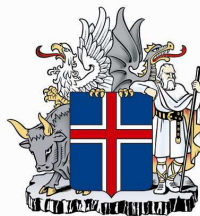


Report of the Working Group on Security and Administrative Reorganisation



MINISTRY FOR FOREIGN AFFAIRS

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Preface

The Government Co-operation Statement of the coalition government formed by Samfylking (the Social Democratic Alliance) and Vinstrihreyfingin – grænt framboð (the Left-Green Movement) provided for a reform of the Defence Agency. This plan is reiterated in the government's plans for a reorganisation of public services which are outlined, among other place, in Section 3.3 of the Draft Budget Act for 2010, where it is noted that the Defence Agency will be discontinued in its current form in 2010 and its tasks integrated into the functions of other public agencies.

At a meeting held on 4 December 2009 the government of Iceland adopted a memorandum from the Foreign Minister on security affairs and administrative reorganisation. The government thereby decided to align its decision to discontinue the Defence Agency and integrate its tasks into the functions of other public agencies with its plans for the establishment of a Ministry of the Interior. The government's co-operation statement had earlier revealed legal arrangements would be made prior to the end of the electoral term for merging the Ministry of Local Government, Transport and Communication with the Ministry of Justice and Human Rights to form a new Ministry of the Interior.

The decision was made that a working group would be formed, led by the Ministry for Foreign Affairs, to make the necessary preparations for the changes visualised in the memorandum referred to above. The working group was composed of Gudmundur B. Helgason, former Permanent Secretary, Chairman, representing the Ministry for Foreign Affairs, Ágúst Geir Ágústsson, Director General at the Office of Prime Minister, Haukur Gudmundsson, Director General at the Ministry of Justice and Human Rights, Angantýr Einarsson, Director General at the Ministry of Finance, and Karl Alvarsson, Director General at the Ministry of Transport, Communications and Local Government. Ingibjörg Rafnar Pétursdóttir, Desk Officer in the Department of Security and Defence of the Ministry for Foreign Affairs, was appointed as the Group's secretary.

The terms of reference of the working group underscored that the planned changes were not intended to have any substantive impact on Iceland's defence and security obligations, i.e. participation in NATO, the Defence Agreement with the United States or any other multinational co-operation on security and defence. For this reason, the working group did not explore any possible options outside this demarcation of its tasks. The working group was assigned the task of analysing the defence and security-related functions currently entrusted to the Ministry for Foreign Affairs and the Defence Agency, the infrastructure of the proposed Ministry of the Interior and the possibilities afforded for reorganisation of security affairs by the creation of the new ministry. On the basis of this analysis, the working group was instructed to submit proposals on the division of responsibilities between the Ministry of the Interior and the Ministry for Foreign Affairs and the arrangements for carrying out the functions of the Defence Agency within the Ministry of the Interior. The

working group was also instructed to prepare a working plan for the merger and resulting changes and submit proposals on the required legislative amendments.

The working group held thirteen formal meetings. In addition, the group studied the work and facilities of the Defence Agency at Keflavik Airport through on-site visits and submitted documents, and attended presentations of the work of the Department of Security and Defence of the Ministry for Foreign Affairs, the Icelandic Coast Guard, the National Commissioner of Police, the Civil Protection Department, ISAVIA and the Maritime Traffic Service. Also, the chairman, the representative of the Ministry of Finance and the secretary of the working group visited NATO Headquarters and Supreme Headquarters Allied Powers Europe (SHAPE) in Belgium, as well as the Allied Joint Force Command Headquarters (JFC) in Brunssum in the Netherlands to discuss the working group's assignment and obtain responses to certain related issues.

For the purposes of its work, the working group was granted security clearance in accordance with Article 24 of the Defence Act.

Attached are the recommendations and principal conclusions of the group.

Reykjavík, 29 March, 2010

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Introduction

The Defence Agency was established by the Defence Act No. 34/2008 and formally launched on 1 June 2008. A formal framework was thereby established for the conditions created by the departure of the Defence Force in 2006 and the take-over by the Icelandic Government of security and defence tasks formerly entrusted to the Government to the United States.

Within the terms of reference granted under the Defence Act, the launch of the Agency has in many respects been a successful venture, taking over and completing various tasks assigned to the Agency under the Act and developing the co-operation and relations with NATO required by the changed circumstances. It is important that the proposed administrative reorganisation should cause a minimum disruption of the completion of the Agency's tasks, that the achievement of the government's policies should be secured and that the mutual trust and confidence needed between Iceland and its security and defence allies should be preserved.

The proposed changes provide an opportunity to integrate tasks which are segregated by the Defence Act from traditional civil activities relating to security matters, such as those pertaining to civil defence and the Coast Guard. Obviously, the organisational changes will to some extent entail a departure from the premises underlying the Defence Act. The integration will have the purpose of strengthening the professional competence of government agencies relating to security and defence and safeguarding to the extent possible the common interests of Iceland and its international partners in this policy area, taking account of the fact that Iceland has no armed forces and only civil resources to contribute to such partnerships.

It is at the discretion of the Icelandic government to decide the administrative arrangements of security and defence tasks. However, the nature of many of these tasks is such that their implementation is subject to various requirements made by NATO, particularly as regards security matters, which Iceland has agreed to observe. These requirements can apply, for example, to zones, facilities, the arrangements governing individual tasks and the handling of confidential material. In the opinion of the working group, there will need to be good co-operation with NATO concerning the modalities of the proposed changes, but that the integration of the functions of the Defence Agency with those of other civil agencies is quite feasible and need not disrupt the conduct of security and defence activities.

It does not fall within the terms of reference of the working group to assess the Defence Act or any of its specifics, such as the decision of the legislature to establish a separate Agency to undertake the functions provided for in the Act. However, it is relevant to the completion of the assigned work of the group to respond to the question of whether the existence of a dedicated agency like the Defence Agency is for any reason unavoidable. Following careful consideration of the matter, it is the opinion of the Group that this is not the case. It is the view of the working group that a strong argument can be made for the advantages of

combining the responsibilities and obligations of implementing security and defence tasks under a single authority, as envisaged in the proposed policy of establishing a Ministry of the Interior and transferring the role of defence ministry from the Ministry for Foreign Affairs to the new ministry. The working group emphasises the importance of the unison of administrative, financial and operational responsibility.

The arrangements brought about with the Defence Act, and the creation of the Defence Agency were based on the traditional division of tasks in the Government Offices, the co-ordination of responsibility and execution and operational considerations relating to efficiency and synergy. The proposed changes in the division of tasks in the Government Offices now provide opportunities for achieving these same objectives from a new direction.

The operating environment of the Defence Agency is still in formation, and has as such been characterized by various teething problems of administration and implementation inevitably caused by the abrupt and extensive changes resulting from the departure of the defence force. This applies not only to the Defence Agency, as the same could be said of the entire operating environment of Keflavik Airport and the organisation and co-operation of the parties that were assigned the task of assuming, in one way or another, the various functions previously carried out by the defence force. To cite a few examples, there appears to be lacking a common understanding of the use of zones, their demarcation and access, the dual role of Keflavik Airport as a military airport and centre of civil transport, the requirements that NATO or individual Allied states might have regarding facilities at Keflavik airport and/or the implementation of air policing and the division of the cost of various operating and service aspects of defence-related activities.

Quite apart from the administrative arrangements of security and defence tasks, various issues in this field remain and require resolution.

The tasks of the Defence Agency and Iceland's defence commitments

The principal tasks of the Defence Agency are listed in Article 7 of the Defence Act No. 34/2008:

1. The operation of the Icelandic Air Defence System, including the North Atlantic Treaty Organisation's communication facilities and radar stations in Iceland;
2. Participation in the North Atlantic Treaty Organisation's co-ordinated air surveillance and air policing in accordance with this Act and on the basis of international agreements to which Iceland is a party;
3. The operation, management and utilisation of the security areas and their facilities owned by the Icelandic State and the North Atlantic Treaty Organisation, in accordance with Iceland's role as a user nation and host nation;
4. Preparation and supervision of defence exercises held in Iceland;
5. Implementation of the Icelandic Government's host nation support;
6. The operation of data connections with the information systems of the North Atlantic Treaty Organisation and its subsidiary bodies to which Iceland has access, and the processing of information from such systems;
7. Participation in committees and subsidiary bodies of the North Atlantic Treaty Organisation, including the Strategic Commands, as specifically determined by the Minister for Foreign Affairs. Furthermore, the Foreign Minister is authorised, in consultation with the responsible ministry, to nominate an expert representative from another government agency to participate in work of this kind in the case of civilian co-operation.
8. Activities concerning the implementation of the Defence Agreement, cf. Act No. 110/1951, and of Act No. 72/2007 on the Legal Status of Forces of the Member States of the North Atlantic Treaty Organisation and the Partnership for Peace, etc.
9. Co-operation with other government authorities, organisations or state-owned public limited companies engaged in activities relating to the Defence Agency's functions, as specifically determined by the Minister for Foreign Affairs;
10. Co-operation with international organisations and the implementation of international conventions on defence matters, as specifically determined by the Minister for Foreign Affairs;
11. Advice to the Ministry for Foreign Affairs within the Agency's areas of expertise and regarding policy formulation and threat assessment in the defence field in accordance with this Act;
12. Activities pursuant to the defence policy of the Minister for Foreign Affairs in accordance with this Act;
13. Co-operation with universities, organisations, businesses and international associations in connection with research and development within the Agency's field of activities.
14. Preparations for the establishment of regulations and procedures as well as participation in their formulation, including in the international arena, and the preparation of agreements with foreign states and international organisations in accordance with the further instructions of the Minister for Foreign Affairs;

15. Other activities entrusted to the Agency by law, administrative provisions or the Minister for Foreign Affairs.

However, the Defence Act provides only limited information on the commitments to which these tasks relate or on which they are based, or how these commitments came about (further information [in Icelandic] is available in the notes to the legislative bill for the defence Act, parl. doc. 565 of the 135th legislative session of the Althing <http://www.althingi.is/altext/135/s/pdf/0565.pdf>). It did not fall within the terms of reference of the working group to discuss Iceland's Security and Defence policy, but in order to ensure that the proposed changes in the arrangements of implementation aspects would not substantively impact Iceland's commitments in this area, it appeared clear that further light would need to be shed on these commitments, their nature and origins. It should be noted that no comprehensive summary has been available in the Government Offices regarding these commitments and their links to the tasks of the Defence Agency.

The working group therefore requested at the outset a detailed presentation by the Foreign Ministry's Department of Security and Defence and the Defence Agency of these matters. Information was also obtained through communications and consultations with various representatives of NATO. Notwithstanding the fact that the working group had received security clearance and thereby access to all necessary information to complete its work, it was emphasised that information to the group should not be subject to confidentiality to enable the group to discuss its task with the administrations of the ministries involved and any subsidiary bodies that might take over tasks from the Defence Agency. These organs would need to have a clear picture of the framework and substance of the tasks. In light of the work ahead on assigning tasks, the work group feels that it is urgent for the Ministry for Foreign Affairs to prepare and publish, as early as possible, a comprehensive summary of Iceland's defence commitments in order to enlighten further the public debate on Iceland's defence and security interests and the work done by the Icelandic government authorities in this field.

Consultation with NATO

Discussions were held in NATO headquarters with the head of the Office of Resources concerning the tasks of the working group, NATO facilities and equipment in Iceland and the decision on the impending transfer of asset management within defence and security zones to the Ministry of Finance, as provided in the co-operation statement of the two parties forming the coalition government. It is the view of the working group that the proposed changes, including the changes in asset management, will not cause any specific problems in the operation of projects or dealings with NATO. The changes do not entail entrusting Government Real Estate directly with the implementation of defence-related tasks; instead, the administration of the assets in question will be adapted to the arrangements generally in use by the State Treasury in order to take advantage of the efficiency and economy they entail. The transfer is not intended to curtail any necessary utilisation by parties carrying out defence-related projects or NATO's preferential rights to its facilities and equipment. Such utilisation is not restricted to any specific administrative arrangements of projects under the Defence Act.

Also, the working group's assignment was discussed with the Head of the NATO Office of Security, who emphasised the need for the legal and regulatory framework for defence-related projects and their attendant commitments to be clear. He pointed out that the current staff and work of the Defence Agency were subject to stringent security requirements, in the same manner as comparable administrative units in other countries. Even though administrative arrangements were changed and adapted quite frequently, these requirements always needed to be met and one single authority (a *National Security Authority*) must always assume comprehensive responsibility for security matters vis-à-vis NATO. He noted that the work of the Defence Agency was tied to certain facilities and to conditions that any new organ placed in charge of its functions would need to meet. It might prove difficult and expensive to relocate the activities of the Defence Agency's Control and Reporting Centre (CRC) from its current specially equipped facilities. Careful consideration must be given to data security, security clearance for staff, tempest zoning and facility security, data links etc. However, if all these conditions were met it would be quite feasible to integrate the work of the Defence Agency with other activities.

In the opinion of the working group there is no question that close consultation will be needed with NATO with regard to the prospective changes. However, looking at the current tasks, the working group sees professional, operational and financial arguments for maintaining the location of the Control and Reporting Centre in the Keflavik Airport security zone, which are in line with NATO's requirements. There are facilities in place which could be better utilised, and there are opportunities for synergy which can be achieved by relocating other related functions in the Control and Reporting Centre. A unit of this kind operated by the Ministry of the Interior would be no less suited to meet NATO's conditions than the Defence Agency, e.g. as regards the operation of a National Security Authority and

universal responsibility for security matters vis-à-vis NATO. This way, the working environment of the Defence Agency's tasks would not be disrupted to the extent of precluding the proposed changes in the administrative arrangements of defence-related activities.

The representatives of SHAPE and JFC emphasised the importance of Iceland, its geographic location and contribution to NATO's joint defences, which they considered vital. In this context they referred specifically to the Icelandic Air Defence System. In their opinion, any reduction of the scope of the work in Iceland would weaken the Allied defences, and without the Iceland Air Defence System there would be a serious gap in those defences. This would create significant difficulties for NATO. One of the principal roles of NATO in peacetime is to monitor the NATO states' airspace control area and detect and deter any potential threats. For this reason it was important, in NATO's opinion, to maintain a comprehensive picture of air traffic and in that context the Icelandic Air Defence System played a significant role. The Control and Reporting Centre in Iceland is also linked to other NATO systems in order to permit monitoring of state aircraft and vessels, including naval and submarine traffic in the North Atlantic and various other information generated outside the Keflavik CRC. These features of the Control and Reporting Centre form a part of NATO's defence capabilities. The position of the Military Command was that regardless of the proposed changes in the administrative arrangements of defence-related tasks, the features of the Control and Reporting Centre needed to be preserved, i.e. its communication capabilities and capacity to receive, generate and disseminate information.

It was revealed that Russia had increasingly elected to display its military strength in the North Atlantic area in the last 4-5 years, owing, among other things, to improved economic conditions in Russia, climate change, the opening of shipping routes, the importance of the Arctic Region and competition for control over the region. Iceland's importance was therefore not diminishing. The representatives of the Military Command expressed their hope that the proposed changes to the Icelandic administrative arrangements of defence-related tasks would not disrupt their conduct or scope, which was based on the joint assessment of NATO and the Icelandic government.

The representatives of the Military Command also stressed the need for responsibility for defence-related tasks to remain clear and co-ordinated, and that an appropriate partner for NATO should continue to exist within the Icelandic government system. They declared their availability for co-operation and consultation on all the details of any proposed changes.

It is the opinion of the working group that nothing emerged in the discussions with SHAPE or JFC to indicate that the consolidation of the tasks of the Defence Agency with other civilian bodies could not take place. However, the dependency of the tasks of the Defence Agency on special facilities and tempest zoning appears to have great deal of relevance. In order to achieve a full level of integration and synergy it appears, therefore, that a sound case can be

made for the expediency of transferring civilian activities to the current location of the Defence Agency. It may be said with certainty that the tasks are more reliant on the operation of special facilities, equipment and security arrangements than an agency dedicated exclusively to defence-related tasks, as is currently the case with the Defence Agency. NATO's requirement of co-ordinated and effective responsibility is entirely compatible with the plans of the Icelandic government, which could provide a foundation for a better integrated partner for the Alliance than is currently the case with the Defence Agency. In fact, the civilian tasks that might be entrusted to such a unit could result in the creation of a very attractive option for NATO in mutual co-operation over the broad spectrum of security matters.

Operation and finances of the Defence Agency

Significant changes have been made in budget appropriations to the Defence Agency since the Agency's establishment around mid-year 2008. The State Budget for 2008 provided for an allocation of ISK 1,356.1 million to the Radar Agency, on the one hand, and defence matters on the other hand. The decision was made to transfer all appropriations of the Radar Agency to the Defence Agency in the Supplementary Budget Act for 2008, totalling ISK 479.7 million. In 2009 budget appropriations amounted to ISK 1,227 million, but these were cut by approximately ISK 50 million in the Supplementary Budget for the same year. Finally, appropriations to the Agency amounted to ISK 968.3 million in the Budget Act for 2010. All allocations to the Agency are funded through payments out of the State Treasury.

	Operation	Budget	Appropriations
2008	410.1	479.7	682.7
2009	1.046.1	1,177.0	1.168.0
2010	*969.2	968.3	1,091.4

* Projected expenses in 2010

In 2009, the total expenses of the Agency amounted to ISK 1,044.9 million. Of this figure, salaries and payroll expenses amounted to ISK 472.8 million, or 45.2%. Other expenses, on the other hand, amounted to ISK 573.3 million, or 54.8%.

According to an extract from the State Salaries System, 72 employees were paid salaries in 2009. However, the total of man-years in the Agency was 59.1, which indicates that a number of employees worked on a part-time basis or on a temporary basis for part of the year. Monthly salaries, overtime and other wage payments amounted to just over ISK 380 million.

Organisation	Number of employees (on daytime wages)	Man-years in daytime work	Total salaries
The National Commissioner of the Icelandic Police	131	117.3	558,671
The Defence Agency	72	59.1	536,725
Icelandic Maritime Administration	139	78.0	460,601
The Director of Customs, Reykjavík	268	224.2	408,790

The annual average salary of Defence Agency staff amounted to ISK 536,728 in 2009. In comparison, the average salaries of the staff of the Maritime Administration amounted to ISK 460,601 and of the Directorate of Customs ISK 408,790. The three organisations are comparable in that they are all staffed by employees working on shifts and comprise a mixed

group of trained and untrained employees. In the office of the National Commissioner of Police, the vast majority of employees are policemen and officers.

Assuming unchanged payroll expenses between years, and assuming that other expenses would be based on the outline of tasks prepared by the Defence Agency for the working group, which is included in Annex 1, it may be assumed that expenses in 2010 would amount to a total of ISK 969.2 million. Other expenses would therefore amount to ISK 496.4 million. According to the outline, the greatest expense results from the operation and maintenance of facilities and zones, approximately ISK 164 million. Also large are expenses from the maintenance of the radar system, telecommunications system, communications and air defence system, just over ISK 120 million. Systems control and development of information systems and an optical fibre system amounted to a total of ISK 78 m, and, finally, the cost of general operations, administrative work and co-operation with NATO amounted to a total of ISK 83 million. Other expenses, amounting to approximately ISK 51 million, resulted from smaller functions, such as the operation and maintenance of information systems other than the ones mentioned above, the operation of a canteen and organisational work and services relating to air space surveillance and exercises.

At year end, unused allocations to the Defence Agency amounted to ISK 123.1 m. The government decided to limit the carryover of unused allocations between 2008 and 2009 in order to reduce the risk of the allocations being utilised to a greater extent when plans for cutbacks of agencies and tasks take effect. This was part of an effort to improve the State Treasury's liquidity balance. In the context of this effort, appropriations to the Defence Agency were cut by ISK 313.8 million. Whether similar cuts will be warranted between the years 2009 and 2010 will require further study.

As a result of the special actions taken to balance the State budget, on the one hand, and general economisation in the operation of government agencies, on the other hand, allocations to the Defence Agency have been cut by a total of ISK 572 million from the time that the Agency was established around mid-year 2008. For this reason, appropriate measures have needed to be taken regarding the operation of the Agency. It is too early to say to what extent the synergy resulting from the transfer of tasks falling within the scope of responsibility of the Defence Agency to other government agencies might lead to further savings. However, it is clear that in the event of such a merger, administrative costs would be reduced. It is also reasonable to assume that savings could be achieved by assigning asset management in the area to Government Real Estate.

The transfer and integration of tasks would be accompanied by their reorganisation with the aim of improving efficiency and reducing costs. Through further policy and planning in this field it would be appropriate to address the scope of individual tasks to assess whether they could be trimmed or even discontinued with resulting savings. Finally, it is worth mentioning that it might be possible to sublease or utilise more efficiently the properties in the security

zone, which could result in a general reduction of the State's housing costs. The relocation of government activities to facilities at Keflavik Airport could thus result in significant economising and vacate other properties. Among other things, the working group discussed the idea of relocating the operation of the Coast Guard to a 12,000 square metre compound in the area, which includes offices, hangars, workshops and other spaces.

It is understood that the cutbacks in appropriations to tasks currently within the scope of the Defence Agency will at a minimum be comparable to other cutbacks in the operation of agencies and undertakings in the coming years. However, there are hopes that the systemic changes made in connection with the tasks of the Defence Agency could lead to even greater savings than in other areas.

In light of the difficult financial situation of the State and the review of tasks falling within the scope of activities of government agencies, a prioritization of tasks is in order with emphasis on the performance of those which are seen as most essential. The assumption is that such an analysis of the tasks of the Defence Agency could lead to the possible discontinuation of some tasks, with significant resultant savings.

It is recommended that further analyses should be conducted of the possibilities for general streamlining and improved use of real property and other assets managed by the Defence Agency concurrently with the reassignment of the tasks of the Defence Agency as proposed by the working group.

Ministry of the Interior and division of tasks with respect to the Ministry for Foreign Affairs

The government co-operation statement reveals in its chapter on administrative reform that legal arrangements are proposed prior to the end of the election term for merging the Ministry of Local Government, Transport and Communication with the Ministry of Justice and Human Rights to form a new Ministry of the Interior. The co-operation statement does not discuss this policy objective in further detail, and to date discussions of its implementation have been limited. In this regard it is not inaccurate to say that the task assigned to the working group – on the basis of the Government’s decision of 4 December 2009, where the plans for the establishment of a Ministry of the Interior were confirmed – represent the first steps in the direction of achieving this policy objective.

Looking at Articles 3 and 9 of the Government Offices Regulation No. 177/2007, the proposed combination of tasks to form a Ministry of the Interior would affect the following issues:

[The Minister of Justice and Human Rights]¹⁾ is responsible for matters relating to:

1. Jurisdiction, appointment of judges, courts of law other than the Labour Court, judicial procedure and attorneys at law;
2. Powers of prosecution, to the extent that they are subject by law to the Minister of Justice, and supervision of the exercise of powers of prosecution;
3. Execution of sentences, prisons and imprisonment, parole, community service, pardons, amnesty, rehabilitation and extradition of criminals;
4. The police and law enforcement;
5. Protection of territorial waters and fishing grounds, hydrography and nautical charting;
6. Supervision of the importation, manufacture, sale and use of firearms, ammunition and explosives;
7. Enforcement of alcohol control legislation, where not assigned to any other ministry;
8. Shipwrecks and flotsam;
9. Foreigners, excluding employment rights;
10. Passports, other than diplomatic passports;
11. Family law, probate law, civil rights law and issues of financial competence;
12. Property rights and rights of use of real property and the enforcement of expropriation, where not assigned to any other ministry;
13. Citizenship;
14. 14. ...¹⁾
15. Human rights;
16. Election of the President of the Republic, parliamentary elections, [local elections],¹⁾ referenda and other general elections, where not assigned to any other ministry;
17. Publication of acts of law and administrative communications, publication of the Official Journal of Iceland (*Stjórnartíðindi*), publication of the General Codex of Icelandic Law and the Legal Gazette (*Lögbirtingablaðið*);

18. Confirmation of the founding documents of funds and institutions;
19. Lotteries, gambling, raffles, sweepstakes and public fund raising activities;
20. Claims adjusters in cases of maritime losses, court interpreters and certified translators;
21. Civil protection, rescue, integrated emergency telephone answering and professional alert services;
22. Church and congregation affairs, including the office of the Bishop of Iceland and the organisation of parishes;
23. Cemeteries and funeral parlours, including crematories;
24. Damages in tort;
25. [Real property registration and real estate appraisal;
26. Consumer protection, including package tours;
27. Weights, measures and accreditation; Product safety];¹⁾
- [28.]¹⁾ National Register, domicile and census.

¹⁾Reg. 101/2009, Art. 2.

Article 9 [The Ministry of Transport, Communication and Local Government]¹⁾ is responsible for matters relating to:

1. Organisation of communications and transport by land, air or sea;
2. Roads and road construction;
3. Traffic and regulation of vehicles;
4. Air traffic and airports, including Keflavik Airport;
5. Maritime traffic, including professional certification and legal registration of seamen;
6. Lighthouses and sea defence;
7. Transport safety and related accident investigations;
8. Telecommunications;
9. Postal services;
10. Local government affairs, including the administrative affairs and tasks of municipalities, sources of revenue and finances ...¹⁾ and the boundaries of municipalities.

¹⁾Reg. 101/2009, Art. 5.

In the opinion of the working group, the spheres of responsibility of these two ministries are above all else unified by their shared competence over a broad range of security matters. The integration of this policy area will also create the necessary foundation for assigning to the proposed Ministry of the Interior more extensive security responsibilities than hitherto dealt with by each of the two ministries. The plans of the government, which were approved on 4 December 2009, call for a new Ministry of the Interior to take over the functions of the “Defence Ministry” and the appurtenant tasks which are currently assigned to the Ministry for Foreign Affairs, which would nevertheless continue to have charge of foreign policy aspects of security and defence, such as relations with NATO. In this way, the

implementation of defence and security tasks will from that point on be entrusted to a single ministry, the Ministry of the Interior.

Looking back at the Government Offices Regulation No. 177/2007, it is clear that the above plans will impact Point 10 of Article 12 of the Regulation:

{Ministry for Foreign Affairs is responsible for matters relating to:}

10. Defence, membership of NATO, the Defence Agreement between Iceland and the United States, relations and co-operation with foreign states, military authorities and international security and defence organisations, defence zones, the security zone at Keflavik Airport and other security zones, the operation of NATO's facilities and assets in Iceland, including the Icelandic radar and air defence system (IADS).

The general scope of work of the foreign service is also addressed in the Foreign Service Act, as follows:

Article 1 The Foreign Service is responsible for foreign affairs and for the protection in every respect of Iceland's interests with respect to other states. In particular, the Foreign Service shall protect Iceland's interests as regards

1. Politics and security;
2. Foreign trade; and
3. Cultural affairs.

Among the tasks assigned to the working group was to submit a recommendation on a division of tasks based on the transfer of responsibilities from the Ministry for Foreign Affairs to the Ministry of the Interior. When it is borne in mind that Iceland's defence can be secured only through international co-operation and that responsibility for relations with NATO and other aspects of foreign policy will continue to rest with the Ministry for Foreign Affairs, it is clear that the division of tasks between the two ministries will need to be based on an assumption of extensive co-operation, e.g. within NATO and in other multinational work in the area of security. There is a long tradition of such division of tasks in the countries which are most comparable to Iceland, e.g. in the Nordic countries, specifically between their foreign ministries and separate ministries of defence.

Relations with foreign states, international organisations, agreements with other states and their preparation remain within the sphere of responsibility of the Ministry for Foreign Affairs, with the exception of those tasks which may be specifically assigned to a different ministry. Protecting Iceland's interests with respect to other states as regards security matters will continue to be a matter of foreign politics, notwithstanding the assumption by a Ministry of the Interior of the role of defence ministry and responsibility for the appurtenant tasks and commitments. In this regard, it must be assumed that the foreign policy aspects of defence and security will fall within the sphere of the Ministry for Foreign Affairs. However, it is clear that the Ministry of the Interior would for obvious reasons be engaged in various

forms of international cooperation pertaining to the Ministry's security and defence role. Notwithstanding the clear formal demarcation in the Government Offices Regulation, international relations of various kinds have become a part of the day-to-day activities of all ministries.

Drawing a clear line between external and internal security might be the traditional course, but it would be an unsuitable method of delineating the division of tasks between the Ministry for Foreign Affairs and the Ministry of the Interior. The complex and manifold threats now faced by the nations of the world have to a large extent rendered such distinctions irrelevant. A broader definition has been gaining currency across the world, and this new definition must, as a matter of course, form the basis of any further security and defence policymaking in Iceland, as discussed in the *Threat Assessment Report for Iceland* issued by the Ministry for Foreign Affairs in March 2009. This definition will also require the Ministry for Foreign Affairs and the prospective Ministry of the Interior to approach this issue on the basis of co-operation, consultation and co-ordination.

The integration of this policy area calls for the preparation of new and comprehensive security and defence legislation based on a broad definition of the concept of security. It must be seen as a matter of vital importance to achieve a broad accord on this issue and to prepare the ground for framework legislation and future policy on the basis of co-operation and consultation across party lines. Among other things, such legislation would provide an opportunity to delineate the division of tasks in this policy area among ministries in greater detail than would be possible within the constraints of the current Government Offices Regulation. In particular, the Civil Protection Act No. 82/2008, the Coast Guard Act No. 52/2006 and the Defence Act No. 34/2008, as applicable following the discontinuation of the Defence Agency, appear suitable to provide a foundation for such comprehensive legislation. Attention would need to be given to a co-ordinated approach to security issues by the Althing and the working arrangements for parliamentary committees in that context.

Based on the above, and having regard to the current Government Offices Regulation, the working group submits the following recommendation on the division of defence and security tasks between the Ministry for Foreign Affairs and the Ministry of the Interior:

The Ministry for Foreign Affairs assumes responsibility for matters relating to:

10. Membership of NATO and other international agreements on defence and security, and relations with foreign states and international organisations in the field of security and defence.

The Ministry of the Interior assumes responsibility for matters relating to:

Security and defence, the implementation of security and defence-related tasks concerning membership of NATO and the Defence Agreement between Iceland and the United States, relations

and co-operation on such tasks with foreign states, military authorities and international organisations in consultation with the Ministry for Foreign Affairs, defence zones, the security zone at Keflavik Airport and other security zones, NATO facilities and assets in Iceland, including the Icelandic radar and air defence system (IADS).

The working group is working on the assumption that a decision to transfer assets in defence and security zones to the Ministry of Finance would take the form of appropriate legislative provisions, or instructions to the parties responsible for defence-related tasks, to co-operate with Government Real Estate, rather than a shift of specific responsibilities within the Government Offices Regulation. It must be assumed that such a decision would not have the intent of charging the Ministry of Finance with any formal responsibility for security and defence commitments.

Finally, it is the opinion of the working group that on the transfer of defence affairs from the Ministry for Foreign Affairs to the Ministry of the Interior, account will need to be taken of the fact that on the creation of the Defence Agency the Agency took over, to a large extent, the tasks formerly entrusted to the Foreign Ministry's Defence Department. In connection with this change, the staff of the Defence Department was reduced, and the Ministry transferred several employees to the Agency. There are currently two members of the staff of the Defence Department of the Ministry for Foreign Affairs, while the Defence Agency has a permanent staff of approximately 54 employees. Concurrently with the necessary transfer of human resources and expertise between the ministries, the possibility may be considered, upon the transfer and re-assignment of tasks, that some of the staff currently employed by the Defence Agency could be transferred to the ministries.

Subsidiary bodies of the Ministry of the Interior and potential for reorganisation

Annex 2 contains an overview of the roles of the main subsidiary bodies of the proposed Ministry of the Interior that came under the scrutiny of the working group.

The proposed merger of the Ministry of Justice and Human Rights and the Ministry of Transport, Communications and Local Government would consolidate in a single entity responsibility for the operation of a number of agencies and public limited companies that in one way or another are involved in security affairs in the broad sense of the term. The establishment of the Ministry of the Interior and its assumption of some of the functions of the Ministry for Foreign Affairs would create possibilities for reorganising these activities beyond the changes already implemented, currently taking place or planned.

The government's plan for a reorganisation of public services, set out in Section 3.3 of the 2010 Draft Budget Act, includes the following elements:

- A reorganisation of police districts aimed at protecting basic police services and reducing overhead. It will be studied whether the office of the National Commissioner of Police should be discontinued and reorganised and its responsibilities reassigned in order to increase efficiency and reduce costs.
 - *for further information see "Consolidation of Police Districts", a report from October 2009 prepared by a working group appointed by the Minister of Justice*
- A reorganisation of transport agencies subject to the authority of the Ministry of Transport.
 - *for further information see "Future Arrangement of Transport Agencies: Analysis and Options", a report from June 2009 prepared by a commission appointed by the Minister of Transport*
- Merger of Keflavíkurlugvöllur ohf. [Keflavik Airport] and Flugstoðir ohf. [ISAVIA]
 - *for further information see "Report by a Working Group on the Merger of Keflavíkurlugvöllur ohf. and Flugstoðir ohf." from September 2009, and Act No. 153/2009 on the merger of the public limited companies Flugstoðir and Keflavíkurlugvöllur*

The reorganisation of the subsidiary bodies of the proposed Ministry of the Interior is clearly affected by other factors besides its assumption of the role of a ministry of defence and responsibility for carrying out the functions of the Defence Agency. For instance, the reorganisation proposals described above are not contingent on the establishment of a Ministry of the Interior. However, whether and how they are implemented may affect the additional possibilities for reorganisation which the merging of the ministries concerned may create. In various ways, the above-mentioned reports and papers describe the overlap and possibilities for consolidation between ministry agencies, which must be considered in preparing the establishment of the Ministry of the Interior and reassigning the responsibilities of the Defence Agency.

At its meeting on 4 December 2009, the government decided, assuming an unaltered division of responsibilities in the Government Offices, that the responsibilities of the Defence

Agency should be transferred to the civil agencies in closest relation to its functions, while also forming a cornerstone of the new Ministry of the Interior. It is the opinion of the working group that owing to their existing functions, nature and structure, two public agencies are best suited to assuming the duty and responsibility of carrying out the Defence Agency's functions: The Icelandic Coast Guard and the office of the National Commissioner of Police.

Both of these institutions play a greater role than other public security, surveillance and law enforcement agencies, both are surveillance and rapid response agencies, both are responsible for operations control, conduct risk assessments and collect, analyse and communicate information relating thereto, and both participate at government level in international security cooperation.

The National Commissioner of Police handles civil defence under the authority of the Minister of Justice and for this purpose operates a co-ordination and control centre for coordinating any type of search and rescue operations on land, at sea and in the air and for responding to crisis situations. Naturally, tasks of this nature require a significant degree of collaboration with the Coast Guard, as stipulated by law and in agreements between the parties, and there is considerable overlap. While the Coast Guard is responsible by law for law enforcement at sea, the office of the National Commissioner of Police has overall charge of operations in response to maritime terrorism, including piracy. Aircraft hijacking also falls under the jurisdiction of the National Commissioner of Police. Both the Icelandic Coast Guard and the office of the National Commissioner of Police operate bomb squads and make use of facilities in the security zone for their operations.

Like Defence Agency staff members, policemen are permitted neither to strike nor take part in calling a strike, as provided in the Police Act No. 90/1996. Act No. 52/2006 on the Icelandic Coast Guard contains similar provisions with respect to Coast Guard personnel involved in law enforcement.

Prior to the establishment of the Defence Agency, the office of the National Commissioner of Police served as the *National Security Authority* vis-à-vis NATO on behalf of the Icelandic government, and it has continued to participate in civil cooperation between security agencies of NATO states. The office performs background checks for security clearance purposes in accordance with the Defence Act. This is an example of a Defence Agency function which the office of the National Commissioner could easily take over. It would also be a substantial advantage to the office's civil activities, e.g. as regards risk assessment and analysis, if it had full access to the NATO information systems which the Defence Agency is currently able to access in specially equipped facilities.

With its vessels, helicopters and patrol and rescue aircraft, the Coast Guard as a surveillance and rapid response entity has equipment at its disposal which is unmatched elsewhere in Iceland. The agency's main functions include providing security and law enforcement at sea,

and search and rescue services at sea, in the air and on land. Following the departure of the U.S. Defence Force, all search and rescue helicopters in Iceland are operated by the Coast Guard. This service of the Coast Guard is one of the prerequisites for air policing, as it would not be possible to patrol Icelandic territorial waters by aircraft without it. The agency has a rich tradition of participating in international cooperation in the area of security and safety with both civil and military bodies.

The aforementioned report prepared for the Minister of Transport, Communications and Local Government on the future arrangement of transport agencies points out that the functions of the Coast Guard and the Icelandic Maritime Administration overlap significantly. Among other things, the Icelandic Maritime Administration is entrusted with overseeing the implementation of Act No. 41/2003 on the Maritime Traffic Service (see also overview in Annex 2), and it has concluded a service agreement with Neyðarlínan ohf. [emergency hotline] regarding the operation of the Maritime Traffic Service. However, the professional administration and day-to-day operations of the Maritime Traffic Service is the responsibility of the Coast Guard pursuant to a service agreement. The Maritime Traffic Service serves as the Coast Guard's command centre and a co-ordinator and service provider for all of its activities. It is reasonable to assume that the establishment of a Ministry of the Interior will create conditions for a review of the complicated manner in which the Maritime Traffic Service is operated and administered, with a view to combining its tasks with those of the Coast Guard. At the same time, the similar overlap between the functions of the agencies of the Ministry of Justice and Human Rights and the Ministry of Transport, Communications and Local Government should be addressed, as in the case of the Icelandic Maritime Administration and the Coast Guard.

The Maritime Traffic Service receives notifications of vessel traffic within the Icelandic jurisdiction as required by law. It conducts an analysis of vessel traffic data, which assists the Coast Guard in performing its patrol functions. The Coast Guard also relies on information systems and telecommunications services owned by the Maritime Traffic Service but operated by Neyðarlínan. The Maritime Traffic Service maintains around-the-clock operations in order to create and maintain situational awareness of vessel traffic in Icelandic territorial waters. The Coast Guard would clearly be able to perform its statutory surveillance and security functions more efficiently if it had access to additional information from NATO systems.

The Defence Agency's Control and Reporting Centre receives data obtained from sources other than the four radars and maintains at all times a Recognized Air and Sea Picture of air and vessel traffic in the North-Atlantic, including submarines, military vessels and other state vessels. Integrating the Defence Agency's tasks with the functions of the Coast Guard and the Maritime Traffic Service could thus potentially result in a single civil rapid response and surveillance entity possessing a comprehensive situational awareness of all known traffic around Iceland, whether in the air or at sea.

To achieve this it would appear that at least part of the Maritime Traffic Service, and thereby the Coast Guard's command centre, will have to be moved to the Defence Agency's specially equipped Control and Reporting Centre, as it appears that the operation of such dedicated facilities are a prerequisite to the receipt of data from NATO systems. Given that the current location of the Coast Guard's operations in Skógarhlíð is not a long-term solution, it must be worth considering whether the Coast Guard should be relocated concurrently with the administrative reorganisation of security and defence activities. In this regard there are facilities available at Keflavik Airport which would be very well suited to the Coast Guard's operations and have been considered before as a potential location.

The working group is of the opinion that the tasks currently performed by the Defence Agency are not directly suited to any single existing agency. However, there is a high degree of correlation between the functions and operations of the Defence Agency on the one hand and functions jointly performed by the Coast Guard and the National Commissioner of Police on the other hand. Thus, it should be possible to create conditions for the reassignment of Defence Agency duties and responsibilities other than those discussed above, including preparation and oversight of defence exercises, air policing, implementation of host nation support and necessary communications with Allied states and international partners in connection therewith. Together with the National Commissioner of the Police, the Coast Guard possesses the manpower, expertise and operational structure necessary to perform tasks of this nature. It appears likely that synergy can be achieved across a broad range of the operations of both agencies through shared use of the personnel currently employed by the Defence Agency. However, due to the specialised nature of many of the Defence Agency's functions and their reliance on special facilities and tempest zoning, such synergy is in part dependant on a relocation of operations to Keflavik Airport.

In addition to providing NATO and other allied nations with an appropriate partner who is universally responsible for defence and security matters, this would also serve to maximise the benefits of such cooperation in the furtherance of the public interests that these agencies serve. With the establishment of a Ministry of the Interior it appears appropriate that the aforementioned functions should be carried out within a single operational unit. This could be achieved in conjunction with changes that are already in the pipeline, e.g. regarding the organisation of police affairs and the role of the office of the National Commissioner of Police.

Clearly, while the measures described above are aimed at consolidating responsibility and accountability in the area of security and defence in a single government agency subject to the authority of the Ministry of the Interior, specific tasks could be assigned to other entities. Collaboration of this kind is already in place to a significant degree; the public limited companies ISAVIA and Keflavíkurflugvöllur (now Flug-Kef ohf.) are an example. Flug-Kef is involved in defence activities in various ways as a service provider, e.g. in connection with air policing, exercises, security affairs, etc. It will be necessary to create a clearer framework for

collaboration of this nature than achieved hitherto, for instance through the conclusion of service agreements.

The working group believes that the possibility should be studied of separating the operation, administration and maintenance of systems and technical equipment from the processing of the data obtained from such systems. This refers *inter alia* to the operation of the four radars, data and communications equipment and related facilities, but also to central equipment located in the working facilities of the Defence Agency at Keflavik Airport. In the opinion of the working group it does not appear necessary for technical operation and processing to be combined as is currently the case in the Defence Agency if it proves more efficient to outsource tasks of this kind under service agreements. The technical and systems departments of Flug-Kef are quite capable of taking over tasks of this kind, which, looking at these tasks of the Defence Agency and the staff entrusted with them, would create obvious synergy. In fact, the operation of information and communications systems is conducted in various places within the government network, and it must be regarded as an option to undertake a comprehensive revision of the arrangement of these operations.

Following the departure of the armed forces, the possibility was explored of ISAVIA taking over the operation of the Air Defence System in its entirety, including monitoring relating to air surveillance. At the time, this was not considered feasible by the Ministry for Foreign Affairs, *inter alia* as a result of the security requirements made by NATO. Following the integration of the Air Defence System with the NATO Integrated Air Defence System (NATINADS), the Defence Agency's Control and Reporting Centre receives far more information than from the four radar stations alone. Thus, the CRC is receiving information from other air defence systems, military aircraft, radar aircraft, military vessels and other information systems. In this way, the Control and Reporting Centre maintains a situational awareness of the traffic of aircraft, surface vessels and submarines which is comparable to that of other control and reporting centres within NATINADS. Furthermore, the Icelandic Air Defence System forms a part of NATO's co-ordinated communications system and can, as such, be used as a control and reporting station for air defence, surveillance and dissemination of information to military aircraft, military vessels and other NATO control stations. It was revealed in the course of the consultations by the working group with NATO that possession of these features by control and reporting stations constituted a part of NATO's joint defence capabilities.

The working group discussed in detail the overlap that exists between air surveillance, on the one hand, and air traffic control, on the other hand, as air surveillance is dependent, among other things, on information on flight schedules within the Icelandic air traffic control area, which Flug-Kef possesses and passes on to the Defence Agency. Also, Flug-Kef has access to both the primary and secondary radar signals of the Defence Agency. Thus, mutual communication and co-operation is needed between civil air traffic control and the party entrusted with air surveillance for the benefit of both.

However, it is clear that the operation of the Icelandic Air Defence System, as it has evolved following integration with NATINADS, is far too extensive to conform to the current role of Flug-Kef except to a limited extent. The question then arises whether separation of information relating to unidentified aircraft from other information in the system is possible, sensible or economically feasible, especially in light of the security requirements attached to the tasks and the facilities that house them. It would also need to be examined what impact, if any, such a separation could have on the current defence-related functions as a whole.

It was revealed in the course of the working group's consultations with NATO that air surveillance is not integrated with civil air traffic control in any NATO country, as the two tasks are different in nature. The parties consulted by the working group knew of two states in the world where this is done, Brazil and Oman, then under the control of the military. From the negative response of the NATO military command to a possible separation of tasks as outlined above it can only be surmised that such separation would not be possible without a revision of the nature and scope of defence-related tasks in Iceland in consultation with NATO.

In any case, the working group feels that it should be noted that there appears to be potential for strengthening the co-operation between Flug-Kef and the Control and Reporting Centre at Keflavik Airport in the interests of civil flight safety, e.g. in the event of an aircraft emergency or if a search area needs to be delimited for search and rescue operations; however, in such an event defined operational procedures need to be established for communications between the parties.

Conclusion and recommendations of the working group

Below are the future vision and recommendations of the working group. The means by which these could be realised are based on the task assigned to the working group as delimited by its terms of reference. Although an independent decision has already been made to discontinue the Defence Agency in 2010, it is assumed, in light of the group's assigned task, that an Interior Ministry will be established in accordance with the co-operation statement of the two governing parties and the decision approved by the government at its meeting of 4 December 2009. Until that time, an unchanged division of tasks is assumed within the Government Offices, so that the agencies destined for the proposed Ministry of the Interior could for a period of time be assigned tasks falling within the scope of responsibility of the Ministry for Foreign Affairs. For obvious reasons, the administrative, financial and professional responsibility for the execution of security and defence tasks cannot be consolidated until the division of tasks within the Government Offices has been changed.

In order to harmonise the tasks of the Defence Agency with the proposal of forming an Ministry of the Interior in an organised manner, and in order to ensure that an unavoidable interim period is as brief as possible, the working group believes that it is urgent to prepare a more detailed time schedule for the merger of ministries and begin preparations for the establishment of a Ministry of the Interior concurrently with the process visualised by the working group regarding the re-assignment of the tasks of the Defence Agency. The working group believes that it would be most propitious if it were possible to gear the assignment of tasks to the potential reorganisation of the subsidiary bodies of the Ministry of the Interior. An expedient assumption by other government agencies of the tasks of the Defence Agency will also call for close consultation with NATO on security requirements and other related issues.

Finally, the working group believes that it is necessary to undertake a further analysis of the potential for general economisation concurrently with the re-assignment of the tasks of the Defence Agency. It is recommended that work should begin on prioritising defence-related tasks and focussing on the most urgent. This could result in significant savings.

Having regard to all of the above, the working group proposes that this work should be undertaken in accordance with the transitional process outlined below.

Future Vision

Defence and security matters, broadly defined, constitute a separate policy area under the responsibility of the Ministry of the Interior. The Ministry is responsible for carrying out defence-related tasks resulting from the Defence Agreement with the United States and Iceland's membership of NATO. Also, the Ministry will participate in the work of NATO in the capacity of Ministry of Defence and other international co-operation on security affairs

falling within the policy area of the Ministry. For the purposes of the above, the necessary human resources have been transferred from the Ministry for Foreign Affairs and the Defence Agency to the Ministry of the Interior.

The Ministry for Foreign Affairs will, as before, be responsible for relations with NATO and other international organisations and associations, as well as agreements with other States and their preparation. A permanent representative from the Ministry for Foreign Affairs has a seat on NATO's North Atlantic Council, but the Chief of Defence reports to the Ministry of the Interior. Furthermore, the Ministry will supply Iceland's Permanent Delegation at NATO with staff, including the positions of Military Representative and Defence Advisor. The division of tasks and co-operation between the ministries will therefore be similar to the corresponding arrangements in other Allied states. Taking into account the unavoidable overlap in NATO activities, the Ministry for Foreign Affairs will be responsible for the political aspect of the Alliance and the Interior Ministry for operations.

Following the reorganisation of the tasks of the Icelandic Coast Guard, the Maritime Traffic Service and the National Commissioner of Police (civil defence, risk assessment and analyses etc.) an agency of the Ministry of the Interior will be responsible for the implementation of tasks in the area of defence and security, including the tasks formerly entrusted to the Defence Agency.

Transitional process

- The working group recommends that a legislative bill to amend the Defence Act No. 34/2008 should be tabled at the current session of the Althing providing for the discontinuation of the Defence Agency as of 1 January 2011. However, the Act should enter into force immediately. The office of the director should be discontinued on the entry into force of the Act in order to provide scope for the prospective transition and assignment of tasks.
- From the entry into force of the Act and until such date as the Agency is in fact discontinued, it is recommended that a special transitional authority be appointed under an interim provision of the Act to manage the transition and undertake the day-to-day operation of the Agency.
- The Defence Act should be amended as necessary in line with the above. The Foreign Minister should continue to be responsible for the administration of defence affairs and the implementation of the Act for as long as the division of tasks among ministries remains unchanged. It must be ensured that defence-related tasks have a clear foundation in law over the course of the transitional process.
 - It must be assumed that the Defence Act will be repealed in the course of time; new legislation on security and defence will be established falling under

the authority of the Minister of the Interior; existing legislation would be conformed accordingly at the same time and attention focused on providing the legal sources that might be necessary for the Foreign Minister to carry out his functions.

- The transitional authority should be composed of representatives of the Foreign Minister, Prime Minister, Minister of Finance, Minister of Justice and Human Rights, and the Minister of Transport, Communication and Local Government.
- A transitional manager should be temporarily appointed.
- It should be ensured that the employees of the Defence Agency retain their jobs on unaltered terms until such time as jobs may be transferred as a result of the re-assignment of tasks.
- Staffing should in other respects depend on the reassignment of tasks pursuant to contracts with the parties responsible for carrying out functions, including as regards the potential transfer of employees between bodies and decisions of the transitional authority, as appropriate.
 - The employees of the Defence Agency should be offered positions at the agencies entrusted with tasks under the Defence Act, and there should be no obligation to advertise these positions under Article 7 of the Government Employees Act No. 70/1996.

Challenges

- The parties taking over assigned tasks must possess indisputable legal authority to take over contracted tasks of the kind provided for in the Defence Act; operations contracts are subject to Article 30 of the State Finance Act No. 88/1997.
 - *Individual ministers may, with the consent of the Minister of Finance, conclude a project contract and an operations contract that come under the ministry, for a period exceeding one year with the government agency that has performed the operation in the past, with other government agencies, municipalities or private entities as long as appropriations for the project or operation are available in the fiscal budget. The term operations contract refers to specific segments of operations or the operation of a government agency as a whole in respect of activities which the government must perform and pay for by law or constitute a part of activities that a government entity must perform.*
- A cost framework must be defined for each task prior to its assignment
- Attention needs to be given to the financial settlement of outstanding commitments to the United States in respect of assets etc. falling under the authority of the Defence Agency

- It must be ensured that the assignment of tasks is conducted concurrently with the organised preparations for the establishment of a Ministry of the Interior, in particular of the subsidiary body described above
 - Attention must be given to the participation of the transitional authority in this work, as well as the participation of the administrators of the agencies in question in the work of the transitional authority
 - Time limits will need to be set for reorganisation of the agencies of the proposed Ministry of the Interior
 - Also, a time has to be decided for the establishment of the Interior Ministry
 - Before that, the Government Office Regulation cannot be changed
 - Possibly, there may be tasks currently handled by parties that would form the proposed subsidiary agency of the Interior Ministry which should be assigned elsewhere when the subsidiary agency is formed
 - An example of this could be the hydrographic surveying division of the Coast Guard
- Work must be started on preparing a new legislative framework for defence and security affairs
 - This work is partly synchronised to the reorganisation of agencies, but is also connected with the formulation of a new comprehensive defence and security policy
 - The Coast Guard legislation, Civil Defence legislation and Defence legislation form the foundation of this framework
 - A time frame needs to be established for this legislative work
 - With regard, on the one hand, to the emergence of the Interior Ministry and, on the other hand, to the reorganisation of agencies
- The staff to be transferred from the Ministry for Foreign Affairs and Defence Agency will need to be identified and any related issues resolved
- In order to achieve full synergy, the resolution of this assignment involves the relocation of functions to Keflavik
 - It is difficult to assess synergy and improved efficiency beforehand

- The features of the Control and Reporting Centre (CRC), as part of the common defences of NATO, must remain uncurtailed; its work is dependent on customised facilities and cannot be relocated
- It must be regarded as advantageous to utilise these areas and facilities to the fullest extent
- Cost of moving and reorganising functions (e.g. Coast Guard)
- Impact on other activities (e.g. the Search and Rescue Centre in Skógarhlíð)
- NATO needs to be kept informed on progress and consulted on actions taken, as applicable, e.g. with regard to security requirements
- Various issues in the defence operating environment will not resolve themselves by discontinuing the Defence Agency
 - The dual role of Keflavik Airport as a civil transport centre and a military airport
 - Strategy and follow-up; co-ordinated approach by the Icelandic government authorities to defence-related tasks
 - Lack of information on defence-related tasks.

Assignment of tasks over the period of the transitional process

While decisions on the possible reorganisation of the subsidiary bodies of the proposed Ministry of the Interior have not been made, and in light of the fact that a time has not been set for the establishment of the Ministry, the working group is of the opinion that the assignment of tasks should be based on the following premises:

- Icelandic Coast Guard
 - Air Defence System, air surveillance and air policing
 - Preparation and supervision of defence exercises
 - Implementation of host nation support
 - Information systems and processing (note: overlap with National Commissioner of Police)
 - Implementation of the Defence Agreement, cf. Act No. 110/1951, and of Act No. 72/2007 on the legal status of forces of the Member States of the North Atlantic Treaty Organisation and the Partnership for Peace, etc.

- Participation in the work of designated committees and subsidiary bodies of NATO
- The National Commissioner of the Icelandic Police
 - National Security Authority
 - Processing and dissemination of information (note: overlap with Coast Guard)
 - Security clearance and confidentiality level of documents
 - Participation in the work of designated committees and subsidiary bodies of NATO
- Government Real Estate
 - Administration of assets in defence and security zones
 - This will have no effect as regards the necessary utilisation by parties responsible for the discharge of defence-related tasks or NATO's preferential rights to Allied assets, if necessary
- Tasks/work components can be outsourced to other parties as feasible
 - operation and maintenance of zones, facilities, systems, equipment
 - e.g. NATO communications facilities and radar stations
 - Various support services to defence-related activities, e.g. in respect of air policing and defence exercises
- Close co-operation needs to be ensured with the parties concerned to ensure optimum compatibility with other civilian activities and maximum benefits
 - Civilian aviation security; Flug-Kef
 - Operation of Keflavik Airport; Flug-Kef
 - Cyber Defence
 - Facilities in security zone
 - Gateway to NATO civilian activities
 - As applicable, the appropriate government authorities are designated; no attempt is made to replace them