ships	Art. 7	Regulated professions	The owner of a real estate agency is not permitted to open or operate other branches, unless a certified real estate agent is present and responsible or the operation	No official recital.	This corresponds to a barrier to expansion, as a real estate agent is not allowed to operate more than one real estate agency, unless there is a certified real estate agent present and responsible for the operation. This can lead to higher prices to consumers as it limits the possibility of obtaining economies of scale.	Abolish.
PR-27	Building regulation no. 112/2012	Art. 4.10.1	Regulated professions	The construction manager must register the masters of each trade employed on the project in his official log. Their liabilities must be noted. Only licenced master tradesperson can be held liable for their work.	No official recital.	This requirement imposes an administrative burden on construction managers and enhances the special status of master tradespersons.	Consider whether official log requirements could be reduced, for example by allowing electronic filing for master tradespersons. Revise the current framework for master tradespersons to address its restrictive effects. The approach could be tailored to the specific requirements, qualifications and risks associated with each trade, and ensure that any retained reserved activities are justified by a clear safety or liability objective.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-28	Building regulation no. 112/2012	Art. 4.8.1	Regulated professions	Construction managers shall have in place a quality control system where they a) have confirmation of their education and qualifications b) have an internal control system for each construction project and a description thereof c) a directory for received designs d) directory and relations with housing authorities and other monitoring parties e) directory for the masters in craft and their liability declaration f) directory for findings and phase evaluations g) directory of designers, design managers and findings regarding designs h) directory of all other decisions and findings of the construction manager i) description of the final inspection of the construction and its preparation.	No official recital. Our understanding is that the policy objective is to ensure safety and transparency.	The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers, and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place. However, we understand from stakeholders that quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the content of these systems may undermine the effectiveness of this framework.	No recommendation.
PR-29	Building regulation no. 112/2012	Art. 4.10.2	Regulated professions	Masters tradesperson must have a quality control system that confirms the following: competency accreditation, a directory describing how they carry out specific tasks, a list on designs and other written instructions, a directory of inspections and their results, comments and relations with construction managers and the findings of the internal control system. This quality control system shall be notified to the Housing and Construction Authority.	No official recital. Our understanding is that the policy objective is to ensure safety and transparency.	The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers, and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place. However, we understand from stakeholders that quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						content of these systems may undermine the effectiveness of this framework.	
PR-30	Law no. 160/2010 on Buildings	Art. 24. par 1	Regulated professions	Designers and design managers must have quality control systems. The systems have to at least explain the designers education, documentation about individual decisions, checklists regarding harmony of design documents and a directory of all approved designs, directory of all communication with housing authorities, supervisory bodies regarding designs as well as a directory on the internal control for the designer.	The official recital does not state the policy objective behind this provision. Our understanding is that the policy objective is to ensure safety and transparency.	The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place. However, we understand from stakeholders that quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the content of these systems may undermine the effectiveness of this framework.	No recommendation.
PR-31	Law no. 160/2010 on Buildings	Art. 25	Regulated professions	For a designer to be able to submit official drawings for a building permit he must be licenced from the Housing and Construction Authority. The validation/licence is divided into following sector a) Architects and building/civil engineers can get validation to make municipal plan schematic drawing, schematic drawing for plots and detail schematic drawings.	The official recital does not state the policy objective behind this provision. Our understanding is that the policy objective is to ensure safety and transparency.	No harm identified.	No recommendation.
PR-32	Law no. 160/2010 on Buildings	Art. 26	Regulated professions	Conditions for the validation of licenced designers are the: (a) candidate must pass the professional exam as set out by the Housing and Construction Authority. (b)	It is our understanding that the legislator wants to guarantee that designers have the required skills and qualifications, for the protection of the public interest.	The requirements to become a licensed designer are in addition to those already imposed upon architects or engineers. These requirements limit the number of professionals able to act as designers. This can increase prices and, if there is a shortage of licensed designers, delay building	Consider eliminating the course requirement (and associated cost) for licensed designers, while ensuring the exam covers all requisite knowledge.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Preceding this a candidate must have completed a course held by the Housing and Construction Authority looking at the relevant laws Icelandic and Icelandic construction environmental and geological conditions (c) a candidate specialising in their licensed field must have worked with a specialist for at least three years after finishing studying. One of those three years must have been spent working on building houses in Iceland.		construction. In particular, the requirement to have a professional title, complete a course, pass an exam, and possess work experience may be more than what is necessary to accomplish the policy objective.	
PR-33	Law no. 160/2010 on Buildings	Art 27. par. 1.	Regulated professions	A building permit shall not be issued unless a construction manager is running the construction project. The said manager must fulfil all of the requirements found in article 28 of the law no 160/2010 on Buildings.	The official recital does not state the policy objective behind this provision. Our understanding is to ensure safety.	The requirement to have a licensed construction manager associated with each project can increase costs and delay construction projects, particularly where there are shortages of licensed construction managers. The profession is not regulated in six of the eight reference countries (Finland, Norway, Ireland, New Zealand, the Netherlands and the UK). Thus, it is not clear that this role is required, and it could potentially be replaced with liability insurance requirements. The range of responsibilities for construction managers may also be broader than necessary, particularly with respect to the building permit process.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.
PR-34	Law no. 160/2010 on Buildings	Art. 28 par. 2	Regulated professions	Masters tradespersons and professions with diploma in construction tehnology (byggingaiðnfræðingur) fulfil the requirements for construction manager for certain types of construction projects (new construction of simple commercial premises, residential buildings, summer houses and minor building as	The official recital does not state the policy objective behind this provision. Our understanding is to ensure sufficient standards and safety.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				well as alterations, reconstructions or demolition of such buildings, Hydroelectric power stations, geothermal power stations and other power stations, oil refineries and hydropower station and all other buildings that are not covered above) if they have been licenced by the Housing and Construction Authority and have 2 years of work experience on construction or in construction under supervision acknowledged by the Housing and Construction Authority. If construction managers under this subsection have worked for over 3 years as such, they can also become construction managers for projects detailed in other buildings.			
PR-35	Law no. 160/2010 on Buildings	Art. 28. par. 3	Regulated professions	Engineers (verkfræðingar), technicians (tækinifræðingar), architects and architectual tegnologists (byggingarfræðingar) can gain licencing as construction managers for certain constructions ((new construction of simple commercial premises, residential buildings, summer houses and minor building as well as alterations, reconstructions or demolition of such buildings other buildings) and if they have worked for at least five years	The official recital does not state the policy objective behind this provision. Our understanding is to ensure sufficient standards and safety.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				in building construction, construction supervision acknowledged by the Housing and Construction Authority, design of buildings or as foremen.			
PR-36	Law no. 160/2010 on Buildings	Art. 28 par. 4	Regulated professions	Engineers and technicians (tæknifræðingar) that are licenced by the Housing and Construction Authority and have at least 10 years work experience as a foremen on a working site, construction supervision or construction design, may become construction managers for Hydroelectric power stations, geothermal power stations and other power plants, oil refineries and dams and other structures.	The official recital states that it is considered necessary to make such stringent requirements involving very complex and specialised construction. To date, these structures have not been subject to building permits and it is therefore new that the construction manager is required for them.	No harm identified.	No recommendation.
PR-37	Law no. 160/2010 on Buildings	Art. 31 par. 1	Regulated professions	Construction managers must have a quality control system. The system must demonstrate education, qualifications, registration of previous decisions regarding past projects registration of appraisals, registration of communication, instructions from building and other supervisory authorities, a section for comments on the work of master tradesperson, registration of comments relating to the work of designers, registration of internal control systems, a registration for all final inspections and inspections and how they are carried out.	The official recital does not state the policy objective behind this provision. Our understanding is that the policy objective is to ensure safety and transparency.	The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers, and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place. However, we understand from stakeholders that quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the content of these systems may undermine the effectiveness of this framework.	No recommendation

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-38	Law no. 160/2010 on Buildings	Art. 32 par. 3	Regulated professions	Only master tradesperson, licenced by the Housing and Construction Authority, can be held liable for specific work on construction. Those master tradespersons who have master tradesperson credential or comparable education can get licencing from the Housing and Construction Authority.	The official recital does not state the policy objective behind this provision. Our understanding is that the policy objective is to ensure safety and transparency.	This provision establishes special privileges and obligations for master tradespersons. The master of trade holds a monopoly over certain activities in the construction sector. Consumers have no choice but to engage a master whether for a simple or a large-scale project. In addition, if there are no masters available to sign the guarantee for new construction, planning and construction could be disrupted, leading to delays and additional costs for the consumer and other contractors. In particular, before even applying for a building permit, a number of master tradespersons must be hired. The exclusive rights of masters also limit the ability of tradespeople to offer their services, with consequences for consumer choice.	Revise the current framework for master tradespersons per PR-3.
PR-39	Law no. 160/2010 on Buildings	Provisional art. Par.1 (1)	Regulated professions	Despite the requirements placed upon those who wish to practice as a building inspector or be employed in local town planning (at the discretion of local government) and earned those rights before this Act came in effect shall continue to enjoy those rights unhindered.	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm identified.	No recommendation.
PR-40	Law no. 160/2010 on Buildings	Provisional art. Par.1 (3)	Regulated professions	Designers that have become licenced designers according to the former law will hold their licences as such. These licences granted by the former law shall also be considered to fulfil requirements of art.28 par. 2 to be construction managers and inspectors according to art. 21 par. 1 (a)	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-41	Law no. 160/2010 on Buildings	Provisional art. Par. 1 (4)	Regulated professions	Master tradesperson who were licenced according to the former law will be allowed to take necessary responsibility for their work in buildings and be considered to satisfy the requirements set out in art.28 par. 2 to be construction managers and inspectors according to art. 21 par. 1 (a)	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm identified.	No recommendation.
PR-42	Law no. 160/2010 on Buildings	Provisional art. Par. 1(5)	Regulated professions	Those who satisfied the working time set out in (law no. 160/2010) are able to gain a license and shall not be affected by the Act.	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm identified.	No recommendation.
PR-43	Law no. 160/2010 on Buildings	Provisional art. Par. 1(6)	Regulated professions	Those who have worked as construction managers before law no. 160/2010 came into force are considered as satisfying the requirements found in art. 28 par. 2-3 and are therefore allowed to work unaffected as construction managers	The official recital states that the employment rights of those who have received them under the provisions of the previous law shall be unaffected.	No harm identified.	No recommendation.
PR-44	Building regulation no. 112/2012	Art. 4.1.1 par. 1	Regulated professions	Only designers that have a licence according to art. 25 and 26 in law no. 160/2010 on buildings can make main or special plans for buildings in their respective fields.	No official recital.	No harm identified.	No recommendation.
PR-45	Building regulation no. 112/2012	Art. 4.1.1 par. 4-6	Regulated professions	Licenced designers must have sufficient liability insurance. If this is not the case, the designer is not permitted to deliver the designs into the appropriate authority	No official recital. Our understanding is that liability insurance aims to address the financial risk of the activity.	No harm identified. The provision states that licenced designers must have sufficient liability insurance and is proportional to the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-46	Building regulation no. 112/2012	Art. 4.1.2 par. 1-2	Regulated professions	The owner of a building shall appoint a design manager. The design manager must be a licenced designer and is required to sign all technical plans before they can be accepted by the local authority.	No official recital. Our understanding is to ensure sufficient standards and safety.	No harm identified (although the process to become a licensed designer could be facilitated, as described above).	No recommendation.
PR-47	Building regulation no. 112/2012	Art. 4.7.3	Regulated professions	Construction managers must hold a licence issued by the Housing and Construction Authority. To get a licence the construction manager must have finished a course directed by the Housing and Construction Authority. They must also demonstrate a quality control system according to Art. 4.8.1 in this regulation. The first licence shall on average be for five years and then for no longer than 10 years as long as the Construction manager has not been reprimanded, conducted themselves contrary to the rules or been bereft of the licence.	No official recital. Our understanding is to ensure sufficient standards and safety.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.
PR-48	Building regulation no. 112/2012	Art. 4.7.4 par. 1 (a)	Regulated professions	Construction manager class I is licenced to control construction, maintenance, changes, renovation, changes or demolition of buildings that are up to 2000 m2 and no more than 16 metres high. This does not include buildings that serve public interests like schools, transport centres or hospitals or buildings that fall under Art. 4.7.4 par 1(b).	No official recital. It is our understanding that it is considered necessary for construction managers (I-III) to have sufficient knowledge and ability.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.

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PR-49	Building regulation no. 112/2012	Art. 4.7.4 par. 1 (b)	Regulated professions	Construction manager class II is licenced to control construction on new build, maintenance, changes, renovation, and demolition of hydroelectric-, geothermal-, and other power plants, oil refineries, and water damns.	No official recital. It is our understanding that it is considered necessary for construction managers (I-III) to have sufficient knowledge and ability.	The requirement to have a licensed construction manager associated with each project can increase costs and delay construction projects, particularly where there are shortages of licensed construction managers. The profession is not regulated in six of the eight reference countries (Finland, Norway, Ireland, New Zealand, the Netherlands and the UK). Thus, it is not clear that this role is required, and it could potentially be replaced with liability insurance requirements. The range of responsibilities for construction managers may also be broader than necessary, particularly with respect to the building permit process. However, the type of buildings associated with class II licenses may involve specialised skills that policymakers seek to verify for safety reasons.	No recommendation.
PR-50	Building regulation no. 112/2012	Art. 4.7.4 par 1(c)	Regulated professions	Construction manager III is licenced to control all other types of construction that are not named in Art. 4.7.4 par 1 (a) -(b)	No official recital. It is our understanding that it is considered necessary for construction managers (I-III) to have sufficient knowledge and ability.	See line PR-50/	No recommendation
PR-51	Building regulation no. 112/2012	Art. 4.7.5 par 1	Regulated professions	Masters builders, master masons, master plumbers, master tinsmiths, master electricians and building technicians can become Construction manager class I if they are licenced by the Housing and Construction Authority and have at least two years of experience working in construction or in building surveillance that is acknowledged by the Housing and Construction Authority. If they work as construction managers I for three years, use the required quality control	No official recital. It is our understanding that it is considered necessary for construction (I-III) to have sufficient knowledge and ability.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				system (see Art. 4.8.1) can get a licence to become construction managers III.			
PR-52	Building regulation no. 112/2012	Art. 4.7.5 par. 2	Regulated professions	Engineers, architects, building technicians and technologist can be licenced as construction manager class I and class III if they have been working in construction, building design, building supervision, or as a foremen or in construction projects for at least 2 years	No official recital. It is our understanding that it is considered necessary for construction managers (I-III) to have sufficient knowledge and ability.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.
PR-53	Building regulation no. 112/2012	Art. 4.7.5 par. 3	Regulated professions	Engineers and building technicians (construction technology) that are licenced by the Housing and Construction Authority for the relevant type of buildings and have at least 10 years of work experience of building design, building supervision or as foremen in construction projects can become construction managers I, II and III but 3 of the 10 years must have been working in building supervision or as foremen.	No official recital. It is our understanding that it is considered necessary for construction managers (I-III) to have sufficient knowledge and ability.	See line PR-34.	Make all qualified tradespersons eligible in the relevant professions for the role of Construction Manager I. This would be particularly necessary for professions where the title of master tradesperson is abolished.
PR-54	Building regulation no. 112/2012	Art. 4.10.2	Regulated professions	Master tradesperson must demonstrate a quality control system that has confirms their accreditation and a catalogue and listing describing how they carry out particular work, a list over designs along with other written instructions or directions. A directory of inspections and the results, a	No official recital. Our understanding is that the policy objective is to ensure safety.	The quality control system imposes administrative burdens and added costs on construction managers, master tradespersons, designers and design managers. Further, stakeholders have indicated that despite the lengthy process and costs incurred for registration, there is limited enforcement of this requirement. Thus, it is not clear how many professionals comply by having a quality control system in place. However, we understand from stakeholders that	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				record of communication with construction managers and the findings of the internal control system. This quality control system shall be notified to the Housing and Construction Authority.		quality control systems can be a helpful source of information for consumers, and some consumers do in fact ask to see them. Thus, the concept of quality control systems appears to be consistent with the underlying policy objective, although uneven enforcement and limited guidance of the content of these systems may undermine the effectiveness of this framework.	
PR-55	Regulation no. 698/2009 on tradespersons examination	Art. 3	Tradespersons examination	Those who have graduated from an accredited vocational tradespersons school and have completed an apprenticeship can take the tradesperson examination. A student who has finished the apprenticeship can take the tradesperson examination on the final semester, if the semester's project is a part of the examination.	It is our understanding that the legislator wants to guarantee through the requirements set, that those who graduate from a qualified vocational tradespersons school and have finish their apprenticeship accordingly have the required skills and qualifications. This is for the protection of public interest.	Requiring applicants to pass an examination to obtain a licence is a significant burden for potential entrants to these professions. It may be duplicative, given that those who have graduated from an accredited vocational tradesperson school should have required skills and qualifications to work as such. If the examination applies a significantly higher standard than vocational school, it may also limit the entry of tradespersons whose services may be less expensive and sought by clients for smaller, less important, or less risky jobs. Further, since examinations are only held only once a year on average, they could significantly delay the entry of new tradespeople into the market.	Conduct a broad review of the current regulatory requirements for professions, per PR-1. In doing so, the OECD recommends that the government of Iceland consider whether it is necessary for a candidate to take a tradesperson examination if their original vocational certificate covers the same content.
PR-56	Regulation no. 840/2011 on workplace study and on-the-job training at the workplace	Art. 8	Workplace training	For businesses to be able to take on apprentices they need to satisfy the following requirements: 1. appoint a qualified supervisor that has been trained to mentor, has good communicational skills with a good overview of the businesses activities. 2. The business needs to perform varied activities in its field to be able to fulfil the students' needs. 3. The business needs to have a appropriate facilities, professional knowledge and learning opportunities and equipment. 4. In a certified	It is our understanding that the legislator wants to guarantee that those who take on apprentices possess the relevant knowledge.	The overall requirements correspond to an entry and operational barrier. Additionally, the text "has good communicational skills and good overview of the businesses activities" is extremely vague. Although we agree that these working places should guarantee a minimum level of quality of education and training, the imposition of such stricter requirements by law limit the number of places available to get the needed training. This has two important consequences. First, it increases the costs of enrolling the training itself, as there are fewer working places available. Second, by limiting the number of qualified workers, it also led to higher prices charged to consumers.	Revise the current framework for master tradespersons, per PR-3.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				trade, run by a master tradesperson the trainees designated supervisor must be fully qualified in the trade.			
PR-57	Regulation no. 678/2009 on electricity structure	Art. 4.7	Validation for electricians	A-validation is for high voltage work and requires: Have a diploma in electrical department of an engineering or technology university as well as 2 years' experience in design or installation of a high voltage structures, have a electrician diploma (tradesperson) as well as have a diploma in electric technology engineering from Reykjavik University or other recognised university and 2 year experience in design or installation of a high voltage structures, have a electrician diploma (tradesperson) and masters degree in electrical trades as well as 2 years' experience in design or installation of a high voltage structures.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.
PR-58	Regulation no. 678/2009 on electricity structure	Art. 4.8	Validation for electricians	B-validation is for low voltage work and requires: Have a diploma in electrical department of an engineering or technology university as well as 2 years' experience in design or installation of a low voltage structures, have a electrician diploma (tradesperson) as well as have a diploma in electric technology engineering from Reykjavik University or other	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				recognised university and 2 year experience in design or installation of a low voltage structures, have a electrician diploma (tradesperson) and masters degree in electrical trades as well as 2 years' experience in design or installation of a low voltage structures.			
PR-59	Regulation no. 678/2009 on electricity structure	Art. 4.9.1	Validation for electricians	C-validation is limited validation for corporate electricians, who work only within a company. CA-validation is for high voltage work and requires: Have a diploma in electrical department of an engineering or technology university as well as 2 years' experience in design or installation of a high voltage structures, have a electrician diploma (tradesperson) as well as have a diploma in electric technology engineering from Reykjavik University or other recognised university and 2 year experience in design or installation of a high voltage structures, have a electrician diploma (tradesperson) and masters degree in electrical trades as well as 2 years' experience in design or installation of a high voltage structures.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-60	Regulation no. 678/2009 on electricity structure	Art. 4.9.2	Validation for electricians	C-validation is limited validation for corporate electricians, who work only within a company. CB-validation is for low voltage work and requires: Have a diploma in electrical department of an engineering or technology university as well as 2 years experience in design or installation of a low voltage structures, have a electrician diploma (tradesperson) as well as have a diploma in electric technology engineering from Reykjavik University or other recognised university and 2 year experience in design or installation of a low voltage structures, have a electrician diploma (tradesperson) and masters degree in electrical trades as well as 2 years experience in design or installation of a low voltage structures.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.
PR-61	Regulation no. 678/2009 on electricity structure	Art. 8.3	Validation for electricians	Application for validation shall be submitted to the Housing and Construction Authority and shall contain: Name, ID number, address of applicant. Name, ID number and address of the company applicants works for. Which validation is applied for (A, B or C). Along with the application shall be certification on education and experience according to this regulation as well as certification on appropriate equipment.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	No harm identified.	The OECD recommends that the process should be made digital and as transparent as possible.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-62	Regulation no. 678/2009 on electricity structure	Art. 8.4	Validation for electricians	Electrician's validation is connected to the company he works in. Only one electrician shall be responsible for each electrician's business. It can have more than one electrician if their role and fields are clearly separated.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.
PR-63	Regulation no. 678/2009 on electricity structure	Art. 8.6	Validation for electricians	When validation is granted the electricians workplace shall be closely inspected to see whether it meets all the requirements related to safety management.	According to art. 2.1. the aim of this regulation is to minimize the risk and damage of all power plants and electrical equipment caused by their operations.	Proportional to the policy objective.	No recommendation.
PR-64	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional title civil engineer	Art. 1	The professional title; Engineer (Verkfræðingur)	These rules shall be used to evaluate applications for the right to use the professional title of engineer which is based on the applicant's education. The Association of Chartered Engineers in Iceland can make remarks on the suitability but essentially the Ministry shall make the final decision. However, in general, the ministry will follow recommendations passed by the said Chartered institute.	No official recital. It is our understanding that the legislator wants to guarantee that those who have the professional title of an engineer have adequate knowledge.	While professional associations may have the expertise to identify the technical skills needed for a professional, they may also have incentives to restrict access to the profession and therefore competition. The OECD understands that the Ministry reviews the proposals of professional associations.	The Ministry should ensure that the requirements proposed by professional associations do not exceed what is required to accomplish the policy objective of the regulation. The government of Iceland could consider whether the current protected title framework for engineers is needed, or whether alternative measures (such as replacing protected title with an insurance or bonding scheme) could accomplish the policy objective through less restrictive means.
PR-65	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional	Art. 2	The professional title; Engineer (Verkfræðingur)	The application shall be sent to the Ministry that handles certified professions in the technical- and design industries. Along with the application shall be certified academic history, grades, and a original copy of diplomas or certified copy from the school	No official recital. It is our understanding that the legislator wants to guarantee that the right parties make the decision whether the applicant has an adequate knowledge or not.	While professional associations may have the expertise to identify the technical skills needed for a professional, they may also have incentives to restrict access to the profession and therefore competition. The OECD understands that the Ministry reviews the proposals of professional associations.	See PR-64.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
	title civil engineer (verkfræðingur)			in question. The minister shall send all applications to the Association of Chartered Engineers for comments.			
PR-66	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional title engineer	Art. 3	The professional title; Engineer (Verkfræðingur)	The Education committee of the Association of Chartered Engineers in Iceland shall assess all applications and then it shall send the relevant ministry its opinion and evaluation on the applicant's education.	No official recital. It is our understanding that the legislator wants to guarantee that the right parties make the decision whether the applicant has an adequate knowledge or not.	While professional associations may have the expertise to identify the technical skills needed for a professional, they may also have incentives to restrict access to the profession and therefore competition. The OECD understands that the Ministry reviews the proposals of professional associations.	See PR-64.
PR-67	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional title engineer	Art. 4	The professional title; Engineer	The Education committee of the Association of Chartered Engineers in Iceland performs a neutral assessment on applications based on the association's educational requirements. The Committee shall recommend that the applicant may use the professional title if the following requirements are met: has graduated from a engineering department of an engineering or technology university the committee qualifies, the duration and combination of the education needs to be similar to a masters degree in engineering usually 300 ECTS, but minimum 270 ECTS. More specifically the degree needs to intake this combination: 1. Engineering bases 50 ECTS 2. Basic engineering 50 ECTS 3. Engineering 120 ECTS.	No official recital. It is our understanding that the legislator wants to guarantee that those who have the professional title of an engineer have adequate knowledge.	The process may impose undue administrative burdens on applicants.	The OECD recommends that the process should be made digital and as transparent as possible.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Additional to these ECTS applicants shall have 50-80 ECTS.			
PR-68	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional title engineer	Art. 5	The professional title; Engineer (Verkfræðingur)	The Committee then hands their assessment to the Managing Director of the Association. He shall then submit the assessment to the Board of the Association.	No official recital. It is our understanding that the legislator wants to guarantee that the right parties make the decision whether the applicant has an adequate knowledge or not.	The process may impose undue administrative burdens on applicants.	The OECD recommends that the process should be made digital and as transparent as possible.
PR-69	Rules no. 1105/2015 on the evaluation of applications for the right to use the professional title engineer	Art. 6	The professional title; Engineer (Verkfræðingur)	If the assessment of the Committee is positive, the Board is obliged to recommend to the minister that the applicants be given the right to use the professional title. If the assessment of the Committee is negative, the Board is obliged to advise against it to the minister.	No official recital. It is our understanding that the legislator wants to guarantee that the right parties make the decision whether the applicant has an adequate knowledge or not.	The process may impose undue administrative burdens on applicants.	The OECD recommends that the process should be made digital and as transparent as possible.
PR-70	Rules no. 456/2012 on the evaluation of applications for the right to use the professional title architect	Art. 1	The professional title; Architect	These rules shall be used to evaluate applications for the right to use the professional title of architect based on the applicant's education. The Ministry of Industry and Innovation sends all applications to the Icelandic Architects Association for comments. The Education Committee of the association shall assess the candidate's education and experience and make recommendations.	No official recital. It is our understanding that the legislator wants to guarantee that those who have the professional title of architect have adequate knowledge.	While professional associations may have the expertise to identify the technical skills needed for a professional, they may also have incentives to restrict access to the profession and therefore competition. The OECD understands that the Ministry reviews the proposals of professional associations. We understand that the Ministry has established rules on the evaluation of applications. For example, the requirements for architects are in line with the EU requirements set out in Directive 2005/36/EC.	The Ministry should ensure that the requirements proposed by professional associations do not exceed what is required to accomplish the policy objective of the regulation. The government of Iceland could consider whether the current protected title framework for engineers is needed, or whether alternative measures (such as replacing protected title with an insurance or bonding scheme) could accomplish the policy objective through less restrictive means.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-71	Rules no. 456/2012 on the evaluation of applications for the right to use the professional title architect	Art. 2	The professional title; Architect	The conditions for using the professional title of architect: a. Diploma in architecture from a qualified school along with academic record and original copies of diplomas or certified copies from the school. b. The Educational Committee shall accept all diplomas from schools within the EU/EEA if they are mentioned in appendix V.7. and appendix VI of 2005/36/EB. c. When assessing applications from applicants with diplomas from USA the Committee shall approve of diplomas registered on National Architectural Accrediting Board. d. When assessing diplomas from countries outside of Europe and the USA it is the applicants responsibility to hand in all relevant documents that prove the required qualification.	No official recital. It is our understanding that the legislator wants to guarantee that those who have the professional title of architect have adequate knowledge.	The protected title for architects may not be necessary to accomplish the policy objective.	Consider whether the current protected title framework for architects is needed, or whether alternative measures (such as replacing protected title with an insurance or bonding scheme) could accomplish the policy objective through less restrictive means.
PR-72	Rules no. 456/2012 on the evaluation of applications for the right to use the professional title architect	Art. 3	The professional title; Architect	When assessing if applicant fulfils the requirements the Committee shall bear in mind that a complete architectural education is a minimum of 5 years according to standards set by L'Union International des Architects and European Association for Architectural Education and Bologna-declaration. Applicant needs to have finished 300 ECTS, 180 ECTS for bachelor's degree and 120 ECTS in masters.	No official recital. It is our understanding that the legislator wants to guarantee that those who have the professional title of an architect have adequate knowledge.	The protected title for architects may not be necessary to accomplish the policy objective.	See PR-71.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-73	Law no. 70/2015 on selling real estate and ships	Art. 2	Real estate agent	Only those who been certified by the office of district magistrate can act as a real estate agent. A few exceptions are mentioned: Attorneys at law can do so in limited circumstances in connection with legal proceeding, those who are in the housebuilding business can sell their houses themselves, Although the legal paperwork related to the property shall be done by an estate agent along with their official stamp. Those who have gotten a certification in another EU-country or Faroe islands if they meet the requirements.	The official recital states that the incentive for this provision is to ensure better consumer protection.	The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. Strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).	Consider reducing the requirements to obtain authorisation to act as a real estate agent (for example, by reducing the coursework requirements related to taxation and accounting, as set out in Art 5 of Regulation 930/2016.In addition, the OECD recommends that the Government of Iceland consider introducing additional pathways to become a real estate agent (e.g. through an examination and professional experience) or reducing the work experience requirement for those who meet educational and examination requirements. .
PR-74	Law no. 70/2015 on selling real estate and ships	Art. 3	Real estate agent	Conditions for certification; a. Legal domicile in Iceland, (exception to this is citizens of EU/EEA states) b. of age and has never bankrupted or have been deprived of his right to act as an estate agent temporarily. C. Has insurance for themselves and employees, d. Has finished 90 credits from the school for estate agents, e. has worked full time at a real estate agency or with an estate agent with Icelandic certification, either in a EEA country or Faroe Islands. Exception of b.: If The estate agents monitoring Committee assess an applicant and he has been in charge of his finance in the	The official recital states that the incentive for this provision is to ensure better consumer protection.	The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. Strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).	See PR-73.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				last 3 years. Exception of a.: Citizens of a EEA countries, EU countries and Faroe Islands.			
PR-75	Law no. 70/2015 on selling real estate and ships	Art. 5	Real estate agent	To be able to use the professional title "Real Estate agent" one needs to have a certification. (This also applies to other similar names for realtors that can confuse customers)	The official recital states that the incentive for this provision is to ensure better consumer protection.	The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. Strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).	See PR-73.
PR-76	Law no. 70/2015 on selling real estate and ships	Art. 6	Real estate agent	It is prohibited to allow others to do their real estate agent tasks unless it is another real estate agent with an insurance.	The official recital states that the purpose of these requirements is to ensure the best interest of those who seek real estate service.	The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. Strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).	See PR-73.
PR-77	Law no. 70/2015 on selling real estate and ships	Art. 7 par. 1	Real estate agent	Real estate agents must work on their own real estate agency and be the owner of the business	The official recital does not state the policy objective for this provision.	Restricting the ownership of an agency to authorised real estate agents can constrain competition by limiting investment and preventing the emergence of new business models under the ownership of non-professionals. Thus, this restriction can limit innovation, and result in higher prices for consumers. In particular, while an unlicensed owner may not be qualified to serve clients as a real estate agent, they may offer management skills or alternative business models that indirectly benefit clients. The ownership restriction prevents these benefits from emerging.	Abolish ownership restrictions for real estate agencies and consider whether less restrictive means of protecting consumers and addressing conflicts of interest that are already in place under Law 70/2015 (e.g. conflict of interest rules for real estate agents, liability insurance requirements) and consumer protection law enforcement are sufficient to achieve the objective..

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
PR-78	Law no. 70/2015 on selling real estate and ships	Art. 7 par. 2	Real estate agent	If a real estate agency is practised in the name of a company, the real estate agent needs to own a majority in the company.	The official recital states that although a real estate agent is operated in the name of a company, a real estate agent bears the sole responsibility for damages and costs which he, or the person working for the company, may cause to the clients of the real estate business.	Restricting the ownership of an agency to authorised real estate agents can constrain competition by limiting investment and preventing the emergence of new business models under the ownership of non-professionals. Thus, this restriction can limit innovation, and result in higher prices for consumers. In particular, while an unlicensed owner may not be qualified to serve clients as a real estate agent, they may offer management skills or alternative business models that indirectly benefit clients. The ownership restriction prevents these benefits from emerging.	See PR-77.
PR-79	Law no. 70/2015 on selling real estate and ships	Art. 7 par. 4	Real estate agent	Real estate agents must notify The Real estate agent monitoring committee of their place of business premises. A real estate agent may only have one establishment. A real estate agent may have more than one branch provided that they engage another qualified agent to administer the other branch.	The official recital does not state the policy objective for this provision.	This process may impose administrative burdens on market participants.	No recommendation.
PR-80	Law no. 70/2015 on selling real estate and ships	Art. 8 par.2	Real estate agent	A real estate agent must do the work his certification covers. Real estate agents may delegate specific tasks to their employees regarding selling real estate. Real estate agents are prohibited to delegate these tasks to their employees: all of the documentation such as contract agreements, sale statements, offers, sales contracts, waivers, counselling to buyers or sellers, attending meetings alone where buyers or sellers undersign documents, real estate	The official recital states that this provision seeks to protect consumers.	The regulatory restrictions on facilitating real estate transactions on behalf of a client have the effect of reducing the number of agents available. Strict occupational entry requirements can limit consumer choice and can lead to an increase in prices. We understand that the policy objective of these restrictions is to protect consumers, and ensure that only individuals who are qualified to execute real estate transactions are permitted to offer their services to clients (for example, verifying titles, which can require some technical expertise).	See PR-73.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				valuation, inspection of property. The employment is prohibited to delegate these tasks to anyone else.			
PR-81	Law no. 70/2015 on selling real estate and ships	Art. 8 (a)	Real estate agent	Notwithstanding art. 8 para. 2 above, students in Real estate certification, who have finished their first semester with a minimum average score can work as salesmen for an estate agent. They are allowed to assist with the following: preparing sale statements, offer-making, showing real estate (with seller's approval), contract settlement. This is all under the conditions that the estate agent bears full responsibility	The official recital states that this provision seeks to provide (1) leeway to those who have been working as assistants to real estate agents prior to the passage of Law 70/2015 in order to have sufficient time to complete their studies and (2) allow students pursuing a real estate license the opportunity to obtain professional experience.	No harm identified.	No recommendation.

Table B.5. Recommendations on tourism (see Chapters 7 and 8)

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Land transport for tourism			
T-1	Law on passenger transport and cargo transport by land no. 28/2017	Art. 4 par. 3	Land transport	Operating licences for passenger or cargo transport for commercial purposes shall be valid for five years and are non-transferable.	Our understanding is that the requirement for the renewal of licences aims to ensure that licensees continue to fulfil the conditions for a licence. Also, according to the Transport Authority the fees for reissue of licences partially cover the costs of commercial transport licence enforcement.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	No recommendation.
T-2	Law on passenger transport and cargo transport by land no. 28/2017	Art. 7 par.1	Land transport	The Public Roads Administration may grant municipalities, regional associations and regional associations of municipalities, in accordance with the provisions of the Local Government Act, the exclusive right to organise and handle regular passenger transport in specific areas or specific routes or systems to ensure services that are of public interest throughout the year, i.e.. frequency of travel, safety and cost.	This provision is based on EU regulation no. 1370/2007. The regulation allows for the member states to choose whether to grant exclusive rights. If they choose to do so there are mandatory rules on how to implement them. The objective of awarding exclusive rights is to ensure public transportation in areas where it would otherwise be uneconomical and therefore not pursued by private operators. In Iceland, before granting an exclusive right the Road Administration performs a competition assessment in order to determine the viability of operating the service without the exclusive right. This assessment takes into account the level of service deemed necessary to ensure the public interest i.e. ticket prices, service frequency and year-round services.	Exclusive rights exclude competitors from the market by giving the chosen operator a monopoly. Nevertheless, in some cases exclusive rights can be justified in order to incentivise investment and market entry. The Road Administration provided the OECD with an assessment for the South of Iceland; the most populated rural area of Iceland. As the most populated area, the assessment demonstrates the viability for a competitive operation where it would be most likely. The area currently has 6 bus routes with a total of 128000 passengers per year. Each route has 60 passengers per day on average. The assessment finds that for the south of Iceland public transportation is unlikely to be financially sustainable without a subsidy Furthermore, keeping all else constant ticket prices would have to be raised by 131% on average to cover cost of operations. Such price increases would lead to a sharp fall in demand over time. Authorities should continue to explore if individual routs or legs of routs could be operated competitively. The awarding of exclusive rights for public transit based on competitive procedures is an approach taken in several EU jurisdictions .	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-3	Law on passenger transport and cargo transport by land no. 28/2017	Art. 9	Land transport	In order to engage in passenger transport, one needs an operating licence pursuant to Art. 4 of law no. 28/2017 on passenger transport and cargo transport by land. Art. 9 states that if specially equipped vehicles, holding fewer than 9 passengers, are used for passenger transport for tourist purposes, an additional licence is needed. Special equipped vehicles should have tires of a size that is at least 780 mm.	The licence was mandated in 1999 and has been unchanged since. At the time, touristic excursions on modified SUV´s were becoming popular and the preamble states that such tours should require a licence like any other passenger transport business activity. The vehicles specified in the regulation include modified 4x4 vehicles which are common in Iceland.	This provision is a second layer licence. It comes on top of a requirement to have a General Operation Licence (article 4 general operation licence at a cost of EUR 108) from the Transport Authority; and either a specially equipped vehicle licence as per this article 9 (costing an additional EUR 144) or a tourism licence pursuant to article 10 (costing EUR 144) from the Transport Authority. This is not counting the day tour licence (EUR 144) or the travel agency licence (EUR 215) from the Icelandic Tourist Board needed according to article 7 in the law on Icelandic Tourism Board. Hence, licences are needed from two authorities and more than one licence is needed from the same Authority. This process is burdensome and costly, and is not necessary to achieve the stated policy objective, which is to provide an exception to the exclusive rights of the taxis. Additional licences required to operate a single tour offering impose a significant administrative burden on potential entrants, thereby harming consumers through restricting supply of services and driving up costs.	Abolish the requirement to hold a special equipped vehicles licence and allow for any licence holders under the Law on the Icelandic Tourist Board to transport passengers in vehicles for less than nine persons. If the government of Iceland determines that there are specific safety requirements associated with the special equipped vehicles licence, such as three-point safety belts, fire extinguishers and emergency kits, it should consider whether these requirements are needed under the general operating licence for particular services (e.g. off-road trips with particular risks).
T-4	Law on passenger transport and cargo transport by land no. 28/2017	Art. 10 par. 1 and 2	Land transport	Anyone engaged in passenger transport in connection with tourism may use a car which accommodates less than nine passengers, provided that they have a special licence issued by the Transport Authority. The condition of such licence is that it has to be used in connection with tourism, and the applicant must have an operating licence either as a travel organiser or a travel agent according to the law on the Icelandic tourist board. In addition to having a operating licence according to Art 4. of	This licence was added to facilitate passenger transport operators to use vehicles with less than nine passenger.	Without this licence, the exclusive rights awarded to taxis would prevent the use of normal passenger cars for the touristic transport of a group of fewer than nine passengers. The permissionsunder this special licence are limited to organised tours that exceed half-a-day's duration. The licence further allows tour planners to transport guests to and from general tourism activities such as fishing, snowmobiling, horse-back riding, river rafting etc. This provision is a second layer licence. An operator already needs to have the article 4 general operation licence (costing EUR 108) from the Transport Authority and a tourism licence pursuant to article 10 (costing EUR 144) from the Transport Authority. This is not counting the day tour licence (EUR 144) or travel agency licence (215 EUR) from the Icelandic Tourist Board needed according to Art. 7 of the law on Icelandic Tourism Board. Hence, licences are needed from two authorities and more than one licence is needed from the same Authority. This process is	Abolish the requirement for a tourism transport licence when vehicles with a capacity of less than nine passengers are used for tourist transport by licenced travel agencies or daytrip vendors. Specifically, licence holders under the Law on the Icelandic Tourist Board should be permitted to transport passengers in vehicles for less than nine persons.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				the law on passenger and cargo transport by land the service shall be: 1) provided at a fee that is published or advertised in advance, 2) not less than a half day trip 3) or a part of any other organised tourism trip (for example transport of passengers to and from special recreation).		burdensome and costly, and is not necessary to achieve the stated policy objective, which is to provide an exception to the exclusive rights of the taxis. Additional licences required to operate a single tour offering impose a significant administrative burden on potential entrants, thereby harming consumers through restricting supply of services and driving up costs.	
T-5	Law on passenger transport and cargo transport by land no. 28/2017	Art. 13 par. 2 and 3	Land transport	Charges/fee should be paid for following: 1) General operating licence; 2) licence for operation of specially equipped vehicles; 3) tourism service licence; 4) community licence; 5) drivers certificate; 6) costs of complaints; 7) other forms of certificate or administration. The charges are intended to cover 1) salaries and wage related chargers, 2) training and retraining of staff, 3) purchased specialist services, 4) the cost of acquiring and operating housing, working facilities, equipment and equipment 5) management and support services, such as driving and transport. The fees shall not exceed the actual cost for the Transport Authority to grant services.	The objective is to charge for the cost of services.	This provision sets a list of administrative fees to be paid by operators. As administrative fees, this is understood to be payments for the services rendered by the public entity. The charging of administrative fees leads to an increase in the costs incurred by transport service providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial, they may raise entry costs and thereby potentially prevent market entry. This could be simplified by reducing the number of licences required, and thus reduce costs.	In addition to a reduction in the number of licences needed to provide certain tourist transportation services (see lines T-3 and T-4 above), the administrative fees identified should be reviewed taking into consideration the principles of proportionality, transparency and non-discrimination.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-6	Regulation on passenger transport and cargo transport by land no. 474/2017	Art. 10 par. 1	Land transport	The Icelandic Transport Authority grants licences for passenger transport operation of specially equipped vehicles, intended for driving off-road and related to tourism. The applicant shall also have a general operating licence for passenger transport issued by from the Icelandic Transport Authority.	All tours of touristic nature should be regulated in the same way to ensure same standard of protection.	See line T-3.	Abolish the requirement to hold a special equipped vehicles licence , as discussed in line T-3.
T-7	Regulation on passenger transport and cargo transport by land no. 474/2017	Art. 10 par. 2	Land transport	In order to obtain a licence for the operation of specially equipped vehicles, the vehicle must meet the following conditions: 1) The car can not have more than eight passengers; 2) The vehicle has to fall under the definition of off-road vehicle in the Regulations on vehicle type and equipment; 3) The tire size of the vehicle must be at least 780 mm; 4) The vehicle must meet the requirements of modified, specially equipped vehicles in the vehicle inspection manual, e.g. of fire extinguisher and emergency room; 5) The vehicle shall pass an annual inspection, cf. licence review inspection manual; and 6) The vehicle shall have the operator's markings. Markings must be visible and easily readable.	The policy objective is to ensure public safety.	See line T-3.	Abolish the requirement to hold a special equipped vehicles licence , as discussed in line T-3.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-8	Regulation on passenger transport and cargo transport by land no. 474/2017	Art. 11 par. 2	Land transport	In order to obtain a tourism transportation licence, the applicant must be in possession of a general operating licence and an operating licence as a tour operator or travel agency according to law no. 96/2018 on the Icelandic Tourist Board.	The policy objective is to facilitate transport of passengers for non-taxi licence holders for touristic purposes.	See line T-4.	Abolish the requirement for a tourism transport licence, as discussed in line T-4.
T-9	Regulation on passenger transport and cargo transport by land no. 474/2017	Art. 11 par. 3	Land transport	The tourism transport licence holder's vehicle must meet the following conditions: 1) The car can not have more than 8 passengers; 2) The vehicle must be equipped with three-point safety belts, fire extinguishers and emergency boxes; 3) The vehicle shall pass an annual inspection, cf. the same requirements as made for specially equipped vehicles, cf. licence inspection manual; and 4) The vehicle shall be marked with the operator's name or brand name. Markings must be visible and easily readable	Our understanding is that the policy objective is to ensure safety.	See line T-4.	Abolish the requirement for a tourism transport licence, as discussed in line T-4.
T-10	Regulation on passenger transport and cargo transport by land no. 474/2017	Art. 17 par. 1	Land transport	The fee for issuing licences and monitoring the fulfilment of their conditions, issuing certificates and other administration shall be paid to the Icelandic Transport Authority in accordance with the agency's tariff which the minister confirms. And the fees are intended to cover licensing and monitoring in	The objective is to charge for the cost of services.	This provision sets a list of administrative fees to be paid by operators. As administrative fees, this is understood to be payments for the services rendered by the public entity. The charging of administrative fees leads to an increase in the costs incurred by transport service providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial, they may raise entry costs and thereby potentially prevent market entry. This could be simplified by reducing the number	In addition to a reduction in the number of licences needed to provide certain tourist transportation services (see lines T-3 and T-4 above), the administrative fees identified should be reviewed taking into consideration the principles of proportionality, transparency and non-discrimination.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				accordance with VI section of Act no. 28/2017 on passenger transport and cargo transport on land.		of licences required, and thus reduce costs.	
T-11	Law no. 134/2001 on Taxis	Art. 2 par. 2	Taxis	Taxi dispatch centre must provide the Transport Authority with information on licence holders, such as who drives at what taxi dispatch centre and other information concerning taxi management. It further allows the Transport Authority to outsource granting of exemptions from the driver´s duty.	According to the official recital the purpose of this provision is to prevent the abuse of licences obtained.	This provision states what information taxi dispatch centre must provide the Transport Authority. This is an administrative burden but might help to meet the policy objective, for example recording the number of licences in use. According to the Transport Authority, information on the usage of the licence is conveyed to the authority in order for them to verify that licence holders are indeed using their licences. We understand a new bill will be introduced to liberalise the market for taxi services, in particular by facilitating entry, including for online hailing services. This could eliminate this administrative burden.	Abolish this restriction, per the draft bill.
T-12	Law no. 134/2001 on Taxis	Art. 3 par. 1	Taxis	All licence holders in a restricted zone under Article 8 of the law on taxis no. 134/2001 shall be affiliated with a taxi dispatch centre that is licenced by the Transport Authority.	The official recital states that this provision is to ensure better and more reliable service and improve the image of the taxi professions.	The condition that all licence holders in a restricted zone under Article 8 shall be affiliated with a taxi dispatch centre is centre is a significant restriction, and may restrict entry with consequences for competition and consumer outcomes. In comparison, in Sweden, Norway and Finland there is no obligation to be affiliated with a taxi dispatch station/centre. In Denmark there is an obligation to be affiliated with a taxi dispatch station/centre, but a dispatch station/centre can be associated with only a single driver. We understand a new bill will be introduced to liberalise the market for taxi services, in particular by facilitating entry, including for online hailing services. This could eliminate this administrative burden.	Abolish this restriction, per the draft bill.
T-13	Law no. 134/2001 on Taxis	Art. 5 par. 1	Taxis	Requirements for obtaining a taxi drivers licence. Applicant for a taxi drivers licence must have: a) sufficient professional competence; b) be a registered owner of a passenger car; c) pursue taxi driving as a main profession;	We understand that these restrictions are meant to ensure passenger and road safety by assuring the qualifications of taxi drivers. The official recital states that this provision sets the basic rules for obtaining a taxi drivers licence and that they are essentially the same as those stated in regulation for passenger cars in the capital area no. 293/1985.	This provision sets a list of requirements to drive a taxi that restrict entry beyond what may be needed to achieve the policy objectives. a) While licensing of taxi drivers is common, the process for assessing professional competence in Iceland appears overbroad. Drivers are required to complete a course that imposes both time and financial costs on taxi drivers, thereby creating disincentives to enter the market, particularly for those who wish to drive part-time as substitute drivers . The relationship	Eliminate coursework not related to passenger, driver and public safety, such as bookkeeping, from the requirements for taxi licences. The OECD also recommends that the government of Iceland consider measures to reduce the cost of the course for taxi drivers in light of the reduced

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						between some of the course subjects and the policy objective is unclear, particularly as regards taxes, finance and business management, bookkeeping and professionalism. Moreover, similar requirements are not imposed on other service-based businesses in Iceland. Benchmarking with other EU Member States confirms that seven Member States impose an initial training course (Portugal, Estonia, Hungary, Croatia, Denmark, Finland and Malta), whilethat at least 10 Member States impose only a mandatory exam rather than a full course (Austria, Czech Republic, Estonia, France, Hungary, Ireland, United Kingdom, Estonia and Slovakia) (Frazzani, 2016[1]) For example, in Ireland, the training course is not mandatory and the potential candidate can instead read the official manual and study the local map to apply for the entry test. Some European Countries are eliminating licensing schemes altogether. For example, the Norwegian legislation currently only requires to hold a category B licence and to have had it for two years. b) The requirement to own the vehicle used as a taxi imposes costs on potential entrants, and prevents the emergence of alternative business models. For example, it precludes renting or leasing cars for use of taxi-services, and would serve as a barrier to new entrants for ride-share or app-hailing services. c) Licence holders are required to drive full-time, which limits flexibility and imposes significant limits on alternative business models. This effectively eliminates part-time driving and is thereby also likely to limit the viability of ride-hailing or ride-sharing services. Exceptions from the requirement to drive full time are found in article 9, and the power to grant these exceptions is provided to taxi dispatch centres. The exceptions are extensive and allow for discretion in evaluating requests, creating uncertainty and discrepancies in the application of the provision.	curriculum. Abolish the requirements for drivers to own their vehicle and drive full time, per the draft bill.
T-14	Law no. 134/2001 on Taxis	Art. 5 par. 2	Taxis	Harkari (interim) drivers must meet the following requirements of Article 5	The official recital states that this provision sets the basic rules for obtaining a taxi drivers licence and that	This provision subjects interim drivers to the same course requirements as full-time drivers. While licensing of taxi drivers is common, the process for	Eliminate coursework not related to passenger, driver and public safety, such as

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				par.1; a) have sufficient professional competence	they are essentially the same as those stated in regulation for passenger cars in the capital area no. 293/1985.	assessing professional competence in Iceland appears overbroad. Drivers are required to complete a course that imposes both time and financial costs on taxi drivers, thereby creating disincentives to enter the market, particularly for those who wish to drive part-time as substitute drivers . The relationship between some of the course subjects and the policy objective is unclear, particularly as regards taxes, finance and business management, bookkeeping and professionalism. Moreover, similar requirements are not imposed on other service-based businesses in Iceland.	bookkeeping, from the requirements for taxi licences. The OECD also recommends that the government of Iceland consider measures to reduce the cost of the course for taxi drivers in light of the reduced curriculum.
T-15	Law no. 134/2001 on Taxis	Art. 6 par. 2	Taxis	A taxi driver licence is tied to an individual by name. No one can be granted more than one taxi licence. The licensee may not sell a taxi drivers licence, rent it out or dispose of it in another way to a third party. Renew of the certificate is every five years.	The policy objective here is unclear.	These restrictions are part of a broader framework that sets limits on the number of licence s available for taxi drivers, significantly limiting market entry. Due to these limits, the restrictions on selling or transferring licences inhibit flexibility in the market. The draft bill on taxis eliminates the framework providing for limits on the number of licences, lessening the effect of these restrictions. Further, these restrictions limit the range of business models that can be adopted in the industry. In particular, it prevents the establishment of taxi companies that own multiple vehicles and hire drivers as employees. Taxi drivers are thus required to be entrepreneurs with access to a vehicle, and can only share their assets part-time with a licenced replacement driver. In many other jurisdictions, multi-car taxi businesses have emerged. These can give rise to significant economies of scale, including by managing vehicle downtime risk, spreading repair and maintenance costs, and diversifying service offerings (e.g. providing multiple cars for events). Cost savings due to these efficiencies will lead to lower consumer prices, in a competitive market, while service quality gains would also be anticipated. The policy objective(s) underlying the proposed restrictions in this area are unclear and are not stated in the preamble. Other transport businesses such as buses, delivery services and water transport are not	Abolish this quantitative limits on the number of licences available, per the draft bill. Allow taxi licences to be held by businesses as well as individuals, and that businesses be allowed to own multiple taxi licences.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						required to be operated by individuals. With respect to the requirement for licences to be renewed, it should be noted that substantial costs, lengthy processes or short validity periods, may compromise efficiency and lead to higher prices for consumers.	
T-16	Law no. 134/2001 on Taxis	Art. 6 par. 4	Taxis	The Transport Authority issues a licence for interim drivers.	Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	While licensing of taxi drivers is common, the process for assessing professional competence in Iceland appears overbroad (see line T-13).	No recommendation.
T-17	Law no. 134/2001 on Taxis	Art. 7 par. 1	Taxis	The Transport Authority can issue a temporary licence for limousine.	Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	While licensing of taxi or limousine drivers is common, the process for assessing professional competence in Iceland appears overbroad (see line T-13).	No recommendation.
T-18	Law no. 134/2001 on Taxis	Art. 8 par. 1	Taxis	The minister sets in a regulation more detailed rules on the number of taxis in certain areas.	Stakeholders have indicated that these limitations seek to ensure good working conditions and sufficient income for the licence holders.	Limitations to the number of available licences in the specified zones, which includes the largest municipalities in Iceland, are a particularly severe restriction of competition. They can lead to shortages in the availability of taxis, increase prices, and limit incentives to compete on other measures of competition including quality. For example, we understand that there are long queues in downtown Reykjavík on weekend nights, as increased demand cannot be met. The cost of a ride is particularly high for trips to the international airport in Keflavik. Further, due to the existence of the quota regime restrictions in certain areas, a taxi can only take passengers with their area, which leads to a higher price charged to consumers. For instance, if a ride takes a taxi over the municipal limit, the driver cannot take a passenger going in the opposite direction, but has to return empty. The cost of returning empty can be passed on to consumers, and generates substantial inefficiencies.	Abolish this quantitative limits on the number of licences available and the geographic scope of licences, per the draft bill.
T-19	Law no. 134/2001 on Taxis	Art. 8 par. 3	Taxis	The allocation of the available licences in restricted districts shall be based on previous experience of the applicant as a taxi driver. If an applicant	The official recital recognises that there is generally a shortage of available licences for allocation. The Taxi Act, no. 77/1989, indicates that work experience in driving passengers is a determinative factor in	See line T-18.	See line T-18.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				for a licence in restricted district already holds a licence in another restricted district, the applicant shall be considered equal to other applicants as regards driving time.	the allocation of taxi licences.		
T-20	Law no. 134/2001 on Taxis	Art. 9 par. 1	Taxis	The taxi driver should pursue taxi driving as a main profession. Exception is made when residents are under 10.000 people.	The policy objective is unclear.	Licence holders are required to drive full-time, which limits flexibility and imposes significant limits on alternative business models. This effectively eliminates part-time driving and is thereby also likely to limit the viability of ride-hailing or ride-sharing services.	Abolish this requirements for drivers to drive full time, per the draft bill.
T-21	Law no. 134/2001 on Taxis	Art. 9 par. 5	Taxis	Taxi driver who obtains a licence needs to start utilising it within six months from the date of issue and to use it continuously for two years before the he/she (the taxi driver) delists a licence. Otherwise, the licence expires.	The policy objective is unclear.	No harm identified.	No recommendation.
T-22	Law no. 134/2001 on Taxis	Art. 9 par. 7	Taxis	Surviving spouse of the licensee is authorized to use the licence for three years after the passing of the licence holder. Provided there is no surviving spouse, the licence holder's estate may use the licence for three months after his or her passing. The licence shall be renewed every five years.	The official recital states that the provision extends the authorisation for surviving spouse to utilise the licence.	These restrictions are part of a broader framework that sets limits on the number of licences available for taxi drivers, significantly limiting market entry. Due to these limits, establishing a process for the inheritance of taxi licences creates distortions and inhibits flexibility in the market. The draft bill on taxis eliminates the framework providing for limits on the number of licences.	Abolish the process for inheritance of taxi licences as part of the removal of restrictions on the number of available taxi licences, per the draft bill.
T-23	Law no. 134/2001 on Taxis	Art. 10 par. 1	Taxis	All taxis require a taxi-metre.	The official recital states that taxi meters is a important safety issue for customers.	The taximeter requirement significantly restricts alternative business models and limits the options available to consumers. New technologies, including app-based ride hailing services, can render specialised equipment such as meters unnecessary as means of ensuring consumer protection.	Provide exemptions from the taximeter requirements. The exemptions in the draft bill should be broadened as set out in line T-66 below.
T-24	Law no. 134/2001 on	Art. 12 par. 1	Taxis	Every taxi driver shall pay annual fee for licences,	The objective is to charge for the cost of services.	The charging of administrative fees leads to an increase in the costs incurred by transport service	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
	Taxis			10.000 ISK. Other fees shall be paid: a) issue of licence 2.500 ISK; b) temporary delisting of a licence; c) withdrawal of a licence 1.000 ISK; d) for a certificate of a valid work permit for a car purchase 1.000 ISK; and e) for new taxi dispatch central/taxi station entry 1.000 ISK.		providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial they may actually raise entry costs and potentially prevent some agents from entering the market.	
T-25	Taxi regulation no. 397/2003	Art. 3 par. 1	Taxis	A course shall be held for all those wishing to get a taxi drivers licence. b) Courses for applicants for a taxi drivers licenceshall be held when it is considered necessary.	The objective is to ensure a level of knowledge in the profession.	This provision is an entry barrier since one needs to complete a course to get a taxi drivers licence (see line T-13). The provision also creates legal uncertainty since it is not clear when a course might be “considered necessary”.	Clarify when the course is required and eliminate coursework requirements on topics unrelated to passenger or road safety (see line T-13).
T-26	Taxi regulation no. 397/2003	Art 3. par. 2	Taxis	Transport Authority shall hold a course for applicants who have met the required conditions and have pursued taxi driving for at least one year.	To ensure a level of experience	This requirement means that even after completing the course and obtaining a taxi driver license, a replacement driver must wait a further year before being eligible to hold a taxi operator licence (meaning they can own and operate a vehicle full-time). While this requirement imposes administrative burdens on taxi drivers, we understand that it is not currently the main cause of delays in obtaining a full-time taxi licence. In fact, prospective operators are likely to wait significantly longer for an operator license due to limited quantities available in urban centres.	Abolish this waiting period. Further, ease the training requirements for taxi drivers, as discussed in line T-53 below..
T-27	Taxi regulation no. 397/2003	Art. 4	Taxis	The maximum number of taxis is specified. The capital city are, Akureyri and Árborg. Those are the restricted zones. The distribution is 580 (the capital city area and the south) - 22 (Akureyri) - 8 (Árborg). The Ministry of Interior shall	According to communication between the Minister of Transport and Local Government and ESA the objective is that by limiting the number of taxi-drivers the profession itself takes on a role in the surveillance system.	Limitations to the number of available licences in the specified zones, which includes the largest municipalities in Iceland, are a particularly severe restriction of competition. They can lead to shortages in the availability of taxis, increase prices, and limit incentives to compete on other measures of competition including quality (see line T-18).	Abolish this quantitative limits on the number of licences available, per the draft bill.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				before 1st of September each year, for the first time in 2004, review and revise the number of permits issued in each area and take action if significant imbalance has developed between demand and supply.			
T-28	Taxi regulation no. 397/2003	Art. 5 par. 1	Taxis	The applicant for a taxi drivers licence must apply for it on the Road administration's form. In restricted areas, the applicant shall provide a certificate stating that he/she has service on a taxi station/taxi dispatch centre that has the authorisation.	The official recital does not state the policy objective for this provision	The fact that a taxi driver has to belong to a taxi dispatch centre and cannot operate independently in all areas is a restriction on business models and limits innovation and flexibility.	Abolish this requirement, per the draft bill.
T-29	Taxi regulation no. 397/2003	Art. 6 par. 1	Taxis	Transport Authority provides permits in restricted zone on the basis of the applicants experience as a taxi driver.	Same policy objective as Article 8 par. 3. of the taxi law. The official recital states that experience has shown that applicants for taxi licences are usually many times more than available licences for allocation. Taxi Act, no. 77/1989, state the fact that work experience in driving passengers essentially determines the allocation of taxi licences if no special course is held in which examinations determine the allocation.	See line T-18.	See line T-18.
T-30	Taxi regulation no. 397/2003	Art. 6 par. 2	Taxis	The allocation of the available licences in restricted districts shall be based on previous experience of the applicant as a taxi driver. If an applicant for a licence in restricted district already holds a licence in another restricted district, the applicant shall be considered equal to other applicants as regards driving time. However, a driver cannot hold more than	Same policy objective as Article 8 par. 3. of the taxi law. The official recital states that experience has shown that applicants for taxi licences are usually many times more than available licences for allocation. Taxi Act, no. 77/1989, state the fact that work experience in driving passengers essentially determines the allocation of taxi licences if no special course is held in which examinations determine the allocation.	See line T-18.	See line T-18.

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				on licence at the same time, therefore, the former licence expires when the new licence is issued in a new district. If an applicant who already holds a taxi licence but from unrestricted district applies for a licence in a restricted district, he or she will not be considered to have the same experience as a taxi driver who holds a licence in a restricted district. An applicant in that situation will be considered to hold 100 days of experience for every year of work as a taxi driver.			
T-31	Taxi regulation no. 397/2003	Art. 7 par. 2	Taxis	The licensee shall pursue taxi driving as a main profession (no less than 40 hours a week). Exception is made when residents are under 10.000 people. Likewise the exemption rule is granted for those licence holders who can show that they have at least one- third of their income due to jobs for Taxi station/ taxi dispatch centre or taxi drivers associations.	The official recital does not state the policy objective for this provision but our understanding is that it is that in small towns or village there is not enough to do as a taxi driver so it should be a requirement to pursue as a main profession.	See line T-20.	See line T-20.
T-32	Taxi regulation no. 397/2003	Art. 9 par. 1 and 2	Taxis	Surviving spouse of the licensee is authorised to use the licence for three years after the passing of the licence holder. Provided there is no surviving spouse, the licence holder's estate may use the licence for three months after his or her passing. The licence shall be renewed every five years.	Same policy objective as Article 9 par. 7. of the taxi law. The official recital states that the provision extends the authorisation for surviving spouse to utilise the licence.	See line T-22.	See line T-22.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-33	Taxi regulation no. 397/2003	Art. 19	Taxis	The licensee may be allowed to leave the licence unused for up to four years in each 10-year period.	The official recital does not state the policy objective for this provision	Due to limits on the number of available licences, this provision can exacerbate shortages of taxis and lead to higher prices, longer waits, and poorer quality for consumers.	Abolish this quantitative limits on the number of licences available, per the draft bill.
T-34	Taxi regulation no. 397/2003	Art. 23	Taxis	Conditions for operating Taxi station/ taxi dispatch centre. a) custodian of a taxi dispatch central shall attended courses; b) the minimum number of work permit holders shall be 10 (however this does not apply in areas where the population is less than 10.000 residents); c) opening hours with telephone service must be at least from 07.00 - 24.00; d) have adequate telecommunications systems; e) computer equipment; and f) operating licence shall be issued for the first time for one year at a time, but every five years thereafter.	The official recital does not state the policy objective for this provision. Our understanding is that the policy objective is to ensure safety.	The fact that a taxi driver must belong to a taxi dispatch centre subject to specific requirements is a restriction on business models and limits innovation and flexibility.	Abolish this requirement, per the draft bill.
T-35	Taxi regulation no. 397/2003	Art. 25 par. 1	Taxis	Licences for the operation of limousine services shall normally be granted for a period of two years at a time. An applicant for such a licenceshall meet the requirements of Article 5. taxi laws.	There is no official recital on this provision. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	The renewal of a licence every 2 years, compared to 5 years for taxis, may constitute an excessive administrative burden. Administrative burdens increase costs to operators with possibly no discriminatory effect on competition in the market, such as time spent, possible delays and missed opportunities to maximise efficiency. As such, it might reduce the interest of entrant operators and hinder the efficiency and competitiveness of the market.	Consider increasing the validity periods for limousine licences.
T-36	Taxi regulation no. 397/2003	Art. 25 par. 2	Taxis	The services of limousines are specialized service. The cars do have to be able to carry 4-8 passengers with a divider between the driver and the passenger compartment.	The official recital does not state the policy objective for this provision. Our understanding is that the provision relates to comfort and logistic issues	These prohibitions create a distinction between taxis and limousines, since they are subject to different regulatory requirements.	Consider whether the distinction between taxis and limousines is required, and whether the regulatory framework could be harmonised.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-37	Taxi regulation no. 397/2003	Art. 25 par. 3	Taxis	Limousines may only be used to drive passengers for a fee according to a pre-booked reservation for their services. A limousine must always be rented out with a driver.	The official recital does not state the policy objective for this provision	See line T-37.	See line T-37.
T-38	Law on car rental no. 65/2015	Art. 3 par. 2	Car rental	A car rental operating licence shall be granted upon positive review by planning authorities of the relevant municipality. In the comment, the local authority, shall determine if the location is suitable for its future operations. Reviews must be clear and substantiated. The operating licence may be subject to conditions stated in the review.	The official recital states that it is reasonable to assume that a review on whether to grant an operating licence for a car rental by the local authority includes an assessment of its location in terms of planning provisions, assessment of conditions of an establishment and in addition, the comment from the authority it must be stated how many vehicles the licensee can have at the relevant establishment.	The requirement for a positive opinion from the local authority of the establishment (in addition to existing zoning regulations for land use) imposes an administrative burden on new car rental locations, and the content of these opinions can lead to subjectivity, undermining business certainty. Further, it may prevent the emergence of mobile application-based services enabling private car sharing.	Abolish the requirement for a car rental location to obtain a positive opinion from the local authority.
T-39	Law on car rental no. 65/2015	Art. 3 par. 3	Car rental	The fee for issuing an operating licence shall be in accordance with the tariff of the Icelandic Transport Authority, as approved by the Minister. The operating licence fee shall cover the cost of processing and managing applications, as well as the supervision of licensees.	The objective is to charge for the cost of services.	This provision sets a list of administrative fees to be paid by operators. As administrative fees, this is understood to be payments due to the services rendered by the public entity. The charging of administrative fees leads to an increase in the costs incurred by transport service providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial, they may raise entry costs and potentially prevent some agents from entering the market. Further, it may prevent the emergence of mobile application-based services enabling private car sharing. The fee paid for an operating licence is ISK 120 000 (EUR 860).	The administrative fees identified should be reviewed taking into consideration the principles of proportionality, transparency and non-discrimination.
T-40	Law on car rental no. 65/2015	Art. 3 par.5	Car rental	Car rentals shall be operated at a permanent establishment open to the public. A car rental may set up a branch on the basis of an operating licence, and it shall then notify the Icelandic Transport	The policy objective on physical premises is not clear but regarding the positive opinion from the local authority the official recital states that it is reasonable to assume that a comment on operation on a car rental will include an assessment of its location with regard to planning	The obligation to have a permanent establishment open to the public can increase costs and limit the emergence of alternative business models, including seasonal establishments and small or single-owner enterprises from entering the market. Further, it may prevent the emergence of mobile application-based services enabling private car sharing. This can lead to	Abolish the requirement for car rental operators to have one fixed establishment open to the public in order to start operations. In addition, the government could consider whether further reforms are

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Authority of the branch as well as a positive opinion of the local authority.	provisions, an assessment of the situation at an establishment, as well as an indication of how many cars can be at the establishment .	fewer operators in the market, and can lead to higher prices charged to consumers.	needed to enable alternative business models for car rentals and car-sharing to emerge.
T-41	Law on car rental no. 65/2015	Art. 4 par. 2	Car rental	In order to obtain an operating licence, the applicant or the representative of the applicant, if it is a legal entity, must fulfil the following conditions: Have not lost an operating licence on the basis of this law in the last three years	The official recital does not state the policy objective for this provision. According to our understanding the licensing requirements are to ensure safety for customers.	The licence conditions are subjective and although the policy objective is not stated in the recital, the conditions are identical to other operation licences in Iceland.	No recommendation.
T-42	Law on car rental no. 65/2015	Art. 4 par. 4	Car rental	When the car rental licensee is a legal entity and not a person, a majority of the members of the Board of Directors shall satisfy the conditions of Art. 4 par. 2.	The policy objective is to hold board members of a car rental to the same conditions as operators.	No harm to competition.	No recommendation.
T-43	Law on car rental no. 65/2015	Art. 4 par. 4 and 5	Car rental	The liability insurance for vehicle rental shall be ISK 500 000 at the lowest for each individual incident. The total amount of insurance benefits within the insurance year shall be a minimum based on the number of cars/vehicles to rent: 1. 1 - 10 cars ISK 2 million 2. 11 - 25 cars ISK 2.5 million 3. 26 - 50 cars ISK 3.5 million 4. 51 - 75 cars ISK 4.5 million 5. > 75 cars ISK 6 million 6. Other registration vehicles ISK 2 million. ISK The insurance amounts are based on the consumer price index in May 2015 and should change on 1 May each year	The article is unchanged since 2000 and according to the official recital the professional indemnity insurance would be similar to travel agency insurance, in accordance with the scope of the business, for example. Based on the number of cars rented at any given time.	This professional liability insurance does not insure against damages to vehicles, to drivers or passengers. Each vehicle in a car rental´s fleet has mandatory vehicle insurance which provides financial relief in case of a car collision. Professional liability insurances (starfsábyrgðartrygging) are mandatory for certain service professionals and enterprises such as auditors, real estate agents, car dealers, insurance brokers and other professional where there is considerable risk of significant financial damage. Other businesses are free to have liability insurance but not legally obligated. The insurance covers damage incurred by neglect of the enterprise or its employees. It is not clear why liability insurance, usually focused on addressing professional neglect or error, is mandatory for car rental operators – particularly since it does not cover risks associated with vehicle, passenger or driver damages. We understand from stakeholders that there are very few claims for payment of damages covered by these policies, with one insurance company	Abolish the need for car rentals to have liability insurance.

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				in accordance with changes in the index at that time.		receiving only four claims in three years while having around 50 active certificates of insurance outstanding. Premiums for car rentals for professional liability insurance increase the cost of doing business and at the margin, may discourage some firms from entering, particularly since the required insurance coverage is in addition to the standard capital requirements for starting a business in Iceland.	
T-44	Law on car rental no. 65/2015	Art. 9 par. 1-3	Car rental	An individual may rent out a maximum of two cars via a private car rental. Private car rentals that rent out the cars of individuals must fulfil requirements of Article 3, excluding the municipal council´s comment. The applicant also need to fulfil the requirements stated in Article 4 (see previous discussion).	According to the legal recital, this type of rental was somewhat common so it was considered necessary to set laws and regulation about this kind of rental.	The provision does not allow individuals to rent out their private cars without a private car rental. This requirement can deter individuals to rent out their car for short periods while it is not in use. When home stays started to emerge in Iceland, regulation in the hospitality market adjusted and opened up opportunities for individuals to rent out accommodation space as long as it was not a business, setting a 90 day and a ISK 2 000 000 upper limit to operations to exclude business activity. Similarly, the car rental regulation could allow individuals to rent out their vehicle without a licence for a limited period of time and/or revenue, enabled by digital technologies already available in other jurisdictions. The day and monetary limit could be set to distinguish occasional private leasing from business activity.	Consider allowing individuals to rent out cars, for example through digital platforms, without a private car rental licence, subject to limits as deemed appropriate.
T-45	Regulation on rental cars no. 840/2015	Art. 2 par. 1	Car rental	An application for a licence to operate a car rental service must be submitted at least one month before the proposed operation is to commence.	The policy objective is unclear.	Excessively lengthy procedures may create uncertainty and increase costs for businesses.	Consider incorporating time limits for a response to car rental licence applications.
T-46	Regulation on rental cars no. 840/2015	Art. 4 par. 3	Car rental	Instead of liability insurance with an insurance company, a bank guarantee may be provided which the Transport Authority considers adequate or other collateral that the Transport Authority considers satisfactory.	The provision premises different forms of ensuring resources for liabilities.	The provision provides car rentals the option to have a bank guarantee instead of liability insurance. No harm identified.	No recommendation.

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T-47	Regulation on rental cars no. 840/2015	Art. 6	Car rental	The municipality's comment shall include an assessment of the proposed location of permanent establishments and, where appropriate, the location of the vehicle rental branches and whether the locations are within the limits stipulated by the municipality's rules and organisation. In its opinion, the municipality shall also decide whether the number of parking spaces is considered sufficient for the operation and whether the approach is suitable for the expected activities.	The official recital states that it is reasonable to have assessment of the proposed location of permanent establishment for a car rental with regards to planning provisions, assessment of the situation at an establishment, as well as an indication of how many vehicles the licensee can have at that establishment.	The requirement for a municipal assessment of a potential car rental business imposes an administrative burden, and the content of these opinions can lead to subjectivity, undermining business certainty. The policy objective is not clear.	Consider developing clear requirements or abolishing.
T-48	Regulation on rental cars no. 840/2015	Art. 11 par. 2	Car rental	Applicants for a licence to operate a personal car lease cannot have had an earlier licence revoked in the passed three years.	The official recital does not state the policy objective for this provision	No harm identified.	No recommendation.
T-49	Regulation on rental cars no. 840/2015	Art. 11 par. 2	Car rental	A private lease or its representative must have a physical premises.	According to the legal recital, this type of rental was somewhat common so it was considered necessary to set laws and regulation about this kind of rental.	The obligation to have a physical premises can increase costs and limit the emergence of alternative business models, including seasonal establishments and small or single-owner enterprises from entering the market. This can lead to fewer operators in the market, and can lead to higher prices charged to consumers. Several jurisdictions do not impose physical establishment requirements on car rental businesses. This allows alternative business models using digital solutions to emerge.	Abolish the requirement for car rental operators to have one fixed establishment open to the public in order to start operations. In addition, the government could consider whether further reforms are needed to enable alternative business models for car rentals and car-sharing to emerge.
T-50	Regulation on rental cars no. 840/2015	Art. 11 par. 3	Car rental	The liability insurance for vehicle rental shall be ISK 500,000 at the lowest for each individual incident. The total amount of insurance benefits within the insurance year shall be a minimum based on the number of	The article is unchanged since 2000 and according to the official recital the professional indemnity insurance would be similar to travel agency insurance, in accordance with the scope of the business, for example. Based on the number of cars rented at any given time. Since then the travel agency insurance	See line T-43.	Abolish the need for car rentals to have liability insurance.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				cars/vehicles to rent: 1. 1 - 10 cars ISK 2 million 2. 11 - 25 cars ISK 2.5 million 3. 26 - 50 cars ISK 3.5 million 4. 51 - 75 cars ISK 4.5 million 5. > 75 cars ISK 6 million 6. Other registration vehicles ISK 2 million The insurance amounts are based on the consumer price index in May 2015 and should change on 1 May each year in accordance with changes in the index at that time.	has been changed.		
T-51	Regulation on excise tax on vehicles no. 331/2000	Art. 4 par. 1a and 5a	Land transport and tax	1a. Buses, i.e. vehicles indented for passenger transport registered for 18 people or more, including the driver is exempt from excise duty/tax. 5a. Buses, registered for 10-17 people including the driver have 30% excise tax.	The official recital does not state the policy objective for this provision	From discussions with the Ministry of Finance, we understand that the provision on excise duty on buses have been changed in the law on excise tax no. 29/1993 but the regulation has not been changed.	Remove from statute books.
T-52	Proposed law on taxis. Document no. 577 - case no. 421	Art. 5 par. 2(1)	Taxi	Applicants for a taxi driver licence need to fulfil the professional competence requirement. To obtain this requirement, they need a driving licence of a sufficient category, finish a course and pass a test. Further implementation of the extent of the course and its subjects is to be implemented with regulation.	According to the legal recital this requirement is to ensure that individuals who pursue taxi driving as a profession do have the professional ability.	While licensing of taxi drivers is common, the process for assessing professional competence in Iceland appears overbroad. Drivers are required to complete a course that imposes both time and financial costs on taxi drivers, thereby creating disincentives to enter the market, particularly for those who wish to drive part-time as substitute drivers . The relationship between some of the course subjects and the policy objective is unclear, particularly as regards taxes, finance and business management, bookkeeping and professionalism. Moreover, similar requirements are not imposed on other service-based businesses in Iceland. Benchmarking with other EU Member States confirms that seven Member States impose an initial training course (Portugal, Estonia, Hungary, Croatia, Denmark, Finland and Malta), while at least 10 Member States	Eliminate coursework not related to passenger, driver and public safety, such as bookkeeping, from the requirements for taxi licences. The OECD also recommends that the government of Iceland consider measures to reduce the cost of the course for taxi drivers in light of the reduced curriculum.

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						impose only a mandatory exam rather than a full course (Austria, Czech Republic, Estonia, France, Hungary, Ireland, United Kingdom, Estonia and Slovakia) (Frazzani, 2016[1]) For example, in Ireland, the training course is not mandatory and the potential candidate can instead read the official manual and study the local map to apply for the entry test. Some European Countries are eliminating licensing schemes altogether. For example, the Norwegian legislation currently only requires taxi drivers to hold a category B licence and to have had it for two years.	
T-53	Proposed law on taxis. Document no. 577 - case no. 421	Art. 5 par. 2(3)	Taxi	To obtain a taxi driver licence, applicants must be 21 years old and have a licence for a B category for at least 3 years.	According to the legal recital is that the condition makes it more likely that the applicant has achieved the necessary maturity to do the job and has experience of driving a car.	The requirement for drivers to be 21 years of age is an increase from the current requirement to be 20 years. Further, the requirement to have three years of experience as a category B driver is higher than the 2 years in Norway, where the legislative framework is similar to that proposed in the draft bill.	Consider whether the increase in the age and the current proposed level of experience is necessary to achieve the policy objective.
T-54	Proposed law on taxis. Document no. 577 - case no. 421	Art. 5 par. 4	Taxi	Taxi driver licences shall be valid for five years. Upon renewal of the licence, the licensee must provide proof that he still fulfils the taxi drivers licence conditions.	The policy objective is not clear. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	Consider introducing digital procedures for licence renewal.
T-55	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 2(1)	Taxi	The first condition of the operating licence is to have, in Iceland, an effective and stable establishment from which the taxi operation is controlled and where all core business documents should be kept and accessible.	The preamble to the proposed law states that the condition is derived from a comparable condition in law no. 28/2017, which implements Regulation (EC) No 1071/2009 on the occupation of road transport operator.	Taxi services is explicitly not within the scope of Regulation (EC) No 1071/2009 on transport operators. The corresponding provision in this regulation requires having an effective and stable establishment in any Member State. The proposed law is significantly more narrow, as it requires an establishment in Iceland. This provision may impose additional costs on new market entrants, including digital ride-sourcing services.	Consider whether this requirement could be broadened to include establishments in EU Member States.
T-56	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 2(2)	Taxi	Applicants for a taxi operation licence needs to have the requisite professional competence. The requisite professional competence as further implemented in a regulation consist having a driver´s licence and; finish a	According to the legal recital this provision is in accordance with the requirements to get a taxi drivers licence of the current Taxi Act no. 134/2001. Our understanding is that this provision aims to guarantee that taxi operation licence holders have the necessary competences and background to drive a taxi car safely	See line T-53.	See line T-53.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				course on taxi driving, business management, book keeping and tax returns.			
T-57	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 2(4)	Taxi	Applicants are not granted a licence to operate a taxi if they are under bankruptcy or owe taxes	The official recital indicate that starting a business requires some investment to cover costs.	No harm identified.	No recommendation.
T-58	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 2(5)	Taxi	Applicants for a taxi operation licence need to be 21 years of age and have a licence for a B category for at least 3 years.	According to the legal recital is that the condition makes it more likely that the applicant has achieved the necessary maturity to do the job and has experience of driving a car.	See line T-54.	See line T-54.
T-59	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 2(6)	Taxi	The passenger car that will be used as a taxi car needs to be registered in Iceland and owned by (or registered under) the taxi operation licence applicant.	The legal recital states that the taxi driver has to be the owner and registered possessor of the taxi. According to the legal recital it is normal given that passenger car occupancy is the basis for being able to operate taxi services according to the law. According to the law is the licence restricted to a person and passenger car and therefore the law does not assume that more than one person can operate the same taxi.	Preventing taxi drivers from renting or leasing cars is an entry barrier, as it raises costs and limits the ability of applicants to choose the best option for their particular financial situation. Additionally, this can also serve as a barrier to new entrants for ride-share or app-hailing services, lowering the competitive pressure in the market.	Abolish this article.
T-60	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 4	Taxi	Taxi operation licences shall be valid for five years. Upon renewal of the licence, the licensee must provide proof that he still fulfils the taxi operation licence conditions.	The policy objective on this provision is not clear. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	Consider introducing digital procedures for licence renewal.
T-61	Proposed law on taxis. Document no. 577 - case no. 421	Art. 6 par. 5	Taxi	Taxi operation licences are only awarded to individuals. No individual can be issued more than one licences	Policy objective is not stated	These restrictions would limit the range of business models that can be adopted in the industry. In particular, it prevents the establishment of taxi companies that own multiple vehicles and hire drivers as employees. Taxi drivers are thus required to be entrepreneurs with access to a vehicle, and can only share their assets part-time with a licenced replacement driver. Such restrictions appear typically to be adopted in the context of regulated restrictions on the supply of licences and may reflect a desire to avoid	Allow taxi licences to be held by businesses as well as individuals, and that businesses be allowed to own multiple taxi licences.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						the risk of monopolisation of the limited available supply of licences by a small number of operators and/or an ideological preference for independent "owner/operator" businesses over larger businesses employing drivers. However, given that the legislation will remove the current limits on taxi licence availability, there is no obvious basis for retaining such restrictions. In many other jurisdictions, multi-car taxi businesses have emerged. These can give rise to significant economies of scale, including by managing vehicle downtime risk, spreading repair and maintenance costs, and diversifying service offerings (e.g. providing multiple cars for events). Cost savings due to these efficiencies will lead to lower consumer prices, in a competitive market, while service quality gains would also be anticipated.	
T-62	Proposed law on taxis. Document no. 577 - case no. 421	Art. 7 par. 2(1)	Taxi	Applicants for a taxi dispatch centre need to fulfil the same professional competence requirement as the taxi operators.	The legal recital states that it is necessary for the operator of taxi dispatch stations to have both an understanding of taxi operations and have the same trust as taxi driver licence holders and operating licence holders. It is also required that the representative of the taxi dispatch centre is domicile in Iceland.	This requirement imposes costs on taxi dispatch operators that is disproportionate to the policy objective.	Abolish this article.
T-63	Proposed law on taxis. Document no. 577 - case no. 421	Art. 7 par. 2(2)	Taxi	Applicants for a licence to operate a dispatch centre need to have an effective and stable establishment from which the dispatch station is controlled and where all core business documents should be kept and accessible.	The preamble to the proposed law states that the condition is derived from a comparable condition in law no. 28/2017, which implements Regulation (EC) No 1071/2009 on the occupation of road transport operator.	While the requirement to have a business address may be needed for the administration of regulation, for instance to be able to send notices and contact licensees, the current wording of this provision may give rise to uncertainty. Specifically, it is not clear which core business documents are required, and this requirement does not appear to be enforced.	Consider clarifying this provision (including which documents are required and whether they can be stored electronically), or removing the document requirements altogether.
T-64	Proposed law on taxis. Document no. 577 - case no. 421	Art. 7 par. 2(1)	Taxi	Applicants for a licence to operate a dispatch centre need to have appropriate financial standing.	The policy objective of this provision is not clear. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active. However, the specific definition of financial standing has not yet been set out in implementing regulations.	While this requirement is yet to be set out in detail, it has the potential to be a significant barrier to competition. In particular, if it takes the form of minimum capital requirements, it would raise the costs of entering the market without a clear policy justification and would not be an effective means of protecting consumers. Requiring operators (and drivers) to take out insurance (e.g., against accidents and liability)	Abolish the requirement for appropriate financial standing.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						would be a more appropriate regulatory requirement. Moreover, the term "appropriate" is not defined, leading to legal uncertainty, along with the risk of uneven in enforcement.	
T-65	Proposed law on taxis. Document no. 577 - case no. 421	Art. 7 par. 4	Taxi	Taxi dispatch centres licences shall be valid for five years. Upon renewal of the licence, licensees must provide proof that they still fulfil the conditions of the licence.	The policy objective on this provision is not clear.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	Consider introducing digital procedures for licence renewal.
T-66	Proposed law on taxis. Document no. 577 - case no. 421	Art. 9 par. 1	Taxi	Certified taximeters shall be in all taxis when fares are based on distance travelled or travel time. When the total fare is pre-negotiated no taximeter is required.	Our understanding is that this provision aims to guarantee that passengers pay the correct price if they are travelling on the meter.	The preamble of the draft bill specifically states that changes to the existing provisions relating to taximeters are proposed in order to enable ridesourcing services to enter the market while also fulfilling all the same conditions as traditional taxis. The aim is that, collectively, the abolition of geographical restrictions, quotas, mandatory dispatch affiliations and taxi meter requirements will enable more a market incorporating more diversified services (including ridesourcing services) to develop. However, stakeholders believe that the proposed exemption from the use of a meter when the price is prenegotiated may not be sufficient to enable ridesourcing applications to operate in practice, using their standard model. This is because the price quoted to intending prospective passenger before they accept the ride is an estimated price for the journey, rather than being entirely fixed. The final price may differ from the estimate due to route or time variation, based on formulae set out by the service provider. By contrast, the proposed legislative requirement for the price to be pre-negotiated if a meter is not to be required does not allow for variation from the initial estimate.	Broaden the proposed exemption from taximeter requirements. Specifically, it should explicitly allow for the use of alternative pricing schemes of the type commonly used by ride sourcing services – i.e. providing an initial fare estimate that is subject to some variation on the basis of transparently disclosed factors (e.g. variations in route).
T-67	Proposed law on taxis. Document no. 577 - case no. 421	Art. 8 par. 4	Taxi	Operation licensee´s shall log each trip sold with Global Navigation Satellite System technology and keep logs for a minimum of 60 days.	According to the official recital it is new in Icelandic law and based on Norwegian law. The information of GNSS technology can be crucial to inform about journeys and location. With the abolition of stationary duty it can be assumed that the number of taxi drivers will increase.	No barrier to competition.	No recommendation.

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					Therefore, it is considered necessary to record the journeys.		
T-68	Proposed law on taxis. Document no. 577 - case no. 421	Art. 11 par. 3	Taxi	The draft law authorises the Minister to further implement rules on taxi markings.	The official recital states that it is normal to have different requirements depending on whether taxis drive on a fee basis or according to pre-negotiated fees. It is considered a certain level of security for consumers who can then assume that when they intend to take taxi that only those which have special yellow taxi signs on the top of the car do have taxi meters.	Overly specific or burdensome requirements for taxi markings can increase costs and give rise to regulatory uncertainty.	No recommendation.
T-69	Proposed law on taxis. Document no. 577 - case no. 421	Art. 12 par. 3	Taxi	A taxi dispatch centre may implement maximum prices for taxis serviced.	Our understanding is that this provision aims to protect consumers from higher prices and, at the same time, to promote some price competition.	A maximum price limits competition between individual licence holders driving from the same dispatch station.	No recommendation.
T-70	Proposed law on taxis. Document no. 577 - case no. 421	Art. 20	Taxi	Licence holder shall pay fees to the Icelandic Transport Authority according to tariff. Fees shall be charged for the following: 1) Taxi driver licence 2) Operating licence 3) Licence for taxi station 4) issue of a licence certificate 5) other types of certificate or administration. The fees shall not exceed the actual cost for the Transport Authority to grant services.	According to the same article, these fees are intended to cover 1) salaries and wage related chargers, 2) training and retraining of staff, 3) purchased specialist services, 4) the cost of acquiring and operating housing, working facilities, equipment and equipment 5) management and support services, such as driving and transport.	This provision sets a list of administrative fees to be paid by operators. As administrative fees, this is understood to be payments for the services rendered by the public entity. The charging of administrative fees leads to an increase in the costs incurred by transport service providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial, they may raise entry costs and thereby potentially prevent market entry. This could be simplified by reducing the number of licences required, and thus reduce costs.	The administrative fees identified should be reviewed taking into consideration the principles of proportionality, transparency and non-discrimination.
T-71	Proposed law on taxis. Document no. 577 - case no. 421	Art. 21	Taxi	Licences cannot be transferred, sold, leased or mortgaged.	The provision is in accordance with the current legal situation. Licence assigned according to this law are personal rights of an individual. It is abnormal hat they can be transferred in some way. With the removal of number restrictions in the taxi industry everyone who meet the requirements are free to apply for a licence.	No harm identified, given that the draft bill eliminates restrictions on the number of licences available.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Air transport			
T-72	Law no. 153/2009 on the merging of the state owned enterprises of Flugstoðir og Keflavíkurflug völlur	Art. 4.	Isavia	The purpose of the enterprise are in line with the purpose of the merging companies and further described in its bylaws.	To enable the restructuring of Isavia through the establishment of new firms or the acquisitions of existing ones. In 2010, Isavia acquired the state-owned enterprise Flugstodir, which owned and managed the remaining domestic airports in Iceland. Since then, all the airports of Iceland (international and domestic) are owned and operated by ISAVIA.	Publicly-owned airports generally have fewer reward incentives to minimise costs and the effectiveness of their management may be compromised by political appointments. This can mean that publicly-owned airports are less likely to operate efficiently than their private counterparts. Further, the lack of inter-airport competition could be a contributing factor to an inefficient airport sector. In the absence of close substitute airports exerting effective competitive pressure, especially at the local level, there are few incentives for Icelandic airports to maximise efficiency, whether by minimising costs or optimally deploying resources and assets such as labour, runways, gates and terminal areas. Airports with substantial market power are also less likely to engage in product and process innovation that could improve the quality of services – for instance by reducing congestion delays – or reduce costs over time.	Explore ways to enhance the incentives for the operator of Keflavik Airport to seek cost effectiveness and increase competitiveness. Two potential approaches to do so could be: • Implementing an alternative ownership model, such as a management contract or a concession model, in which the government of Iceland could retain ownership of airport assets and open a competitive tender for the management of Keflavik (for which Isavia could bid). • Developing a long-term plan to promote inter-airport competition in Iceland. This could be achieved by opening separate competitive tenders for the management of the main domestic airports in Iceland (e.g. Reykjavik, Akureyri), under the condition that the awarded operators expand existing terminals, invest in new infrastructure and seek to develop international routes. Notwithstanding these recommendations, further regulatory changes may be required to ensure that Isavia is not able to take advantage of any market power in the provision of airport services in Iceland, as discussed in the following sections.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-73	Law no. 76/2008 on establishment of a public limited liability company for the operation of Keflavik Airport	Art. 1 par. 1	Isavia	The Minister is authorised to establish a public limited company for the operation of Keflavik Airport. This provision specifies the company's assets, rights, liabilities and obligations.	To establish the state-owned enterprise responsible for the management of Icelandic airports. It follows from this provision that the operation and ownership of the international Keflavik airport, as well as all the domestic airports of Iceland, take the form of a corporatisation model. In other words, the airports are owned and operated by a corporatised state-owned enterprise with profit objectives.	See line T-72.	See line T-72.
T-74	Law no. 76/2008 on establishment of a public limited liability company for the operation of Keflavik Airport	Art. 2	Isavia	The Minister who handles the state's assets shall handle the State's share in the company.	To establish the shareholding minister.	No harm to competition.	No recommendation.
T-75	Law no. 76/2008 on establishment of a public limited liability company for the operation of Keflavik Airport	Art. 4 par. 2	Isavia	The Company shall be authorised to establish other companies and become a shareholder of other companies, including a company which is indented to provide employment in the local region of the airport.	To enable the restructuring of Isavia through the establishment of new firms or the acquisitions of existing ones. In 2010, Isavia acquired the state-owned enterprise Flugstodir, which owned and managed the remaining domestic airports in Iceland. Since then, all the airports of Iceland (international and domestic) are owned and operated by ISAVIA.	See line T-72.	See line T-72.
T-76	Law no. 76/2008 on establishment of a public limited liability company for the operation of Keflavik Airport	Art 8 par. 2	Isavia	The company makes proposals for the regional and municipal plan to the ministerial planning committee. The planning committee is the final resolution of the municipal planning state.	To determine the Committee responsible for approving the regional and municipal plan.	No harm to competition	No recommendation.

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T-77	Law no. 76/2008 on establishment of a public limited liability company for the operation of Keflavik Airport	Art. 10 par.1	Isavia	The company's board of directors shall set a service tariff for the company.	To determine who is responsible for setting the tariffs charged for airport services.	In the absence of economic regulation an airport operator is more likely to exploit its market power, especially if it faces limited competitive pressure from nearby airports or alternative tourist destinations – as is the case in Iceland. In such a case, an airport may artificially limit the number of flights and constrain its capacity below the optimal level, in order to be able to charge higher tariffs to airport customers (i.e. airlines), who in turn pass on the higher cost to passengers. The risk of market power exploitation exists not only for privatised airports, but also for government-owned airports, as the latter may prioritise raising revenues over promoting efficiency and decreasing tariffs for airport users.	Introduce ex ante incentive regulation of airport tariffs, such as dual-till price or revenue cap regulation, by providing the Icelandic Transport Authority with the requisite independent powers and resources. This regulatory framework could be complemented by regular monitoring of quality levels (e.g. through annual reviews of key performance metrics, such as flight delays) which could be transformed into minimum quality standards if deemed necessary by the Authority. The Government of Iceland may also consider defining a clear mandate specifying Isavia's main economic and public policy objectives, in order to supplement regulatory efforts. If inter-airport competition becomes viable in the medium to long term, the need for ex-ante regulation should be reassessed.
T-78	Tender documents for the concession of retail space for commercial activities (including speciality retail, food and beverages) in Keflavik Airport.	Pre-qualification document and request for proposal	Speciality retail, food and beverages	The tender documents provide information about the pre-qualification requirements, submission process and evaluation criteria to select the winning bidder. The following provisions may constitute potential obstacles to competition or contribute to reduce the competitiveness of commercial activities in Keflavik airport: - The awarding criteria for the	To enable the participation of the private sector in the provision of speciality retail, food and beverages, as well as to optimise the concession revenue received by Isavia.	The current design of concession contracts may reduce the competitiveness of specialised retail, food and beverages in Keflavik airport. In particular: (1) The awarding criteria based on estimated revenues and percentage of sales have the effect of maximising revenues for Isavia, requiring private operators to pay high concession fees that are passed through to consumers in the form of high prices. (2) The variable component of the concession fees as a percentage of sales creates a double marginalisation problem and may therefore increase prices beyond the monopoly level (note: double marginalisation occurs when vertically-related firms set wholesale and retail price margins without considering the negative impact	Introduce the following changes in future tender processes: - Eliminate any awarding criteria based on the value of the concession fees, using alternative criteria such as the price charged to consumers, minimum volume of sales, quality measures, etc. - Reduce turnover fees that are not related to variable costs incurred by Isavia on behalf of the concession operators. - Define the minimum level of

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				tender includes, among other factors, the estimated revenue generated by the private operator and the proposed percentage of sales to be paid as a concession fee. - The concession fees paid by the private operator comprise a turnover rent (as a percentage of sales), a fixed rent and a marketing fee. - The lease term can be up to 7 years depending on the nature of the operation. The lease term does not depend on the level of investment incurred by the private operator. - The private operators awarded are expected to return maximum profit.		of lost sales on each other's profit, resulting in an inefficiently-high price). (3) The lack of a relationship between the lease term and the level of investment implies that a private operator may have the exclusive right to commercially exploit a retail space without the obligation to conduct any investment, which is one of the main purposes of a concession contract.	investment that the concessionaire should make during the contract. If no level of investment is required, consider replacing the concession with a licensing contract.
T-79	Tender documents for the concession of facilities for the provision of bus transport services in Keflavik Airport.	Pre-qualification document and request for proposal	Bus transport	The tender documents provide information about the pre-qualification requirements, submission process and evaluation criteria to select the winning bidder. The following provisions may constitute potential obstacles to competition or contribute to reduce the competitiveness of bus transport services in Keflavik airport: - The awarding criteria for the tender includes, among other factors, the estimated revenue generated by the private operator and the proposed percentage of sales	To enable the participation of the private sector in the provision of bus transport services, as well as to optimise the concession revenue received by Isavia.	See line T-78.	See line T-78.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				to be paid as a concession fee. - The concession fees paid by the private operator comprise a turnover rent (as a percentage of sales) and a fixed rent. - The lease term is generally 5 years and, in a few cases, 7 years. The lease term does not depend on the level of investment incurred by the private operator. - There are only two tenders awarded to two independent operators. All the remaining operators can only provide bus transport services from outside the terminal, are not allowed to have a kiosk inside the terminal and must pay a fee every time they enter the airport area.			
T-80	Law no. 102/2006 Laws on the establishment of a limited liability company for the operation of navigation services and operation of airports for the Icelandic Civil Aviation Administra-tion	Art. 1 par. 1	Air navigation services and airport operations by the CAA	The Government is authorised to establish a limited liability company on air navigation services and airport operations by the Civil Aviation Administration (CAA) which may take over assets, rights, liabilities and obligations as specified in this Act.	To establish the state-owned enterprise responsible for the provision of air navigation services. It follows from this provision that the operation and ownership of air navigation services and airport operations take the form of a corporatisation model.	The corporatisation of air navigation services and airport operations in Iceland has considerable advantages over traditional models where air navigation and airport services were provided directly by a Government department or ministry. The corporatisation model promotes a more efficient and transparent management, a greater access to capital investment and a greater focus on customers. However, management efficiency might sometimes be compromised by political appointments during changes of political cycles. There is also a risk that the government-owned provider exploits its market power to increase government revenues.	See line T-72.

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T-81	Law no. 102/2006 Laws on the establishment of a limited liability company for the operation of navigation services and operation of airports for the Icelandic Civil Aviation Administration	Art. 1 par. 2	Air navigation services and airport operations by the CAA	Upon the establishment of the Company, all its share capital shall be owned by the Icelandic State and its sale and disposal shall be prohibited.	This prohibition has the purpose of preventing a future shift from a government-owned corporatisation towards a model where the private sector has a minority or majority equity of the airport.	By preventing the partial or total divestiture of an airport, this provision eliminates opportunities to raise capital investment and to promote a more efficient management through the participation of the private sector in operations (although it is important to note that privatisation also requires safeguards to guarantee that the future private airport operator cannot abuse of its market power).	Abolish.
T-82	Law no. 102/2006 Laws on the establishment of a limited liability company for the operation of navigation services and operation of airports for the Icelandic Civil Aviation Administration	Art. 3 par.1	Air navigation services and airport operations by the CAA	The Minister may transfer to the company assets that are used for the benefit of the International Aircraft Services, office premises and necessary equipment of airports, other than real estate at airports and runways. Furthermore, the Minister may decide that the Company will take over the rights, liabilities and obligations of air navigation services and airport operations during its establishment.	To provide Isavia with the assets required for the provision of air navigation services.	No harm to competition.	No recommendation.
T-83	Law no. 102/2006 Laws on the establishment of a limited liability company for the operation of navigation	Art. 6	Air navigation services and airport operations by the CAA	The Icelandic law on public limited liabilities companies shall not apply to the number of founders and the numbers of shareholders in the company.	To enable the State to be the single shareholder of a public company.	No harm to competition.	No recommendation.

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	services and operation of airports for the Icelandic Civil Aviation Administratio n						
T-84	Law no. 102/2006 Laws on the establishment of a limited liability company for the operation of navigation services and operation of airports for the Icelandic Civil Aviation Administra-tion	Art. 12	Air navigation services and airport operations by the CAA	The company's board of directors shall set a service tariff for the company. It may to take into account the initial costs, maintenance and operations.	To determine who is responsible for setting the tariffs charged for air navigation services.	See line T-77.	See line T-77.
T-85	Regulation on airports no. 464/2007	Art. 8 par. 1	Airports	An application for an airport operating licence in the airport category I shall be sent to the Icelandic Civil Aviation Administration. The following information must accompany the first application and, where applicable, all applications for alteration or renewal: 1) Official name, business name, address and postal address of the applicant; 2) Description of the proposed operation; 3) Description of the organizational structure. The applicant demonstrates that	Mandatory EU.	The administrative burden imposed by this provision is proportionate to the policy objective.	No recommendation.

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				he has the necessary organizational structure allows him to manage airports and oversee operations within an airport, 4) Information on type and volume of traffic; and 5) information on airport opening hours and airport reference codes.			
T-86	Regulation on airports no. 464/2007	Art. 8 par. 2	Airports	The following documentation shall accompany the first application for operating licence: 1) Airport ownership and possession permissions; 2) Drawings of aerodromes, structures and their equipment and barrier areas, at least on the scale of 1: 5,000 and / or in computerized form; 3) an approved regional plan or the area where the airport is located, if available 4) Draft of planning rules or accepted planning rules for the airport; 5) drawings and explanations of airport structures and equipment, and; 6) Comment from the local council	Mandatory EU.	The administrative burden imposed by this provision is proportionate to the policy objective.	No recommendation.
T-87	Regulation on airports no. 464/2007	Art. 10 par. 1	Airports	The applicant for registration of an aerodrome in the category of helicopter aerodrome and registered landing site shall submit the following information no later than three months prior: 1) Official name, business	Mandatory EU.	The administrative burden imposed by this provision is proportionate to the policy objective.	No recommendation.

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				name, address and address of the applicant; 2) Airport name; 3) names of the guarantor and supervisor, as well as telephone number, email address, postal address and address; 4) Information on opening hours, opening arrangements and airport reference codes; and 5) Other technical information in accordance with the category of aerodrome applied for under the Regulation.			
T-88	Regulation on airports no. 464/2007	Art. 10 par. 3	Airports	If the owner or guardian of an airport requests his delisting, he/she must notify the Civil Aviation Authority at least three months in advance.	Mandatory EU.	No harm to competition.	No recommendation.
T-89	Isavia´s rules of Keflavík Airport		Airports	It is prohibited to advertise in and around Keflavik airport without permission from Isavia. In addition, sales of any kind and service outside sales premises is also prohibited without permission from Isavia. Finally, Isavia's permission is also required to engage in any type of business activity, both temporary and long-term.	Rules of Keflavik airport and therefore no official recital. It is our understanding that the purpose of this provision is to give Isavia the full control over all commercial activities inside Keflavik airport, for management and safety reasons.	It is proportional for airport operators to have discretion over advertising and other services being installed in and around the airport.	No recommendation.
T-90	Law on aviation no. 60/1998	Art. 10 par. 1 and 2	Flights	It is permitted to register aircraft in Iceland which is owned by Icelandic citizens domiciled in Iceland or Icelandic legal entities domiciled in Iceland. The right to register aircraft, however,	Mandatory EU.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				is subject to compliance with the requirements of the Act on Foreign Investment in Business Operations. In addition, aircraft may be registered in Iceland owned by individuals or legal entities with nationality and domicile in a State which Iceland has agreed to for this purpose.			
T-91	Law on aviation no. 60/1998	Art. 13	Flights	An aircraft shall be registered according to the written application of its owner. The application must contain the reports necessary for registration and must be accompanied by a certificate that the applicant is the owner of the aircraft, when and from whom it is constructed/built. Conditions stated in Article 10-12 shall also be met. If the applicant's ownership is bound by any conditions or restrictions that may lead to the transfer of ownership to another party, this must be stated in the application.	Mandatory EU.	No harm to competition.	No recommendation.
T-92	Law on aviation no. 60/1998	Art. 56 par. 2	Flights	If a party wishes to commence the operation of an aerodrome for the benefit of public aviation, then the administrator and/or his owner shall apply for an operating permit to the Transport Authority at least three months before its intended opening. An application is accompanied by the comments of the local council concerned.	Mandatory EU.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-93	Law on aviation no. 60/1998	Art. 57 par. 2	Flights	If a party wishes to commence the operation of airport, then the administrator and/or his owner shall apply for an operating permit to the Transport Authority at least three months before its intended opening. An application is accompanied by the comments of the local council concerned.	Mandatory EU.	No harm to competition.	No recommendation.
T-94	Law on aviation no. 60/1998	Art. 82	Flights	Requirements for an operating licence are: a) that the applicant meets the conditions of registering an aircraft, b) that the applicant meets the conditions set by the Minister for the financing of the air operations, c) that the applicant has obtained the operator's licence in accordance with the applicable regulations.	Mandatory EU.	No harm to competition.	No recommendation.
T-95	Law on aviation no. 60/1998	Art. 136 par. 1		The Transport Authority and those operating an airport or air navigation service may delay the movement of aircraft from an airport until charges are paid or a guarantee is provided for payment on the part of the aircraft concerned or other activities of the owner or operator of the aircraft.	Mandatory EU.	No harm to competition.	No recommendation.
T-96	Regulation on charter flights, no. 185/1997	Art. 7 par. 2	Charter flights	The Civil Aviation Authority may require additional information as necessary, including: information on contract terms, how to place the marketing of economy	The policy objective is unclear.	We understand from the Transport Authority that this provision is not in force and is therefore obsolete.	Abolish.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				seats and copy of the lease.			
T-97	Law on Transport Authority no. 119/2012	Art. 12 par. 2	Transport Authority	The fee for the first issue of airworthiness certificates and noise level and pollution certificates shall be charged at the maximum aircraft take-off mass: 1) For aircraft up to 2700 kg, ISK 18.196 shall be paid and in addition ISK 12,45. Per kilogram; 2) For aircraft from 2701 kg to 5700 kg, ISK 27.134 shall be paid. and in addition ISK 10,37 per kilogram; 3) For aircraft from 5701 to 50000 kg, ISK 127,690 shall be paid and in addition ISK 11,71 per kilogram; and 4) for aircraft over 50000 kg ISK 638.452 shall be paid and in addition 6,38 ISK per kilogram.	According to the recital the article is a taxation authorisation for these kind of certificates based on the weight of aircrafts.	Excessive fees can increase costs for consumers and create disincentives for investment, but stakeholders have not indicated that these fees represent a disproportionate burden. further, the aim of the regulation is that heavier aircraft -- that have higher emissions should pay a higher tax, is proportional to the policy objective.	No recommendation.
T-98	Law on Transport Authority no. 119/2012	Art. 12 par. 5	Transport Authority	An aircraft registered abroad and transferred to the air operator's certificate (AOC) of an Icelandic operator shall pay for the issue of a new airworthiness certificate .	No official recital for this paragraph but it is part of the taxation policy of paragraph 2 of article 12.	The article is a barrier for Icelandic AOC holders to move aircraft registration to their licence, and may impose an administrative burden.	No recommendation.
T-99	Law on Transport Authority no. 119/2012	Art. 13 par. 1	Transport Authority	The Transport Authority may charge service fees for: 1) issuing certificates/ authorisations of individuals, renewals and reissue of licences, assessment and certification of documents accompanying the application; and 2) issuing of operating licences, authorisations and	The objective is to charge for the cost of services.	This provision sets a list of administrative fees, to be paid by operators. The charging of administrative fees leads to an increase in the costs incurred by transport service providers, potentially leading to higher prices and reducing the competitiveness of the transport sector. When administrative fees are substantial, they may raise entry costs and thereby potentially prevent market entry. This could be simplified by reducing the number of licences required, and thus reduce costs.	The administrative fees identified should be reviewed taking into consideration the principles of proportionality, transparency and non-discrimination.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				certificates, licence and licence changes and more.			
T-100	Law on Transport Authority no. 119/2012	Art. 13 par. 2	Transport Authority	In determining fees the cost of wages and wage related expenses production, driving, training and retraining, purchased specialist services, housing work facilities, telecommunication equipment and tools, management and support services and international cooperation for transport, as well as travel and subsistence and purchased specialist services.	The objective is to charge for the cost of services.	See line T-99.	See line T-99.
Restaurants and Accommodation							
T-101	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 3	Length of stay	Accommodation for hotels in this law is defined as a place to stay for a maximum of 30 continuous days.	The policy objective is to make a clear distinction between accommodation practices under the law on restaurants accommodation and entertainment and law on rental housing.	No harm to competition. The provision only distinguishes between accommodation practices under the law on restaurants accommodation and entertainment and law on rental housing in accordance with the policy objective.	No recommendation.
T-102	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 6	Food service	The granting of an operating licence can be conditioned on a certain proportion of door staff for the establishment attending a special course on specific topics related to the profession e.g. first aid and knowing the symptoms of drug use. Art 20. of the regulation on restaurants accommodation and entertainment states that restaurants in category III shall have at least two door staff and the chief of police can stipulate that all door staff have to attend a certified course.	The objective is to ensure the necessary level of security and to facilitate a good working relationship between doormen and police.	The provision is ambiguous with regards to the number of door staff and the proportion of the doormen that must have attended a course. The chief of police is given discretion on these topics. The current wording of the provisions creates ambiguity and may lead to inconsistent application.	Redraft for legal clarity and consider defining clear standards on the number of door staff and the proportion to be trained.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				The general conditions for door staff are the following; a) Door staff shall be at least 20 years of age b) and have a clean drug and violence record of five years.			
T-103	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 7	Operating licences	The law applies to the sales of overnight stays and the sale of food and drink for business purposes. Operators require an operating licence issued by the district's commissioner. Licences are issued for accommodation operations and/or restaurant operations in the appropriate categories. Accommodation Categories The sales of overnight stays is categorised into four categories. Category I does not require a licence but is subject to registration. A licence is required for the other accommodation categories (II – IV). The categorisation is dependent on the level of service of food and drink of the establishment. For the issuance of operating licences applicants need to pay ISK 32000, ISK 40000 and ISK 263000 (EUR 232, EUR 290 and EUR 1913) for licences in categories II, III and IV respectively. Homestays need to pay a registration fee of ISK 8500 (EUR 62).	The policy objective of having licences is to ensure that operators fulfil the conditions of the law before opening for business. The objective with having one licence for all types of businesses is explained in the preamble as an attempt to simplify the process of acquiring a licence. The previous system required applicants to apply for at least 6 different licences.	The licence fees for accommodation establishments that are authorised to serve alcohol is more than 6-8 times higher than for other categories of accommodation. This may distort the decisions of smaller players in the market and limit the options available to consumers, for example by disincentivising smaller lodgings from offering alcohol.	Consider undertaking an assessment of whether the fees represent a significant cost burden for smaller businesses, and whether their magnitude is consistent with principles of proportionality.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Restaurants Categories The law encompasses all establishments that sell food or drink are considered restaurants. Restaurants are divided into three categories. Category II and III require a licence, while category I does not. Restaurants in category I, defined as restaurants that do not serve alcohol, do not need an operating licence. The distinction between category II and III is the disturbance the establishment is likely to cause and level of security needed. For the issuance of operating licences for in restaurants categories II and III applicants need to pay ISK 210000 (EUR 1572) and ISK 263000 (EUR 1913) respectively.			
T-104	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 8	Food service and accommodation licence to operate	Applicants for operation licences need to be at least 20 years of age and legally competent.	When implementing the new consolidated licence the age limit was raised from 18 to 20. The preamble explains this with reference to the legal age limit on purchase and possession of alcohol.	In order to qualify for an operation licence for accommodation establishments or restaurants, one must be at least 20 years of age. When the licencing scheme was consolidated into one licence the age limit was set at 20 to ensure that persons under the legal possession and drinking age were not able to acquire a licence that includes serving alcohol. By the definition of categories accommodation establishments in categories, 2 and 3 are not permitted to serve alcoholic beverages. Since there is a single age limit for all categories of licences, persons under the age of 20 are unable to acquire a licence in these categories of accommodation although they do not entail serving alcohol. When it comes to the other licence categories the 20 year age limit is reasonable given the fact that it includes alcohol service.	Lower the age limit for accommodation categories 2 and 3 to 18 years.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						The age limit unnecessarily excludes persons from 18-20 from the accommodation market in categories 2 and 3 pursuant to art. 3(2) of the law on restaurants, accommodation and entertainment.	
T-105	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 10 par. 1	Food service and accommodation licence to operate	The Operating licence will not be granted unless a licence from the district hygiene committee has been granted	The need for a licence from the district health committee is necessary to ensure a sufficient level of hygiene.	An operation licence under the law on restaurants, accommodation and entertainment is not issued unless the applicant has been granted another licence issued by the district hygiene committee. Requiring the district hygiene committee to also comment on the operation licence appears duplicative, and may generate delays and costs in the licencing process.	No recommendation.
T-106	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 10 par. 4	Food service and accommodation licence to operate	The issuer of the licence to operate shall seek comments from the following mentioned parties in the district where operation is to take place; 1. Municipality counsel that confirms that purposed operation is within the; a) Planning and building regulations, b) Final building inspection has been completed, c) Location of the operation and opening hours are in accordance with the municipality's rules, d) Operation fulfils requirements of the Law on Hygiene and Pollution Prevention; e) That fire protection is sufficient according to the fire brigade; 4. Administration of Occupational Safety an Health confirms that working conditions are acceptable; 6. Police stipulates the necessity for doorkeepers.	The policy objective is to gather the comments from the different parties that are involved in the licence process.	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-107	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 10 par. 5	Food service and accommodation licence to operate	Issuance of a operation licence is not permitted if any of the entities in Art. 10 par. 4. are opposed. (see above).	The policy objective is to ensure that each commenting entity confirms that rules that fall under their area of surveillance is fulfilled.	No harm to competition	No recommendation.
T-108	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 10 par. 6	Food service and accommodation licence to operate	The Transport Authority is to be consulted before issuing a food service licence onboard ships.	The official recital does not state the policy objective for this provision. Policy objective not clear.	We understand that the Transport Authority examines the ships/vessel emergency plan when deciding whether to issue a food service licence. This may constitute an undue burden and duplicate other maritime safety regulations.	No recommendation.
T-109	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 11 par. 3	Food service and accommodation licence to operate	The licence issued shall describe the type of operation and conditions such as; guest maximum capacity, opening hours; authorisation for outdoor catering; door keeping, noise, tidiness; security and hygiene	The official recital does not state the policy objective for this provision. Our understanding is that the provision is to ensure clarity.	No harm to competition	No recommendation.
T-110	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 13 par. 1	Home stay	Operation of homestay is to be notified, every year, to the district commissioner. Hosts need to confirm that housing intended for home stay is up to standards set in the regulation on fire protection, the housing is an approved residential building and housing is satisfactory given the rules on hygiene.	The policy objective is to ensure surveillance authorities such as the district commissioners and tax authorities a way to push back on underground accommodation and battle tax evasion in the tourism sector.	The registration is done online and is not in itself a barrier to completion.	No recommendation.
T-111	Law no. 85/2007 on Restaurants, Accommodation and Entertainment	Art. 17 par. 4	Licence for events	Event licences shall be applied for at least 3 weeks before it is to taking place.	The notice period was increased from one week to three as one week was not enough to gather comments from the parties needed.	The regulation does not specify a timeframe for the relevant authority to provide an answer to the application. This increases legal uncertainty.	Specify a maximum time for the authority to reply, after which the applicant can assume that permission was granted.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-112	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 3 par. 2	Star rating	Accommodation operators are not allowed to brand their establishment with stars or other indicators of quality before undergoing a quality audit by a governmentally certified, certification authority.	The policy objective is to standardise the level of the use of stars to signify a level of service and quality of Hotels.	The provision is meant to ensure that guests are provided with accurate information. According to the ministry, Vakinn (a national quality control system) is the certifying authority. According to the district commissioner in the greater capital area (who is tasked to enforce the regulation), there are no resources allocated to enforce the use of stars in branding or advertisements of hotels. We understand from meetings with the hotel committee of the Icelandic travel industry that none of the hotel owners has ever come across enforcement of the star rating. Stakeholders also emphasised that online review platforms have greater importance than before in indicating what level of quality guests should expect.	Abolish the quality audit framework and replace with guidelines that indicate the level of service and amenities required for each star level.
T-113	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 5 par. 4	Accommodation standards	Single beds shall be at least 2.00 x 0.90 meters and a double bed at least 2.00 x 1.40. A comforter and pillow shall be provided for each person.	The official recital does not state the policy objective for this provision. Our understanding is that the provision ensures minimum level of comfort in accommodation.	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish
T-114	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 5 par. 5	Accommodation standards	Reading lights shall be provided for each sleeping spot. The room shall be well lit and measures to darken windows be available. Guest shall have access to a phone. The accommodation standards in Art. 5 apply for all accommodation except mountain huts.	The official recital does not state the policy objective for this provision. Our understanding is that the provision ensures minimal standards in accommodation equipment.	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. It is unclear what policy objectives reading lights attempt to fulfil. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish
T-115	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 6	Guest record	Accommodation operators shall keep records of overnight guests with name, personal ID number or date of birth, address and nationality. Hotels and guest houses shall keep a register with copies of each guest passport or valid identification. The register shall be available to police on	The official recital does not state the policy objective for this provision. Our understanding is that this provision is to ensure safety and to support law enforcement, in line with international practice.	No harm to competition.	No recommendation.

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				request and be kept for at least 12 months.			
T-116	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 7 par. 1	Hotel standards	A hotel reception needs to be open 24 hours and a night guard on staff.	The official recital does not state the policy objective for this provision. It is not clear whether the provision is primarily aimed at safety or service quality.	Different accommodation types with similar numbers of guests (e.g. hostels versus hotels) are treated differently under this provision.	Review to determine whether these requirements remain necessary and whether they may be reduced for some accommodation types.
T-117	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 7 par. 2	Hotel standards	Each room needs to have bathtub or shower, toilet, and sink.	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure minimum comfort for customers.	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish
T-118	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 7 par. 3	Hotel standards	Bathroom is to be well ventilated, have a mirror and electric plug. At least two towels for each guest one of which a bath towel, drinking glass, soap and trash bin with a lid.	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure minimum standards.	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish, although certain safety requirements (e.g. ventilation) could be retained if deemed necessary.
T-119	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 7 par. 4	Hotel standards	Each room shall have at least one chair or other seating for each guest, work space with appropriate lighting, electric plug, cloth rack, shelfs and coat hanger, luggage rack or shelf and a trash bin.	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure minimum quality standards.	The provision sets minimum standards on room features and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel features and features constitutes an administrative burden for market participants.	Abolish
T-120	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 8 par. 2	Big guest houses standards	For every 10 guests there should be at lest one fully equipped bathroom and bathing quarters, approved by the district hygiene committee. Fully equipped bathroom is defined in Art. 3 in the regulation on hygiene: Fully equipped bathroom is a special room with a flush	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure sufficient level of hygiene.	No harm identified.	Abolish

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				toilet, a sink with hot and cold water, mirror, soap and towels.			
T-121	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 8 par. 3	Big guest houses standards	Each guest shall have at least two towels, soap and a drinking glass	The policy objective is unclear.	The standards are not set unreasonably high. Providing guests with these amenities does not raise cost significantly. However, the imposition of detailed requirements on hotel features and features constitutes an administrative burden for market participants.	Abolish
T-122	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 8 par. 4	Big guest houses standards	Each room shall have at least one chair or other seating for each guest, work space with appropriate lighting, electric plug, cloth rack, shelf and coat hanger, luggage rack or self and trash bin.	The objective is to provide a certain standards of Big gest houses	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish
T-123	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 9 par. 2	Small guest houses standards	For every 10 guests there should be at lest one fully equipped bathroom and bathing quarters, approved by the local hygiene authority	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure sufficient level of hygiene.	The provision imposes a minimum requirement to ensure minimum quality standards. However, the requirement seems reasonable to ensure sufficient level of hygiene.	Abolish
T-124	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 9 par. 3	Small guest houses standards	In each room there should be facilities to hang clothes, enough towels and a drinking glass.	The policy objective is unclear.	The provision sets minimum standards on room furnishing and can limit the ability of suppliers to compete as well as consumer choices for less expensive accommodation. Further, the imposition of numerous requirements on hotel furnishings and features constitutes an administrative burden for market participants.	Abolish
T-125	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 13 par. 2	Length and income limit	Homestays are a category I accommodation and pursuant to Art. 7 does not require a licence to operate. The Article imposes a 90 day and ISK 2 000 000 (EUR 14 545) income limit on homestays.	The Art. was amended in 2016 with the objective to enable individuals to rent out their properties short term without a licence, and to get a handle of the numerous unlicenced and unregistered accommodation operations at the time. To ensure that this exemption from the strict conditions of the accommodation licence would not be used to operate a	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
					business, the home stay category was limited to a maximum of 90 days a year and revenue of ISK 2 million (the amount is subject to changes in the law on VAT).		
T-126	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 23	Licence to operate a restaurant	Licence to operate an establishment (accommodation or food service) is not issued until the operation has a licence to operate from the district hygiene committee. If a licence has not been issued the applicant can submit both applications.	The need for a licence from the district health committee is necessary to ensure a sufficient level of hygiene.	See line T-105.	No recommendation.
T-127	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 25 par. 1	Application process	If the applicant is a legal entity the application to operate an establishment needs to include the following or be gathered electronically if possible: [...] J) if applicable, certification from an earlier licence holder, in the same location, of ceased operation.	The provision further instructs how the application process works and what documents are needed to obtain a licence.	The documents needed to process the licence application are, given the conditions of the law, reasonable. The provision requires that applicants to gather a certificate from a previous licence holder confirming the previous establishment is no longer operating. In the absence of full cooperation with the previous licence holder, provided they are known, it is unclear how an applicant would gather that kind of confirmation. As such, in its current form, this could provide a significant administrative burden. The licence issuer may have better access to information about previous licensing.	Remove the obligation for applicants to obtain information on previous licences..
T-128	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 25 par. 2	Application process	If the applicant is an individual the application to operate an establishment needs to include the following or be gathered electronically if possible: [...] J) if applicable, certification from earlier licence holder, in the same location, of ceased operation.	The provision further instructs how the application process works and what documents are needed to obtain a licence.	See line T-127.	See line T-127.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-129	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 1	Application process	Licence issuer shall forward the application for comments to the appropriate: mayor, fire chief, hygiene committee, building inspector, Administration of Occupational Safety and Health and police	The commenters are unable to comment on an application without receiving information.	To the extent that this process is more lengthy than necessary, it imposes an undue administrative burden on applicants.	Consider developing an electronic process, for example with automatic notifications to the relevant authorities, stipulating a required response time. If exceeded, the applicant could assume the licence has been granted.
T-130	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 2	Application process	Comments from the authorities mentioned above are binding and shall be given within 45 days after receiving the application. If comments are not given within the time limit the licence issuer is free to issue the licence	Under previous law the comments of the interested parties were not binding but always followed. When the law was amended the comments were made binding, reflecting the current practice.	No harm to competition	No recommendation.
T-131	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 3	Application process	If according to the municipality council a minor change in the land-use plan is needed but can still affect owners or leasers of adjoining properties, a hearing notification procedure shall be implemented. A notification procedure to hold a hearing is defined in the Planning law no. 123/2010 and entails the comments of neighbours that are found to have interest in the change in the land use plan. The municipality council shall notify the commenters on their decision in the matter. If a hearing notification procedure is implemented the 45 day deadline is extended for the time this takes. The comment deadline for neighbours shall be at least four weeks.	The policy objective is to take the conditions of the law on planning in to consideration in the application process.	To the extent that this process is more lengthy than necessary, it imposes an undue administrative burden on applicants. The provision allows the licence issuer to issue a licence without a comment after 45 days of receiving the application. The time limit can be prolonged if the municipality decides a hearing notification procedure is necessary. The main rule states that the licence issuer is not bound by comments after 45 days.	Consider introducing time limits for the procedure, and potential automatic approval after the time has passed.

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T-132	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 4	Application process	If a change to the operation's building is required, the building is not complete for inspection, or for other objective and fair reasons the 45 day deadline can be extended. Comments shall clearly indicate if commenter is for or against the issuance of a licence to operate.	The objective is to extend the time limit when buildings need to be changes without the need to reject the application and starting the application process again. The applications is effectively put on hold.	No harm to competition.	No recommendation.
T-133	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 5	Application process	If faults in an application leads to a commenter's objecting tothe issuance of a licence to operate, the applicant shall be notified and given time to object.	This plays a role in proper administrative procedure.	No harm to competition.	No recommendation.
T-134	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 26 par. 6	Application process	If a commenter feels an application's faultiness should not lead to an objection of the issuance of a licence to operate, the commenter can give reasonable time for alterations.	The official recital does not state the policy objective for this provision. The purpose is to allow for corrections of trivial issues that can be corrected before the licence is issued.	No harm to competition.	No recommendation.
T-135	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art 28 par. 3	Opening hours	Opening hours shall not exceed the licence. Establishments shall be cleared one hour after authorised opening hour.	Our understanding is that the policy objective is to ensure safety and clarity for shop owners and consumers alike.	No harm to competition identified.	No recommendation.
T-136	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 37 par. 2	Festival licence	Event licences for festivals will not be issued unless a licence from the district hygiene committee has been issued.	The official recital does not state the policy objective for this provision. Our understanding that this is to ensure a sufficient level of hygiene.	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-137	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 37 par. 4	Festival licence	Licence issuer can impose other reasonable conditions for licences	The policy objective is unclear. It is our understanding that this is a flexible provision that can be applied in unforeseen circumstances.	The provision is ambiguous and does not provide any guidance on what conditions are reasonable. Ambiguous provisions with no objective criteria may lead to subjectivity and uncertainty. However, the provision is meant to catch a variety of different policy concerns. A level of discretion is needed to apply the regulation to unforeseen events.	No recommendation.
T-138	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 38	Home stay	Home stay shall be registered at the District Commissioner of Greater Reykjavik.	From the preamble of the amendment of the law on restaurants, accommodation and entertainment, it is clear that registration is suppose to tackle the problem of illegal accommodation and tax evasion.	No harm to competition.	No recommendation.
T-139	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 38 par. 2.	Home stay	Home stay registrant shall provide information about building ID number; street name and number. Registrant shall also confirm that the home stay location fulfils fire prevention standards and is equipped with smoke detectors, fire blankets and fire extinguisher. Registrant shall also confirm that the location adequately fulfils requirements in the Law on Hygiene, the building is validated for residential use.	The official recital does not state the policy objective for this provision. Our understanding is that the policy objective is to ensure safety.	No harm to competition.	No recommendation.
T-140	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 38 par. 3	Duty to inform	Home stay registration needs to be renewed every calendar year. Upon renewal, the district commissioner can request information on occupancy ratio from web bookings.	The need to renew every year has the effect that only active home stays are registered. The policy objective for this particular provision is not clear but similar licence renewal provisions in the sub-sector claim this to be the objective. Home stays are only allowed to rent out accommodation for 90 days a year. The need to report occupancy ratio on request will enable the District Commissioner to verify if the 90 day rule is being followed.	The fact that home stay registration is simple and can be managed online, minimises the administrative burden. No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-141	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 38 par. 4	Home stay	Representative of a registered home stay location shall notify the district commissioner when the 90 days or monetary limit is reached. Notification shall include information on which building was rented out, when and at what price. Turning in this information is a requisite for the renewal of registration.	The effects of the provision supports the general policy objective to tackle unlisted accommodation and possible tax.	No harm identified.	No recommendation.
T-142	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 40 par. 1	Loss of registration	The district commissioner can deregister a home stay location if it is found to exceed the 90 day or income limit. Income limit is in January 2020 is ISK 2 000 000 (EUR 14 545).	The official recital does not state the policy objective for this provision. It is our understanding the provision is necessary to enforce the 90 day income limit.	No harm identified.	No recommendation.
T-143	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art 40 par. 2	Loss of registration	The district commissioner can deregister a location if it is found not to use the issued ID number in the marketing of the home stay location.	The policy objective is stated in the provision. The policy objective is that the district commissioner can deregister if licence holder neglects his duties.	No harm identified.	No recommendation.
T-144	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art 40 par. 3	Loss of registration	The district commissioner can deregister a location if it is found to neglect duties in other regulation that apply to home stay or violates in other ways terms or conditions of the registration.	The policy objective is stated in the provision. The policy objective is that the district commissioner can deregister if licence holder neglects his duties.	No harm to competition	No recommendation.
T-145	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 40 par. 4 and 5	Registration rejection	The district commissioner can deregister a location if registered information is wrong or no longer meets the registration conditions or in cases of repeated deregistration, misuse of registrations or information on	The policy objective is stated in the provision. The policy objective is that the district commissioner can deregister if licence holder does no longer meet the registration conditions	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				occupancy rates or other information according to this regulation is not declared.			
T-146	Regulation no. 1277/2016 on Restaurants, Accommodation and Entertainment	Art. 41 par. 1. and 2.	Home stay ID number	Registrant shall use an issued ID number in all marketing material for the location.	The policy objective is to ensure that a registered home stay licence holder maintains their registration number even if registration is not renewed annually.	No harm identified.	No recommendation.
T-147	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 1 par. 10	Sales in streets and squares	Licensing for sales in streets and squares is based on the evaluation of applications, which are required to outline sales activities, product offering and the appearance of sales facilities. Emphasis is placed on diversity in each sales area.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	The licensing process is designed to restrict entry for street sellers unless certain conditions are met. While this can limit the variety of sellers, it is meant to maintain the attractiveness of public spaces.	No recommendation.
T-148	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 1 par. 9	Sales in streets and squares	It is always necessary to; ensure that safe and passable traffic of passers-by; ensure accessibility of emergency responders; make sure surroundings are orderly and waste is sorted and is disposed of in a recycling centre; acquire necessary licence for the sales of food.	The policy objective is stated in the provision. It is to ensure safety.	No harm to competition identified.	No recommendation.
T-149	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 2 par. 2	Sales in streets and squares (area)	Sales area in the city centre are predefined and sales in streets and squares are only allowed in those areas. Outside the city centre there are no predefined areas and applicants can suggest locations. The city centre is defined on a map included in the appendix of the Ordinance.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm to competition identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-150	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 2 par. 3	Sales in streets and squares (location)	The location of sales in street and squares shall be 20 m from the entrance of the nearest commercial activity in the city centre. Locations shall be at least 50 m from the entrance of the nearest similar commercial activity.	The official recital does not state the policy objective for this provision. Our understanding is that this provision is to avoid that a sales booth would be placed within 20 m from the entrance of the near entrance of the nearest commercial activity and 50 m from the entrance of the nearest similar commercial activity.	This provision restricts the number of suppliers participating in the market, reducing competition between suppliers and the variety available to consumers.	Abolish this provision
T-151	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3	Sales in streets and squares (Application process)	Application process is online. Licence issuer shall advertise before 1st of February when it will receive applications for the following year of operations that commences May 15. Applications are dated and time-stamped. When applications are processed the rule first come, first serve is referred. Licensee shall satisfy requirements of the law on commercial activity no. 28/1998.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm on competition grounds. Nonetheless, the absence of a regulated timeframe in which the authority must provide an answer creates legal uncertainty and may deter some entrants.	Consider setting a time frame for replying to applications. If there is no reply within the set time, then the authorisation could be considered to be granted.
T-152	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3.1	Sales in streets and squares	Licences for sales in streets and squares are issued for a minimum of two months between April 1st - November 1st. Sales are permitted from 9AM - 9PM. Rent shall be payed prior to signing the contract.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	This provision states that temporary licences are issued for a minimum of two months between April 1st – November 1st. Furthermore, the provision also imposes financial guarantees since the applicant must pay a minimum of two months of rent prior to signing the contract, which constitutes a barrier to entry. Financial guarantee can be justifiable to avoid fly-by-night operators but 2 months pre-paid rent may be excessive and prevent entry into the market.	Consider replacing the payment in advance of the rent with a refundable deposit.
T-153	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3.2	Sales in streets and squares (outlets)	Licences for outlets allowed to operate 24h are granted on two principles: (a) In the order applicants apply; and (b) efforts to diversify offered services	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	This provision restricts entry into the market to operators providing diversity, but is consistent with the policy objective. In cases where this provision is applied inconsistently, or if it introduces more variety at the expense of inter-vendor competition, it may be harmful to consumers and increase prices.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-154	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3.2	Sales trucks	Licence applications for sales trucks shall include information on kiosk/sales truck; -size -weight, -location of sales hatch, -waste bin, -energy source, -electricity needs of the operation if applicable, -pictures of sales facilities, and; -description on how sales facilities is transported to an from the sales area and information on where the sales facilities is stored out of hours of business.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm to competition.	No recommendation.
T-155	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3.2	Sales in streets and squares	Licences for sales in streets and squares are limited to two per person in the city centre, and only one licence for 24h sales.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	While dividing available licences among multiple vendors promotes competition and variety for consumers, some opportunities for economies of scale may exist.	We recommend that the relevant authorities investigate whether this restriction is needed and whether a single individual could be permitted to acquire more than two licences..
T-156	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3.2	Sales in streets and squares	The rules emphasise that product selection adds to the variety of nearby product and service providers .	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	See line T-153.	See line T-153.
T-157	Ordinance on sales in streets and squares in Reykjavík, 2017	3.2.2	City centre locations	Night sales are allowed in 6 spaces in Lækjartorg from 22:00-04:30 in categories A,C,D and E. Precise locations on map attached to Ordinance.	The official recital does not state the policy objective for this provision. Our understanding is that it is because of night disturbance.	No harm to competition.	No harm to competition.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-158	Ordinance on sales in streets and squares in Reykjavík, 2017	3.2.3	Neighbourhood locations	The provision imposes a 5 licence limit in each neighbourhood (outside the city centre). Sales are allowed from 09:00 - 00:00.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	This quantitative restriction limits the number of suppliers within a given area and the normal adjustment between demand and supply. Furthermore, this restriction can also compromise the overall quality of the service because it limits the ability of suppliers to compete.	Abolish the quantitative restriction
T-159	Ordinance on sales in streets and squares in Reykjavík, 2017	3.2.3	Neighbourhood locations	Neighbourhood sales locations (outside the predefined city centre) are not mapped and predetermined. Operators can suggest locations. Guidelines state that sales locations shall be at least 50 m from businesses selling similar products or services.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	This provision does not allow a second operator to join the market within 50- meter radius from business selling similar products or services. The provision does not prohibit supplier to sell different product or services within 50 metre radius, only if it is similar products or services. Therefore the provision prevents consumers from benefiting from better or innovative products that may be offered as part of a competitive offer. The lack of competition is likely to lead to higher prices or services of a lesser quality.	Abolish the restriction.
T-160	Ordinance on sales in streets and squares in Reykjavík, 2017	3.2.3	Neighbourhood locations	Licences for neighbourhood sales (outside the predefined city centre) are not issued for shorter periods than 3 months and rent is due before the leasing contract is signed.	No office recital. Our understanding it is to avoid fly-by-night-operators.	No harm to competition.	No recommendation.
T-161	Ordinance on sales in streets and squares in Reykjavík, 2017	3.2.5	Summer sales	Summer sales in streets and squares in certain areas and mapped in an attached map. The limits on the number of licences do not affect summer sales licences. Summer sales are from 15 May - 15 September and only in categories A and C.	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm to competition.	No recommendation.
T-162	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 3. par. 3	Bigger marketing events	The use of bigger plots of city land can be applied for outside of specifically predefined sales areas for markets of all sorts. Applications shall include; - what land is requested its size and location; - duration of use;	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				- number of sellers; - selection items for sale; and - appearances of vendors surroundings			
T-163	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 4	Rules for licensees	Rules for the licensees to follow; The surroundings of the sales area shall be kept clean; Rubbish shall be recycled; Licensee shall return the sales area in the state it found it. Damage to the sales area are repaired by the city and payed by the licensee; Licensee shall prevent icy conditions within the sales area; Licences shall be visible to customers; Special permits are needed for traffic of cars in parks and squares; and Parking of cars is forbidden within the sales area;	Art. 1 of the ordinance states that sales in streets and squares contributes to an interesting, colourful, diverse and sustainable city.	No harm on competition grounds.	No recommendation.
T-164	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 5	Layout and signage	Signs and other advertisements outside the sales area are forbidden. Signs and advertisements shall not exceed the size restrictions.	The official recital does not state the policy objective for this provision	Advertising is important avenue for dissemination of information. Advertising and marketing restrictions restrict an entrant's ability to inform potential customers of their presence in the market and of the nature and quality of the goods and services that they are able to offer.	Allow for limited advertisements outside the sales area that do not exceed the size restrictions.
T-165	Ordinance on sales in streets and squares in Reykjavík, 2017	Art. 6	Licence terms	The city focuses on environmental issues, therefore operators shall ensure that the sales operation is dose not pollute and recommends that; sales facilities in public parks, sidewalks and squares are	The policy objective is stated in the provision. It is to protect the environment.	No harm identified.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				transported by hand or with appropriate electric equipment; single use cutlery, straws, bags are not used or use kept to a minimum; that serving sizes for children are available to minimise food waste; that environmentally certified products are used; Rubbish shall be sorted both inside and outside of the sales facilities; Leaving vehicles running idle shall be minimised .			
T-166	Reykjavík Council´s executive committee procedural rules on restaurants and accommodation	Art. 4	Food service / Accommodation	Establishments in categories II and III according to the Law on Restaurants, Accommodations and Entertainment shall close after its authorised serving hours of alcohol end. The establishment shall stay closed for at least two hours until opening again the following morning. All guests shall have left the establishment within one hour of its closing.	The official recital does not state the policy objective for this provision. To our understanding this provision is to ensure that opening hours are respected and for the public peace.	No harm to competition..	No recommendation.
T-167	Reykjavík Council´s executive committee procedural rules on restaurants and accommodation	Art . 15	Licence	Generally process time of applications should not exceed three weeks. If the application process is foreseeably longer the chief of Police shall be notified and given an estimate of completion	The policy objective is to ensure that application process is within certain time limit.	The fact that the provision leaves the possibility of an open-ended time frame for replying leads to legal uncertainty which may deter investors and thereby reduce or prevent new entry into the market, thereby restricting supply and diminishing the competitive constraints.	Review the provision and insert a timeframe to perform the analyses of the application and documentation submitted.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-168	City Centre Amendment to land use conditions City Centre Core AR2030(M1a) In the Municipal plan	Page 14	Accommodation	The change affects the M1 area, which is the city centre. The M1 is divided into a, b, and c. The change to the municipal plan states that buildings within the M1 area cannot be changed to accommodation facilities. Accommodation in new building developments can have a maximum allowed proportion of operations devoted to accommodation.	The official recital does not state the policy objective for this provision. Our understanding is that it is to maintain and sustain diversity in the city centre.	Prohibiting the conversion of housing into accommodation but permitting new construction of accommodation, may introduce distortions into the market. In particular, these restrictions could create barriers to entry and exit in the market for certain types accommodation establishments, and could prevent supply from adjusting with demand. Alternative measures to promote new housing construction and investment that do not involve such distortions could be pursued.	Municipalities such as Reykjavík should remove these restrictions. If other policies are required to achieve the desired objectives, municipalities should endeavour to pursue policies that do not have the same distortionary impacts on the ability of the sector to respond to changes in demand and supply.
T-169	Regulation on hygiene no. 941/2002	Art. 7	Licence	A licence to operate is necessary for all authorities, enterprises and other operations in appendix 1 (examples): Public toilets Baths and saunas Mountain cabins Restaurants Accommodation Carnivals or amusement parks Horse rental and riding schools Swimming pools Campsites Shopping malls	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure sufficient level of hygiene.	No harm to competition.	No recommendation.
T-170	Regulation on hygiene no. 941/2002	Art. 11	Licence	The health district committee can condition the licence on the establishment of internal surveillance where there is a danger of infection or special security measures are necessary. The inner surveillance shall consider the size and extent of the operation. Inner surveillance entails;	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure sufficient level of hygiene.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				1. Identify risk factors, preventative measures and important surveillance locations. 2. Prepare written cleaning schedules 3. Define appropriate staff training 4. Keep records of accidents 5. Keep records of maintenance of equipment			
T-171	Regulation on hygiene no. 941/2002	Art. 12	Licence	The licensee shall report a change in the nature of the operation to the health district committee. The committee assesses within four weeks if the operator requires a new licence	The official recital does not state the policy objective for this provision. Our understanding is that the policy objective is to give the licensor time to process the application.	No harm to competition.	No recommendation.
T-172	Regulation on hygiene no. 941/2002	Art. 14	Regulation on hygiene	Issuer of building licences shall confirm that facilities for the operation under the regulation is in accordance with approved usage. The nearest surroundings shall be kept neat and clean so not do disturb residents or customers. The facilities shall be constructed, maintained, and cleaned in such a way that dwellers, workers, nearby residents are not exposed to health risks or inconvenience. Hot and cold water shall be accessible and satisfactory sewerage. Facilities covered in this regulation shall have in accordance with its function and general conditions on space, brightness, heating and ventilation. When	The official recital does not state the policy objective for this provision. Our understanding is that it is to ensure sufficient level of hygiene.	The conditions listed are detailed, extensive, and may be overly specific in terms of setting out approaches to achieve the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				appropriate floors, walls, ceilings and interiors shall be contracted of materials that are easily cleaned. Buildings where people stay for shorter or longer periods shall have an entrance hall and storage for clothing. Separate clothing storage shall be available for employees. Facilities of enterprises and organisations in chapters 7-13 shall be kept clean and orderly and utmost care taken in cleanliness in accordance to the operations. Ventilation systems shall be maintained and cleaned regularly. Full-scale cleaning or painting shall be performed as necessary. Special ventilated areas shall be for cleaning equipment with a large sink for cleaning (ræstilaug).			
T-173	Building regulation no. 112/2012	Art. 9.1.3 table 9.01	Planning	If the number of guests staying in a house is 10 or more then it considered to fall under category 4 regarding fire safety.	There is no official recital. Our understanding is that this provision aims to ensure the safety of the users of the buildings in question.	. No harm to competition identified.	No recommendation.
T-174	Building regulation no. 112/2012	Art. 9.1.4 par. 1	Design	Residential housing that is used for either short term renting or home stay for fewer guests than 10 does not need further fire safety than other residential housing but if guests are more than 10 then they must fulfil the same fire safety requirements as hotels and other housing that offer accommodation.	There is no official recital. Our understanding is that all people should be able to use the buildings, not only as inhabitants but as guests. Therefore, their security and comfort should be secured.	No harm.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				Protected areas			
T-175	Law on Vatnajökull national park no. 60/2007	Art. 2(4)	Commercial activity	The provision outlines the goals of the establishment of Vatnajökull national park. The first three are directly connected to the protection aims of national parks such as natural protection and public access to the area. The fourth goal, added to the law in 2016, is the endeavour to strengthen inhabited areas and economic activity in the area.	The policy objective is stated in the provision. It sets out the policy of the law on Vatnajökull national park. In the preamble to the amendment made in 2016, the change is explained with reference to discussions in parliament when the original law was passed. These discussions made reference to the importance of strengthening communities and businesses neighbouring the park.	We understand from the director of Vatnajökull national park that there is a lack of clarity about how communities and businesses bordering the park should be "strengthened" in accordance with the objectives set out in the legislation. For example, it is unclear whether local businesses should be given priority in dealings with the park. kind of priority should be awarded to businesses in the area. The ambiguity may lead to inconsistent application of policies, andn on-local operators might be discouraged to enter markets, for example were there is uncertainty about local operators being granted favoured status in a tender.	Clarify the meaning of the objective regarding strengthening local economic activity, and specify the means through which this should be done. Ensure these approaches do not unduly restrict competition.
T-176	Law on Vatnajökull national park no. 60/2007	Art. 6. par. 1(8)	Policy on commercial activity	The board of the national park supervises the formulation of a commercial activity policy within the park which includes setting conditions for operating a business within the park. The supervisory role of the board extends to agreements between the park and operators.	The policy objective is to give the board of the park control to form general or specific conditions for operators.	Board oversight over commercial activity policy and procedures can be an important source of oversight. However, the board's supervision of specific agreements should not prevent the development of transparent, clear criteria for awarding concessions for commercial activities within the park.	No recommendation.
T-177	Law on Vatnajökull national park no. 60/2007	Art. 15(a)	Contracts for operation	No commercial activity within the park is authorised without an agreement with Vatnajökull national park. Such agreements include conditions for operation within the park necessary for the protection aims of the park.	In order to obtain the protection objectives of the park and in light of growing interest of operators to set up facilities a system governing the possible restrictions and limit is necessary.	Restrictions on commercial activity can constitute significant barriers to competition. In this case, the Vatnajökull National Park and its board of directors have significant discretion in determining which businesses can operate in the park. The policy objectives, being to protect and conserve these areas, is nonetheless well defined and the restrictions on competition are justified in order to achieve these objectives. However, the process for awarding limited permits, or concessions to operate, can be designed to promote competition. Specifically, competition in-the-market can be created, wherever possible, by dividing limited rights and allowing multiple potential operators to bid. The evaluation for bidders could incorporate public policy objectives, including sustainability. When there are	Introduce a procurement framework for public parks to ensure that service operators are selected according to a public tender. The criteria for awarding the concessions should be public and non discriminatory, with clear, transparent criteria.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
						strong efficiency reasons for not dividing up the rights, for example, where economies of scale can only be exploited by one operator, a competitive tendering process with bids for exclusive rights can encourage competition for-the-market.	
T-178	Law on Vatnajökull national park no. 60/2007	Art. 15(b)	Licence for events	A licence is needed for planned events or projects that demand facilities, manpower or equipment within the park (for example movie shooting, art events, people gatherings or research). The park ranger sets the necessary conditions for the licence. The park ranger is authorised to close parts of the park to facilitate such events.	In order to obtain the protection objectives of the park and the licence is necessary for events or projects that entail bringing into the park facilities, manpower or equipment that could jeopardise the protection objectives of the park.	The provision deals with one off events or projects that would require an agreement if permanent. The threshold for what constitutes as equipment, requirements that may be imposed by the ranger are not clearly defined, however, and may lead to inconsistencies in application.	Consider clarifying the types of conditions that can be imposed by park rangers.
T-179	Law on Vatnajökull national park no. 60/2007	Art. 21 par. 2	Fees	Fees can be collected for licences and agreements. Fees shall cover costs of issuing, supervision and surveillance of activity under licence or agreement	The policy objective is to finance the services provided within the national park	No harm to competition.	No recommendation.
T-180	Vatnajökull National Park. Commercial activity policy. 24 July 2019 v 1.0	Page 2	Choosing operators	The commercial activity policy outlines the goals of protection objectives in relations with commercial operators and the circumstances in which operations need to be restricted. The park can choose operators to negotiate with but shall base their choice on neutral grounds but also aim to facilitate diversity among operators.	The policy objective is unclear.	No harm to competition.	See line T-177.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-181	Vatnajökull National Park. Commercial activity policy. 24 July 2019 v 1.0	Page 3	Defining services needed	The governance and protection strategy for national parks shall be clear on what services the board of the park feels necessary for the visits and stay of guests. It shall also include the limitations on the number of operators when it is necessary for nature protection, safety or experience of guests.	The objective is that limitations on are based on the research of professionals and not imposed unless they are necessary for the protection aims of the park.	No harm to competition.	No recommendation.
T-182	Law on Þingvellir national park no. 47/2004	Art 5(a)	Contracts for operation	No commercial activity within the park is authorised without an agreement with Þingvellir national park. Such agreements include conditions for operation within the park necessary for the protection aims of the park. [This article comes into effect on 1 June 2020]	In order to obtain the protection objectives of the park and in light of growing interest of operators to set up facilities a system governing the possible restrictions and limit is necessary.	Restrictions on commercial activity can constitute significant barriers to competition. In this case, the Vatnajökull National Park and its board of directors have significant discretion in determining which businesses can operate in the park. The policy objectives, being to protect and conserve these areas, is nonetheless well defined and the restrictions on competition are justified in order to achieve these objectives.	See line T-177.
T-183	Regulation on Þingvellir national park no. 848/2005	Art. 11 par. 5	Ban on motorbikes	All traffic of snowmobiles and motorbikes is forbidden within the park.	The official recital does not state the policy objective for this provision. Our understanding is that the objective is to ensure that motorised recreational vehicles do not disturb the peace of the national park.	No harm to competition.	No recommendation.
T-184	Regulation on Þingvellir national park no. 848/2005	Art. 11 par. 6	Ban on diving	All diving in rifts are forbidden without permission from Þingvellir committee.	The objective is the safety of divers.	No harm to competition.	No recommendation.
T-185	Rules on diving in Þingvellir national park (snorkelling and scuba diving)	Art. 1	Diving	All divers require an authorisation. To obtain the authorisation, a diver has to paid a fee to the Þingvellir national park (1.500 ISK per diver)	The objective is to raise fund for the park.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-186	Notice on confirming the Þingvellir committee's rules on guest fees within Þingvellir national park for provided services and dwelling	Art. 1	Diving	Every diver or snorkeler shall render a fee of 1500 ISK for each individual dive.	The objective is to raise fund for the park.	No harm to competition.	No recommendation.
T-187	Regulation on Snæfellsjökull national park	Art. 17	Contracts for operation	Commercial activity and people assembling is forbidden within the national park without a licence of the Environmental Agency of Iceland	The policy objective is the protection of the national park	The Environmental agency of Iceland thas indicated to the OECD that when considering licence applications, it looks at the quality, safety, nature conservation and price of tours. The regulation on the national park of Snæfellsjökull does not provide any guidance on the hierarchy of criteria when licences are awarded or the conditions operators need to fulfil. The regulation is also silent on what rules apply when two operators wish to exploit a limited resource such as caves that cannot bare unlimited traffic. The licence requirement is creates uncertainty, and may lead to inconsistent application or create disincentives to enter.	In addition to the process set out in line T-177, consider clarifying the criteria used by the Environmental Agency of Iceland to assess licence applications.
T-188	Operational rules for the managing board of Vatnajökul national park	Art. 1 par. 9	Contracts for operation	The role of the board is to supervise the formulation of a commercial activity policy within the park which includes setting conditions on operation within the park. Supervisory role extends to agreements between the park and operators	When articles 31(a) - 31 (e) of the regulation on Vatnajökull national park no. 608/2008 come into effect. This will no longer be the legal bases for the authority and should be removed from the lines.	New amendments to the regulation on Vatnajökull national park include detailed administrative rules governing the making of agreements between the park and operators	See line T-177.
T-189	Regulation on rangers no. 190/2019	Art. 4	Educational requiremen ts	To be employed as a ranger one needs to attend a course held by the Environmental Agency of Iceland. Topics range from nature protection, nature, culture, history and safety. It takes 110 hours to complete and the 2019	The policy objective is to have ranger that possess the necessary skills and knowledge to exercise their duty as rangers.	No harm to competition.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				course costs ISK 155000 and does not ensure employment. Graduates from the course have priority for ranger positions.			
T-190	Notice on confirmation on governance and protection strategy for reserves in Hornstrandir Ísafjarðarbæ no. 161/2019	Art. 6	Passenger maximum	Ships with more 51 passenger and crew cannot land in the area.	Hornstrandir is a protected area in category Ib according to the IUCN. These areas are a protected domain in which biodiversity and ecosystem processes (including evolution) are allowed to flourish or experience restoration if previously disturbed by human activity. Human visitation is limited to a minimum, often allowing only those who are willing to travel of their own devices.	This restriction is directly justified by the policy objective.	No recommendation.
T-191	Notice on confirmation on governance and protection strategy for reserves in Hornstrandir Ísafjarðarbæ no. 161/2019	Art. 7	Maximum number	Tour groups cannot be larger than 30 persons on the west side of the area and no more than 15 in the east side of the area.	Hornstrandir is a protected area in category Ib according to the IUCN. These areas are a protected domain in which biodiversity and ecosystem processes (including evolution) are allowed to flourish or experience restoration if previously disturbed by human activity. Human visitation is limited to a minimum, often allowing only those who are willing to travel of their own devices.	This restriction is directly justified by the policy objective.	No recommendation.
T-192	Notice on confirmation on governance and protection strategy for reserves in Hornstrandir Ísafjarðarbæ no. 161/2019	Art. 9	Helicopter	Helicopter cannot land within the area.	Hornstrandir is a protected area in category Ib according to the IUCN. These areas are a protected domain in which biodiversity and ecosystem processes (including evolution) are allowed to flourish or experience restoration if previously disturbed by human activity. Human visitation is limited to a minimum, often allowing only those who are willing to travel of their own devices.	This restriction is directly justified by the policy objective.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-193	Regulation on Vatnajökull national park no. 608/2008	Art. 18	Tourist services	Tourist services shall be operated in a sustainable manner. Definition in Art 4: Sustainable tourism services meets the needs of tourist and locals whilst contributing to the protection and further marketing opportunities in the future. This entails that resources are managed so economic, social, and aesthetics needs are fulfilled while also to sustain; culture, ecology, biodiversity and living conditions.	The official recital does not state the policy objective for this provision	The formulation of this article is vague, creating legal uncertainly and may lead to inconsistent application.	Clarify the conditions for complying with this restriction..
T-194	Regulation on Vatnajökull national park no. 608/2008	Art. 31 (a)	Business related activity	No one can conduct business related activity within the national park without a contract. The park's management decides the conditions for business related activity to operate there, i.e., what kind of activity is permitted and where. The park´s management proactively defines operations and services on service areas and the restriction necessary regarding magnitude look of buildings, traffic and accessibility. The park receives applications for business activity and decides if activity is to be allowed. When assessing this the park considers if the operation is desirable as a service provided within the park and is likely to enhance guest experience.	The official recital does not state the policy objective for this provision. Our understanding is that in order to obtain the protection objectives of the park the possibility of imposing restrictions and limits are necessary.	See line T-177.	See line T-177.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				The park can advertise for applicants to operate services or bid out parts of services of its own accord or relations to an application received. The park´s management decides if activity shall be with or without restrictions. When assessing this the park shall consider how the activity harmonises with policy documents such as the governance and protection strategy. The park can limit the scope of activity by bid out the business activity or issue applicants whishing to engage in business time units and or areas for activity. The park shall answer applications as soon as possible, no later than 4 weeks alter receiving it.			
T-195	Instructions for travel agency and tour operator safety rules	As a whole	Tour guide education	The guidelines were issued by the ITB after a group of experts drafted a regulation founded in that never made it through and have no legal standing. They are published on the ITB website as guidelines. The guidelines contain may barriers to competition mostly in the form of educational requirements of tour guides. Parts of the rules are now included in the new law on ITB.	The policy objective is unclear.	The draft regulation was never ratified and therefore this provision is inoperative.	Abolish.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-196	Law on natural preservation no. 60/2013	Art. 85 par. 1	Planning	The environmental agency can entrust a person or a legal entity to administer nature conservation areas with a written contract specifying fee collection and operation of the area.		The process for awarding an agreement to administer a conservation area can be designed to promote competition. Specifically, competition in-the-market can be created, wherever possible, by dividing limited rights and allowing multiple potential operators to bid. The evaluation for bidders could incorporate public policy objectives, including sustainability. When there are strong efficiency reasons for not dividing up the rights, for example, where economies of scale can only be exploited by one operator, a competitive tendering process with bids for exclusive rights can encourage competition for-the-market.	Introduce a procurement framework for public parks to ensure that service operators are selected according to a public tender. The criteria for awarding the concessions should be public and non discriminatory, with clear, transparent criteria.
T-197	Law on natural preservation no. 60/2013	Art. 86 par. 2	Planning	The environmental agency can entrust a person or a legal entity the operation of visitor centres. There must be a contract in place that is confirmed by the minister.	The recital states that the article is the same as before, but now it is emphasised that municipalities may be among the parties negotiated with the management and operation of the visitor centre.	See line T-196.	See line T-196.
				Tourism services and tourism activities			
T-198	Regulation on insurance for package tours and other related travel arrangements no. 150/2019	Art. 7 par 2,3	Travel agency insurances	The security amount is found with this equation: T = G*(N/30)+G*h+G*d/30 Where G is the average of the two highest income months in the last 2 years (current and last year of operation) N is the average number of days between full payment of travel package and start of trip, h is the average ratio of the confirmation payment. d is the average length of travel package in days.	The objective is to ensure effectiveness and scope of insolvency protection to consumers of package travel and linked travel arrangements	Stakeholders report that the insurance costs are a substantial financial burden and significantly increase operating costs. The policy objective is clearly associated to consumer protection. Travel agents can significantly affect the security amount by lowering the average number of days between full payment and start of trip, and the ratio of confirmation payment. The security amount could be disproportionately high at different points in the year due to seasonality in tourism arrivals.	Review the formula for the security and investigate whether there is scope to lowering the total amount and reflect seasonality.
T-199	Regulation on insurance for package tours and other related travel arrangements no. 150/2019	Art. 7 par. 4	Travel agency insurances	The security amount is found for current and last year of operational and the higher number prevails. Under special circumstances, when significant increases are to the values the security	The objective is to ensure effectiveness and scope of insolvency protection to consumers of package travel and linked travel arrangements	Stakeholders report that the insurance costs are a substantial financial burden and significantly increase operating costs.	Review the formula for the security and investigate whether there is scope to lowering the total amount and reflect seasonality.

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				amount is based on, the Icelandic Tourist Board can decide that the lower number shall prevail. A provisional amendment was made to this provision in March 2020, following the Covid-19 Pandemic. The amendment allows for an exemption, allowing for the security amount for the year 2020 to be based on the company's estimated income for that year, provided that the company's public fees are not passed due and that insurance amount is estimated to cover possible bankruptcy or business suspension.			
T-200	Law no. 35/2010 on registration of sailors	Art. 4 par. 1	Sea- and water tours	The captain of the ship is responsible for registering every crew member of the ship before departure. Departure of the ship is unauthorised unless every crew member is registered. In art. 5. par. are listed what documents must be submitted for registration: Crew member certificate, a certificate of vessel´s measurement, confirmation that the crew member has finished a course on sea safety, declaration from the insurance company.	The official recital states that it aims to make the process simpler and more cost-effective. This arrangement ensures that the objective of the law on registration of sailors is achieved and that the sailing time of every crew member is properly recorded.	There is no harm on competition grounds. However, this represents an administrative burden due to the fact that it is necessary to register every member of the crew before every departure. According to the stakeholders, the registration is burdensome and costly in terms of staff time. Some operators reported needing to have one extra staff member to take care of every registration before every departure, especially when there are many short tours per day. However, the obligation to register before every departure is consistent with the objective of ensuring safety and recording crew location.	No recommendation.
T-201	Law no. 30/2007 on crews of Icelandic	Art. 8 par. 4 d	Sea- and water tours	A captain on an Icelandic ship that is not an Icelandic native speaker must pass a special exam on knowledge on	The official recital states that a captain that is not an Icelandic native speaker must have necessary knowledge of Icelandic and Icelandic laws and	No harm to competition.	No recommendation.

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	fishing ships, coast guard ships, recreational crafts and other ships			Icelandic law and regulation that apply to his duties.	regulations relating their work. The rule is in accordance with the rules of other EEA countries.		
T-202	Law no. 30/2007 on crews of Icelandic fishing ships, coast guard ships, recreational crafts and other ships	Art. 10 par. 1. b	Sea- and water tours	It is a requirement that a foreign person must be able to understand superiors´ orders to be allowed to work on an Icelandic ship, while the Transport Authority verifies that person's foreign licence.	The official recital states that this provision is in accordance with 92/51/EBE.	This provision is in accordance with EU regulation no. 92/51/EB. It authorises a state to impose requirements on the applicant to have knowledge of the language and the laws. According to the Transport Authority, this requirement has not been complied with, potentially due to a lack of clarity of the requirements.	Redraft the provision for legal clarity
T-203	Law no. 30/2007 on crews of Icelandic fishing ships, coast guard ships, recreational crafts and other ships	Art. 12 - 13	Sea- and water tours	A special committee decides the minimum number of crew members (for example, how many first mates shall be on board, second or third, an engine attendant on board). The committee bases its assessment on the size of the ship and/or sailing time of crew members.	According to the official recital the number of captains is based on the length of the ship, the outdoor activities and provisions on working and rest time of crew members. The number of engine attendant on ship is based on the engine power of the ship and provisions on working and rest time of crew members.	No harm to competition.	No recommendation.
T-204	Law no. 30/2007 on crews of Icelandic fishing ships, coast guard ships, recreational crafts and other ships	Tempora ry provision	Sea- and water tours	Those who are legitimate holders of licences according to older laws shall keep their licences, if they fulfil all requirements according to Art. 8 par. 4 and Art. 9. par. 3.	According to the official recital it is assumed that those who already have licences before the entry into force of the law, will maintain their rights, provided that they meet other requirements of the law. For example, renewal and maintenance of their certificates.	No harm to competition.	No recommendation.
T-205	Law no. 61/2003 on harbours	Art. 21 par. 3	Sea- and water tours	Shipping fees are secured by a legal deposit on the ship or insurance funds. A forced sale of a ship may be	The official recital does not state the policy objective for this provision. Our understanding is that, normally, these type of provisions which demand a	This provision imposes a security deposit, which if excessive would deter firms from entering the market. The amount requested is not defined in this provision. Regardless of the amount of the deposit, there may be	Consider redrafting and permitting the use of bank guarantees or insurance contracts in lieu of a security

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				required due to failure to pay shipping charges without prior judgment or settlement and without the need for a prior challenge to the owner.	security deposit, aim to guarantee to the state that the company will fulfil its obligations in case of insolvency or to guarantee the payment of fines.	alternative means to meet the policy objective, such as a bank guarantee or an insurance contract.	deposit.
T-206	Law no. 61/2003 on harbours	Art. 21 par. 4	Sea- and water tours	A port may require additional insurance for the payment of shipping fees and for the cost of removing and / or disposing of a ship is considered a significant likelihood that it will end up being there permanently.	The official recital states that many harbour managers have had a problem with ships or vessels that lay in the harbour for long periods of time. They are often old, even useless but take commercial space from other vessels. In such cases there are often defaults on payments. The collateral of harbour fees can prevent defaults.	The conditions on which the insurance can be imposed may be unclear, giving rise to legal uncertainty.	No recommendation.
T-207	Law no. 47/2003 on ship surveillance	Art. 5 par. 1.	Sea- and water tours	The minister can decide if new regulations shall not apply to older ships.	The official recital states that the provision is based on the principle that new regulations apply on older ships/vessels unless otherwise is stated.	No harm to competition.	No recommendation.
T-208	Law no. 47/2003 on ship surveillance	Art. 6 par. 1	Sea- and water tours	The Icelandic Transport Authority supervises building of new ships. The authority shall be notified before the building of a new ship begins. The builder shall hand in descriptions, drawings and other necessary data to the authority.	The official recital states that it is to insure the objective of the act and avoid unnecessary cost increases later.	No harm to competition.	No recommendation.
T-209	Law no. 47/2003 on ship surveillance	Art. 7 par. 1	Sea- and water tours	No major changes to a ship are allowed without a permission from the Icelandic Transport Authority.	The official recital states that major changes according to the provision is related to the seaworthiness, stability and safety of the ship/vessel.	No harm to competition.	No recommendation.
T-210	Law no. 47/2003 on ship surveillance	Art. 28 par. 1	Sea- and water tours	Owner of a ship shall pay a yearly fee. The amount depends on the length of the ship.	The official recital states that the fees will be determined as MOT fees.	Stakeholders indicate that the fee can be burdensome and costly, however it is required to fund ship inspections.	No recommendation.
T-211	Law no. 76/2001 on crews of Icelandic passenger	Art. 4 par. 5	Sea- and water tours	A captain of an Icelandic ship shall always be an Icelandic citizen. Although citizens of other countries within the EEA and the Faroe islands	The official recital states that a captain that is not an Icelandic native speaker must have necessary knowledge of Icelandic and Icelandic laws and regulations relating their work. The rule is	The provision excludes captains outside of the EEA and Faroe Island, thereby leading to fewer operators in the market and higher costs.	No recommendation.

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	ships and cargo ships			are able to become captains of an Icelandic ship, they must pass a special exam on proficiency in Icelandic and knowledge of Icelandic laws and regulations concerning the duties they will need to perform.	in accordance with the rules of other EEA countries.		
T-212	Law no. 76/2001 on crews of Icelandic passenger ships and cargo ships	Art. 4 par. 6	Sea- and water tours	The captain, commander, chief engineer, and first engineer must have knowledge of Icelandic laws and regulations pertaining to their duties and ensure that they are able to express themselves in Icelandic or English about their areas of responsibility.	The official recital states that the objective of this provision is to ensure that the captain, commander, chief engineer and first engineer can express themselves in Icelandic or English about their responsibility on board.	No harm to competition.	Redraft the provision for legal clarity.
T-213	Regulation no. 382/2017 on licenced leisure fishing	Art. 2 par 1 and 2	Sea- and water tours	Tour operators that want to offer leisure fishing tours have to apply for a licence at the Directorate of Fisheries. To qualify for the licence, the tour operators must have a licence from the Icelandic Tourist Board, either the day tour licence (EUR 144) or travel agency licence (EUR 215). The owner of the ships and ship operators shall also fulfil all requirements necessary to be able to fish in Iceland's fisheries jurisdiction according to law on foreign investments in businesses in Iceland. The requirements are that those who are allowed to fish in the Icelandic economic zone are, on the one hand, Icelandic citizens and Icelandic parties.	The official recital does not state the policy objective for this provision. Our understanding is to make sure that only licenced tour operators offer leisure fishing	Additional licences required for operation restrict entry, have an associated cost and have the ability to restrict competition and harming consumers. This provision requires licences from both the Icelandic Tourist board and the Directorate of Fisheries, imposing an administrative burden on operators. Nationality requirements for commercial fishing licences are in place in several OECD jurisdictions. In other jurisdictions, nationality and ownership requirements are less restrictive, allowing, for example, minority foreign shareholdings in fishing operations. Commercial fishing is not included in the scope for this report. The current approach may restrict tour operator competition beyond what is necessary to achieve the policy goal of maintaining Icelandic ownership of commercial fishing. The first licence relates to commercial fishing activities using ITQs, and is beyond the scope of the current project. However, the second licence relates to operations that are primarily touristic, where any fish caught are not sold commercially. Further, the catch of these operations is limited, for	Assess whether the nationality requirements under the second licence for sea angling tours are required, given that the licence only allows touristic tours where the catch size is limited and commercialisation of the catch is prohibited.

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				On the other hand Icelandic legal entities which are wholly owned by Icelandic entities or Icelandic legal entities that fulfil the condition that they are not owned by non-resident parties to a greater extent than 25% in terms of share capital or initial capital. If the share of an Icelandic legal entity in a legal entity engaged in fishing in Iceland's economic jurisdiction or the processing of marine products in Iceland does not exceed 5%, the share of non-residents may be up to 33%.		example, through restrictions on the number of fishing rods per vessel. If the volumes of fish caught by operators holding the second licence are not significant, the nationality requirement may be more restrictive than necessary. Foreign investment in the Icelandic tourism industry may be hampered, preventing the emergence of alternative business models, innovation and other potential productivity improvements.	
T-214	Regulation no. 382/2017 on licenced leisure fishing	Art. 3 par. 1 and 2.	Sea- and water tours	There are two types of leisure fishing licences 1. Licence for leisure fishing to fish a certain number of fish that are subject to a quota and the catch is not calculated to the quota that belongs to the boat in question. This licence has a special limits to how may fish the boat is allowed to catch each day. These numbers depend on how big the boat is and how many sea angling fishing rods are allowed. It is not allowed to sell the fish that has been caught in these tours. 2. Licence for leisure fishing that is subject to the quota that belongs to the boat in question.	The official recital does not state the policy objective for this provision. Our understanding is that distinguish between different recreational activities.	Licences required for operation restrict entry, have an associated cost, and have the ability to restrict competition. However in this case the restriction is clearly aimed at preserving the fishing stock.	No recommendation.

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T-215	Regulation no. 382/2017 on licenced leisure fishing	Art. 3 par. 3	Sea- and water tours	The licence for leisure fishing is granted for one year. Tour operators must reapply for every year.	The official recital does not state the policy objective for this provision. Our understanding is that this is linked to the fish stock.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	No recommendation.
T-216	Regulation no. 1005/2010 on leisure fishing boats and their safety.	Art. 3	Sea- and water tours	Leisure fishing boats shall be registered, according to law no. 115/1985 on ship registration. They shall not be longer than 8 meters. Their engine power shall not be more than 100 kW.g	The official recital does not state the policy objective for this provision but our understanding is that it is to ensure safety and sustainability.	The provision states that leisure fishing boats should be registered. This requirement constitutes an administrative burden. Furthermore, the provision limits operators of longer ships/vessels with more engine power from operating leisure fishing boats. However, the provision is clearly motivated by safety and sustainability concerns.	No recommendation.
T-217	Regulation no. 1005/2010 on leisure fishing boats and their safety.	Art. 6 par. 1	Sea- and water tours	The person in charge of operating a leisure fishing boat shall obtain an operational licence from the Icelandic Transport Authority.	The official recital does not state the policy objective for this provision. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	No harm to competition.	No recommendation.
T-218	Regulation no. 1005/2010 on leisure fishing boats and their safety.	Art. 7 par. 1	Sea- and water tours	A person who is a legitimate holder of a recreational craft certificate for coastal or offshore sailing or the holder of another similar foreign certificate, in the opinion of the Transport Authority, has the right to take charge of the recreational fishing boat, provided that he has also received adequate instruction on the boat.	The official recital does not state the policy objective for this provision. Our understanding is that the requirement to have adequate skills on the boat is to ensure safety.	No harm to competition.	No recommendation.
T-219	Regulation no. 463/1998 on licence on passenger transport on ships.	Art. 3 par. 1	Sea- and water tours	The Transport Authority grants a licence for commercial passenger transport. The licence is valid for no longer than a year.	There is no official recital on this provisions. Our understanding is that it aims to ensure that licensees still fulfil the conditions for a licence and that valid licences are indeed active.	When licensing requirements involve substantial costs, lengthy processes or short validity periods, they may compromise efficiency and lead to higher prices for consumers. However, the policy objective associated with this requirement is clear and common in many jurisdictions.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
T-220	Regulation no. 463/1998 on licence on passenger transport on ships.	Art. 3 par. 2	Sea- and water tours	Conditions to qualify for a licence for passenger transport are the following: 1. the ship has been examined according to law on ship surveillance. 2. the examination has revealed that all provisions of law on ship surveillance and of other rules that apply to the ship in question are fulfilled. The Transport Authority can grant exemptions from certain requirements to the extent the relevant provisions allow. Such exemptions shall only be granted, given that the owner of the ship can show with risk assessment, testing or by other means that equipment, materials, devises, procedures or other, ensure at least as high security level that the relevant requirements are meant to ensure 3. the Transport Authority has approved an emergency plan for the ship that is shown in noticeable places on board of the ship. The emergency plan shall state tasks and duties of each member of the crew in case of an emergency 4. the Transport Authority has accepted a diagram of the arrangement of safety equipment of the ship and that the diagram is placed in one or more noticeable places on board of the ship	The policy objective of this provision is to ensure safety.	The request for a licence corresponds to an entry barrier, which can limit the number of operators in the market. Notwithstanding, the conditions to qualify for a licence for passenger transport is important for reasons of passenger safety and quality.	No recommendation.

No.	No. and title of Regulation	Article	Thematic category	Brief description of the potential obstacle	Policy Objective	Harm to competition	Recommendation
				5. the Transport Authority has issued written instructions on the number of crew members, decided according to the make of the ship, it's equipment, operation area.			
T-221	Regulation no. 463/1998 on licence on passenger transport on ships.	Art. 3 par. 3.	Sea- and water tours	The Transport Authority can set other specific conditions for issuing the licence to ensure safety of the ship, the crew and passengers. All conditions shall be introduced to the owner of the ship in writing supported with arguments.	The policy objective is unclear. It is our understanding that this is catch all provision that can be applied in unforeseen circumstances.	The provision does not provide a clear indication what security and safety requirements must be met in order to get a licence. Further, the subjectivity may extend the process, as the Transport Authority must undertake reviews that are not standardised for each ship.	Seek to reduce ambiguity with guidelines or redraft for legal clarity
T-222	Regulation no. 527/1997 on ship measurements not longer than 24 meters.	Art. 4.1	Sea- and water tours	All ships that this regulation applies to shall have on board an Icelandic certificate of measurement issued by the Transport Authority.	The official recital does not state the policy objective for this provision. Our understanding is that it is for information for consumers.	No harm on competition ground.	No recommendation.
T-223	Rules no. 661/1996 on construction of boats shorter than 6 meters.	Art. 2 par. 1	Sea- and water tours	Small commercial boats shall be licenced and registered by the Icelandic Transport Authority.	There is no official recital but our understanding it is to ensure safety.	The provision states that small commercial boats (shorter than 6 meters) should be registered and approved by the Transport Authority. This entails an administrative burden. Administrative burdens, while not competition distorting in themselves, increase costs to operators, such as opportunity costs from the time spent on procedures. They may lead to delays and reduce the opportunities to maximise efficiency, while increasing operating costs for existing market participants. Moreover, the administrative burden may reduce or even prevent new entry into the market, and hinder the efficiency and competitiveness of the market segment in question.	No recommendation.
				Horizontal tourism legislation			
T-224	Law on Private limited companies no.138/1994	Art. 1 par. 1 and 2	Minimum capital requirements	The minimum capital requirements of private limited companies is ISK 500.000 (EUR 3.600)	The objective is to protect consumers and creditors from hastily established and potentially insolvent firms	Minimum capital requirements significantly hinder entrepreneurship. Research shows that the existence of a minimum capital requirement directly limits business development and growth. Imposing a	Option 1: Abolish. Option 2: Amend the provision to allow the operator to either comply with the minimum

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						minimum capital requirement raises the price of market entry, without necessarily guaranteeing the viability of the business. A capital amount can be sequestered for the short amount of time required to obtain the business registration number without belonging to the business owner and does not guarantee that creditors or suppliers will be paid in case of bankruptcy. High minimum capital requirements can also distort competition by putting at a disadvantage entrepreneurs with less financial capacity. Capital requirements for starting a business in the reference countries are generally lower. In the UK, Netherlands, New Zealand, Sweden and Finland, private limited companies have no minimum capital requirements or any value above zero. In Norway the minimum capital is lower than in Iceland (approx. EUR 3000).	capital or subscribe to an insurance policy. Option 3: Lower the amount of the minimum capital required.
T-225	Law on the Icelandic Tourist Board no. 96/2018	Art. 8 par. 1	ITB licences	Applicants shall apply for a licence to the Icelandic Tourist Board at least two months before commencing operations.	The policy objective is unclear. The provision does not put a time limit on the process of application.	This provision corresponds to an administrative burden due to the fact that the Icelandic Tourist Board needs to review licence applications. Furthermore, in the provision there is no deadline period for the Icelandic Tourist Board which results in uncertainty for the applicant.	Consider developing an electronic process, and stipulating a time frame for the ITB to perform its evaluation. If this time frame is exceeded, the applicant could assume the licence has been granted.
T-226	Law on the Icelandic Tourist Board no. 96/2018	Art. 8 par. 2. b	ITB licences	One of the licence conditions for licences under law 96/2018 is to not to be under bankruptcy, and in the last four years not have been found guilty for breaking the criminal code, laws on corporations, accounting, insolvency, and taxes.	The official recital states that there is two kind of insurance. On one hand it is insurance o compensate for injuries of passengers and damage on passengers things/items in event of loss or damage due to the tour operator. On the other hand, insurance for package travel and due to the suspension or bankruptcy of the seller of the trip.	No harm to competition	No recommendation.
T-227	Law on development fund of tourism destinations no. 75/2011	Art. 1 par. 1 and 4	Developme nt fund	The fund can accept applications from municipalities or private enterprises. Development of tourist destinations that are privately owned or managed cannot enjoy grants from the fund that charge entry fees.	The objective of the fund is stated in Art. 1 and aims to ensure the safety of tourist, protection of nature and grow in number attractive tourist sites in order to bring relief to popular sites.	Tourist attractions operated or managed by private enterprises that charge an entry fee are not granted funds in accordance with Art. 1. Nevertheless, this does not exclude operators of private enterprises to receive funds for projects that promote the area in which they operate. In particular, we understand that establishments may obtain funding for projects that primarily or exclusively benefit their guests. In order to	Consider amending the rules on allocation of funds to ensure that the grants do not confer undue advantages to some firms at the expense of their competitors.

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				Notwithstanding, collection of fees for services provided do not prevent the granting of funds.		maintain a level playing field, programmes such as this could be designed with the principle of competitive neutrality in mind – ensuring some firms are do not benefit from undue advantages over others.	
T-228	Regulation on the development fund of tourism destinations no. 782/2017	Art. 5	Developme nt fund	The board of the fund makes suggestions to the minister on approval of applications. The fund should provide funds for development, maintenance and preservation of buildings and nature. Funds are not granted to operators of tourist sites that collect entry fees.	The objective of the fund is stated in Art. 1 and aims to ensure the safety of tourist, protection of nature and grow in number attractive tourist sites in order to bring relief to popular sites.	See line T-227.	See line T-227.
T-229	Regulation on data collection and research in tourism no. 20/2020	Art. 5. par. 1	Information collection	The regulation is a mandate for the ITB to form a research schedule in order to support the new tool for monitoring in tourism and prioritise the financing of projects in order to ensure balance between the three pillars of sustainability (economic, environmental and societal).		No harm to competition.	No recommendation.

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