



WORKING PAPER

COUNCIL — 182ND SESSION

Subject No. 12.5: Plans for legal meetings

Subject No. 16: Legal work of the organization

Subject No. 16.3: International air law conventions

**COMPENSATION FOR DAMAGE CAUSED BY AIRCRAFT TO
THIRD PARTIES ARISING FROM ACTS OF UNLAWFUL
INTERFERENCE OR FROM GENERAL RISKS**

(Presented by the Secretary General)

EXECUTIVE SUMMARY

This paper presents, for the consideration of the Council, a report on the Sixth Meeting of the Special Group on the Modernization of the Rome Convention of 1952, which dealt with the item with priority No. 1 in the General Work Programme of the Legal Committee, namely “Compensation for damage caused by aircraft to third parties arising from acts of unlawful interference or from general risks”. The Special Group has developed the texts of two draft conventions: one dealing with compensation for damage caused by aircraft to third parties, in case of unlawful interference; and the other with compensation for damage caused by aircraft to third parties. The main provisions of these two drafts are summarized in **Appendix A**; the two texts are reproduced in **Appendices B** and **C** respectively. The Special Group has agreed that it has completed its work and recommends to the Council to convene a session of the Legal Committee to further advance the work. At the 36th Session of the Assembly, there was agreement that the two texts were sufficiently mature to go to the Legal Committee. A proposal is made to convene the 33rd Session of the Committee for this purpose.

Action: The Council is invited to:

- a) note this report on the work of the sixth meeting of the Special Group;
- b) agree to convene in Montreal the 33rd Session of the Legal Committee from 21 April to 2 May 2008;
- c) decide on the relative priority to be accorded by the Legal Committee to the draft Unlawful Interference Compensation Convention and the draft General Risks Convention;
- d) approve the Provisional Agenda for the 33rd Session of the Legal Committee as set out in **Appendix D**; and
- e) approve the list of observers to attend the 33rd Session of the Legal Committee as set out in **Appendix E**.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective F as it provides information on the preparation of international air law instruments and invites actions connected thereto.
<i>Financial implications:</i>	No additional resources required. The proposed session of the Legal Committee is estimated at \$ 141,214 and the cost will be met from the budgetary allocation for legal meetings.
<i>References:</i>	A36-WP/341 – Report of the Legal Commission A36-WP/11 C-WP/12756 C-DEC 180/13 Report of the Sixth Meeting of the Special Group on the Modernization of the Rome Convention of 1952 (SG-MR/6) (Yellow Cover) (Available in English only)

1. INTRODUCTION

1.1 At the sixth meeting of its 172nd Session on 31 May 2004, the Council considered a report on the outcome of the deliberations of the 32nd Session of the Legal Committee (Montreal, 15 to 21 March 2004) on its then Agenda Item No. 3 (Consideration of the Modernization of the *Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface*, signed at Rome on 7 October 1952). The Council decided to establish a Special Group on the Modernization of the Rome Convention of 1952 to further advance the work.

1.2 The Group has held six meetings. Information on the results of the fourth and fifth meetings were presented to the Council in C-WP/12756.

1.3 The sixth meeting of the Group was held at ICAO Headquarters from 26 to 29 June 2007 and was attended by 40 delegates from 20 Member States, one *ex-officio* member, and fifteen observers from two Contracting States and seven international organizations. Mr. Henrik Kjellin (Sweden) and Ms. Siew Huay Tan (Singapore) continued as Chairman and Vice-Chairman respectively.

1.4 The text of the report of the sixth meeting is available as reference material in the Legal Bureau in the English language.

1.5 It should be recalled that the title of this item on the Work Programme of the Legal Committee was amended by the Council at the seventeenth meeting of its 179th Session to read: “Compensation for damage caused by aircraft to third parties arising from acts of unlawful interference or from general risks”. This item is currently accorded Priority No. 1 in the General Work Programme of the Legal Committee.

2. RESULTS OF THE WORK OF THE SPECIAL GROUP

2.1 The Group has developed the texts of two draft conventions, namely:

- a) Convention on Compensation for Damage Caused by Aircraft to Third Parties, in case of Unlawful Interference (commonly referred to as “the Unlawful Interference Compensation Convention”); and
- b) Convention on Compensation for Damage Caused by Aircraft to Third Parties (commonly called “the General Risks Convention”).

2.2 A summary of the main provisions of each draft convention is provided in **Appendix A**. The texts of the draft conventions are reproduced at **Appendices B** and **C** respectively.

2.3 At the conclusion of the meeting, the Group agreed that the Council be informed that it (the Group) had made important progress in relation to policies and as regards the drafting of the two conventions. It had completed its work and developed the texts it had been tasked with. With special reference to the Unlawful Interference Compensation Convention, it had adopted a comprehensive package in relation to the core issues affecting the balance between victim protection and that of the air transport sector. This package was supported by a broadest majority but it was recognized that the solution might need fine-tuning during the forthcoming discussions on the matter. The broadest majority agreed that the text was sufficiently mature to be considered by a session of the Legal Committee.

3. CONSIDERATION IN THE ASSEMBLY

3.1 In the Legal Commission of the 36th Session of the Assembly, the Chairperson summarized the discussion on this item by stating that, with one exception, all delegations who spoke agreed that the work of the Special Group had resulted in a good product, although it was recognized that some issues still remained to be settled. The majority agreed that this work was sufficiently mature to go to the Legal Committee; it was therefore concluded that this encompassed both draft conventions. However, two delegations had reservations about the relative importance of the General Risks text and whether it should also be referred to the Committee.

3.2 The issue arose again in the consideration of Agenda Item 47: Work Programme of the Organization in the legal field. In concluding on Item 47, the Chairperson noted that the majority of delegations supported the submission of both draft texts to the Legal Committee and stated that there appeared to be no complete consensus regarding the issue of priority. She suggested that the Council could carefully consider the allocation of items to be considered by the Legal Committee, in the light of the availability of time and resources.

4. LEGAL COMMITTEE

4.1 As a consequence of the conclusions of the Special Group and the discussions at the 36th Session of the Assembly, it is therefore proposed to convene the 33rd Session of the Legal Committee to further consider and develop these texts.

4.2 According to the Constitution of the Legal Committee and Rule 3 of its Rules of Procedure, sessions of the Legal Committee shall be convened at such times and places as may be directed or approved by the Council; the last session was held in 2004.

4.3 It is recommended that, under Rule 3, the Council convene the 33rd Session of the Committee at Headquarters. The period 21 April to 2 May 2008 (10 working days) has been identified as feasible for holding such a meeting, at an estimated cost of \$ 141,214. There are sufficient funds in the Legal Meetings budget to cover the cost.

4.4 The Provisional Agenda of the 33rd Session of the Legal Committee is attached hereto as **Appendix D**. According to Rule 10 c) of the *Rules of Procedure of the Legal Committee*, the Provisional Agenda is subject to the approval of the Council. Items 1, 2, 4, 5, 7 and 8 are standard subjects included in the Agenda of each session. The main item for consideration by the Legal Committee will be Agenda Item 3, "Compensation for damage caused by aircraft to third parties arising from acts of unlawful interference or from general risks". Item 4 will cover other items on the General Work Programme of the Legal Committee. Pursuant to Rule 6 of the *Rules of Procedure of the Legal Committee*, Item 6 is presented to every second session of the Committee.

4.5 As has been the practice of the Organization, and in accordance with Rule 5 of the Rules of Procedure of the Legal Committee, "non-Contracting States and international organizations as are duly authorized by the Council may be represented at sessions of the Committee by one or more observers". It is therefore recommended to extend an invitation to the international organizations appearing on the list set out in **Appendix E** of this working paper. In line with previous practice, it is suggested that all non-Contracting States of ICAO be invited to attend the 33rd Session of the Legal Committee.

APPENDIX A

SUMMARY OF MAIN PROVISIONS OF THE DRAFT CONVENTION ON COMPENSATION FOR DAMAGE CAUSED BY AIRCRAFT TO THIRD PARTIES, IN CASE OF UNLAWFUL INTERFERENCE

1. Under Article 2, paragraph 1, the Convention would apply to damage to third parties which occurs in the territory of a State Party caused by an aircraft in flight as a result of an act of unlawful interference when the operator has its principal place of business or, if it has no such place, its permanent residence, in another State whether or not a Party. This Article ensures that damage in any State Party would be compensated, whether or not the operator is from a State Party. The Convention would also apply to damage in a State non-Party under certain circumstances: where an operator from a State Party causes damage in a State non-Party, a Conference of Parties (COP) to be established may decide to provide financial support to the operator (Article 26).
2. While there is an international element in paragraph 1, it was felt in the Group that there should be a possibility also for application in essentially domestic situations. Consequently, paragraph 2 of Article 2 provides that at the option of a State Party, the Convention would also apply to such damage which occurs in the territory of that Party when the operator has its principal place of business or, if it has no such place, its permanent residence, in that State Party. The Group was mindful of the potential financial contributions in relation to domestic flights to a Supplementary Compensation Mechanism (SCM) to be established.
3. The liability of the operator is strict. Article 3, paragraph 1, states simply that the operator shall be liable for damage sustained by third parties upon condition only that the damage was caused by an aircraft in flight. There is no need for the claimant to prove fault. However, punitive, exemplary or other non-compensatory damages shall not be recoverable.
4. Under Article 4, the operator's liability is limited or capped, based on the weight of the aircraft, ranging from 750 000 Special Drawing Rights for the smallest aircraft to 700 000 000 (seven hundred million) SDRs for the largest aircraft. These figures are still in square brackets, indicating that, at this stage, they are included for discussion purposes only. This liability cap may be broken in exceptional circumstances only (see paragraph 13 below).
5. For several meetings, the Group considered whether to make only the operator liable and to exempt from liability other actors in the air transport industry, such as owners, lessors or financiers, manufacturers, air navigation service providers, airports, security providers and ground handling service providers. This issue was resolved only at the very last meeting when the Group adopted an exclusive remedy provision, similar to that found in the 1999 Montreal Convention. Article 27 of the draft Unlawful Interference Compensation Convention text states that any action for compensation for damage due to an act of unlawful interference can only be brought against the operator; no claims shall lie against any other person for compensation for such damage. This provision, however, does not apply to an action against an individual who has intentionally committed an act of unlawful interference.
6. An article has been included to provide an international mechanism for third parties suffering damage on board an aircraft involved in a mid-air collision to claim compensation from the other carrier. They would already have a right against their own carrier under the Montreal Convention of 1999, but if their carrier was not at fault, this compensation would be limited to 100 000 SDRs under the Montreal Convention of 1999. The text envisages the joint and several liability of the operators involved.

7. Pursuant to Article 8, it is envisaged to create an independent organization called the Supplementary Compensation Mechanism (the SCM), with the principal purpose to pay compensation to persons suffering damage in the territory of a State Party, and to provide financial support where an operator from a State Party causes damage in a State non-Party (as described above in paragraph 1). Compensation shall be paid by the SCM to the extent that the total amount of damages exceeds the Article 4 limits (Article 19). In other words, where there is damage for which the operator is liable, it will pay up to the level of its cap, and the SCM will pay additional compensation above and beyond the level of the cap. It is expected that operators will be able to obtain insurance up to the amount of the cap. If insurance is unavailable, or is only available at a cost incompatible with the continued operation of air transport, the SCM may provide financial support to operators to cover their liability under Articles 3 and 4. This is what the Special Group refers to as “the drop-down” (Article 19, paragraph 3).

8. In general, the maximum amount of compensation that would be available from the SCM is currently set for discussion purposes at 3 billion Special Drawing Rights (SDRs) for each event (Article 19, paragraph 2).

9. The Mechanism would comprise a Conference of Parties (COP) which would be the principal policy-making organ, made up of all State Parties, and a Secretariat headed by a Director. The COP would, *inter alia*, establish regulations of the SCM, Guidelines for Compensation, Guidelines on Investment, fix the contributions to be made to the SCM and decide the cases where financial support should be given to the operator in cases of events in States non-Party. A full list of the powers and duties of the COP is provided in Article 9. The COP shall meet once a year unless it decides otherwise.

10. By virtue of Article 12, the contributions to the Supplementary Compensation Mechanism shall be mandatory amounts collected in respect of each passenger and each [tonne] of cargo departing on an international commercial flight from an airport in a State Party. Where a State Party has made a domestic opt-in declaration under Article 2, paragraph 2, such amounts shall also be collected in respect of each passenger and each [tonne] of cargo departing on a commercial flight between two airports in that State Party. The operator shall collect the mandatory amounts and remit them to the Supplementary Compensation Mechanism. In general, the total amount of contributions collected by the Mechanism within two consecutive years shall not exceed 9 billion SDRs (Article 13).

11. Article 15 envisages initial contributions in respect of passengers and cargo from each State Party to be made from the time of entry into force of the Convention for that State and also in respect of passengers and cargo departing on flights covered by the domestic opt-in declaration. Also, contributions shall be fixed to achieve within four years a certain percentage of the maximum limit of compensation payable by the Mechanism.

12. Where an operator fails to remit contributions, the Director of the SCM shall take appropriate measures for recovery of the amount due (Article 16, paragraph 2). Each State Party shall ensure that certain statistical and other data is provided to the SCM; failure to do so could result in the liability of the State Party (Article 17).

13. As mentioned in paragraph 4 above, the limits of liability of the operator may be broken in exceptional circumstances. Where the total amount of damages exceeds the limits of liability of the operator under Article 4, and the amounts payable by the Mechanism under Article 19 (2) (i.e. the amount of damages exceeds the first and second layers), persons who have suffered damage may claim additional compensation from the operator under the circumstances outlined in Article 24. To achieve this, it must be proved that the operator or its senior management intentionally committed the act of unlawful interference, or contributed to the event by an act of omission which:

- i) falls within the regulatory responsibility and actual control of the operator;
- ii) is, other than the act of unlawful interference, the primary cause of the event; and
- ii) is done with disregard of a known, probable and imminent risk.

14. By virtue of Article 25, where the Mechanism has made payments to claimants, it also has a right of recourse against the operator under the conditions outlined in Article 24. It similarly has a right of recourse against any other person where that person or its senior management has intentionally committed the act of unlawful interference.

15. Finally, procedural provisions are found in Chapter VII. Generally, actions for compensation may be brought in a single forum, namely, before the courts of the State Party where the damage occurred (Article 30, paragraph 1). Also, judgments entered by a court shall, when they are enforceable in the State Party of that court, be enforceable in any other State Party, although recognition and enforcement of a judgment may be refused under certain specified circumstances (Article 32).

SUMMARY OF MAIN PROVISIONS OF THE DRAFT CONVENTION ON COMPENSATION FOR DAMAGE CAUSED BY AIRCRAFT TO THIRD PARTIES

16. It applies to damage to third parties which occurs in the territory of a State Party caused by an aircraft in flight other than as a result of an act of unlawful interference when the operator has his principal place of business or, if he has no such place, his permanent residence, in another State Party. As in the case of the Unlawful Interference Convention Compensation Convention described above, there is also an opt-in provision for domestic flights (see Article 2).

17. By virtue of Article 3, the liability of the operator is strict, up to a certain threshold, tentatively set at 250 000 to 500 000 SDRs. Beyond that, the operator is liable for all damages unless it proves that such damages were not due to its negligence or that the damages were solely due to the negligence of another person. In other words, there is no cap on the liability of the operator. This two-tier system is similar to that found in the Montreal Convention of 1999.

18. As the operator is potentially liable for the full amount of damages caused, the Supplementary Compensation Mechanism does not operate in this instance.

19. Similar to the Unlawful Interference Compensation Convention, there is a provision on mid-air collisions (Article 4).

20. Under Article 10 *bis*, neither the owner, lessor or financier retaining title or holding security of an aircraft, not being an operator, shall be liable for damages under this Convention or the law of any State Party. This Article is currently in square brackets as the Group did not take a final position on its inclusion.

The procedural articles are similar to that found in the other draft convention. In particular, in general, actions for compensation may only be brought before the courts of the State Party where the damage occurred.

APPENDIX B

DRAFT CONVENTION ON COMPENSATION FOR DAMAGE CAUSED BY AIRCRAFT TO THIRD PARTIES, IN CASE OF UNLAWFUL INTERFERENCE

Chapter I

Principles

Article 1 — Definitions

For the purposes of this Convention:

- a) “An act of unlawful interference” means an act which is defined as an offence in the *Convention for the Suppression of Unlawful Seizure of Aircraft*, signed at the Hague on 16 December 1970, or the *Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation*, signed at Montreal on 23 September 1971, or any amendment or Protocol thereto which is in force among the State Parties concerned.
- b) “Event” means an event where damage is caused by an aircraft in flight as a result of an act of unlawful interference.
- c) An aircraft is considered to be “in flight” at any time from the moment when all its external doors are closed following embarkation or loading until the moment when any such door is opened for disembarkation or unloading.
- d) “Maximum mass” means the maximum certificated take-off mass of the aircraft, excluding the effect of lifting gas when used.
- e) “Operator” means the person who was making use of the aircraft at the time the damage was caused, provided that if control of the navigation of the aircraft was retained by the person from whom the right to make use of the aircraft was derived, whether directly or indirectly, that person shall be considered the operator. A person shall be considered to be making use of an aircraft when he or she is using it personally or when his or her servants or agents are using the aircraft in the course of their employment, whether or not within the scope of their authority. The operator shall not lose its status as operator by virtue of the fact that another person commits an act of unlawful interference.
- f) “Person” means any natural or legal person, including a State.
- g) “State Party” means a State for which this Convention is in force.
- h) “Third Party” means a person other than the operator, passenger or consignor or consignee of cargo; in the case of a collision, “third party” also means the operator, owner and crew of the other aircraft and the passenger or consignor or consignee of cargo on board the other aircraft.

Article 2 — Scope¹

1. This Convention applies to damage to third parties which occurs in the territory of a State Party caused by an aircraft in flight as a result of an act of unlawful interference when the operator of the aircraft has its principal place of business, or if it has no such place of business, its permanent residence, in another State whether or not a State Party. This Convention shall also apply to such damage that occurs in a State non-party as provided for in Article 26.
2. If a State Party so declares to the Depositary, this Convention shall also apply to such damage which occurs in the territory of that State Party when the operator of the aircraft has its principal place of business, or if it has no such place of business, its permanent residence, in that State Party.
3. For the purposes of this Convention a ship or aircraft in or above the High Seas including the Exclusive Economic Zone shall be regarded as part of the territory of the State in which it is registered. Drilling platforms and other installations permanently fixed to the soil in the Exclusive Economic Zone or the Continental Shelf shall be regarded as part of the territory of the State which has jurisdiction over such platform or installation.

Chapter II

Liability of the Operator and Related Issues

Article 3 — Liability of the Operator

1. The operator shall be liable for damage sustained by third parties upon condition only that the damage was caused by an aircraft in flight.
2. There shall be no right to compensation under this Convention if the damage is not a direct consequence of the event giving rise thereto.
3. Environmental damage shall be compensable, if and insofar as such compensation is provided for under the law of the State Party in the territory of which the damage occurred.
4. Punitive, exemplary or any other non-compensatory damages shall not be recoverable.
5. Damages due to death, bodily injury and damage to property shall be compensable. Damages due to mental injury shall be compensable if caused by a recognisable psychiatric illness resulting either from bodily injury or from a reasonable fear of exposure to death or bodily injury.

Article 4 — Limit of Operator's Liability

The liability of the operator shall not exceed for each aircraft and event:

¹ The connecting factor of the operator to a specific State may need further consideration if relevant definitions are changed by ICAO.

- [a) 750 000 Special Drawing Rights for aircraft having a maximum mass of 500 kilogrammes or less;
- b) 1 500 000 Special Drawing Rights for aircraft having a maximum mass of more than 500 kilogrammes but not exceeding 1 000 kilogrammes;
- c) 3 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 1 000 kilogrammes but not exceeding 2 700 kilogrammes;
- d) 7 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 2 700 kilogrammes but not exceeding 6 000 kilogrammes;
- e) 18 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 6 000 kilogrammes but not exceeding 12 000 kilogrammes;
- f) 80 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 12 000 kilogrammes but not exceeding 25 000 kilogrammes;
- g) 150 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 25 000 kilogrammes but not exceeding 50 000 kilogrammes;
- h) 300 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 50 000 kilogrammes but not exceeding 200 000 kilogrammes;
- i) 500 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 200 000 kilogrammes but not exceeding 500 000 kilogrammes;
- j) 700 000 000 Special Drawing Rights for aircraft having a maximum mass of more than 500 000 kilogrammes.]

Article 5 — Events involving two or more operators or other persons

1. Where two or more aircraft have been involved in an event causing damage to which this Convention applies, the operators of those aircraft are jointly and severally liable for any damage suffered by a third party.
2. If two or more operators are so liable, the recourse between them shall depend on their respective limits of liability and their contribution to the damage.
3. No operator shall be liable for a sum in excess of the limit, if any, applicable to its liability.

Article 6 — Advance Payments

If required by the law of the State where the damage occurred, the operator shall make advance payments without delay to natural persons who may be entitled to claim compensation under this Convention, in order to meet their immediate economic needs. Such advance payments shall not constitute a recognition of liability and may be offset against any amount subsequently paid as damages by the operator.

Article 7 — Insurance

Having regard to Articles 4 and 19, paragraph 3, States Parties shall require their operators to maintain adequate insurance or guarantee covering their liability under this Convention. An operator may be required by the State Party into which it operates to furnish evidence that it maintains adequate insurance or guarantee. In doing so, the State Party shall apply the same criteria to operators of other State Parties as it applies to its own operators.

Chapter III

The Supplementary Compensation Mechanism²

Article 8 — The Supplementary Compensation Mechanism

1. An organization named the Supplementary Compensation Mechanism is established by this Convention. The Supplementary Compensation Mechanism shall be made up of a Conference of Parties, consisting of the States Parties, and a Secretariat, headed by a Director.
2. The Supplementary Compensation Mechanism shall have the following purposes:
 - a) to provide compensation for damage according to Article 19, paragraph 1, and financial support according to Articles 19, paragraph 2, and 26;
 - b) to make advance payments under Article 20, paragraph 1, and to take reasonable measures after an event to minimize or mitigate damage caused by an event, according to Article 20, paragraph 2; and
 - c) to perform other functions directly compatible with these purposes.
3. The Supplementary Compensation Mechanism shall have its seat [at the same place as the International Civil Aviation Organization].
4. The Supplementary Compensation Mechanism shall have international legal capacity. In each State Party, the Supplementary Compensation Mechanism shall be recognized as a legal person capable under the laws of that State of assuming rights and obligations and of being a party in legal proceedings before the courts of that State. Each State Party shall recognize the Director of the Supplementary Compensation Mechanism as the legal representative of the Mechanism.
5. The Supplementary Compensation Mechanism shall enjoy tax exemption and such other privileges as are agreed with the host State. The funds of the Supplementary Compensation Mechanism [, and any proceeds from them,] shall be exempted from tax in all States Parties.
6. The Supplementary Compensation Mechanism shall be immune from legal and administrative actions, except in respect of actions relating to credits obtained according to Article 18 or to compensation payable according to Article 19. The Director and other personnel of the Supplementary Compensation Mechanism shall be immune from legal and administrative actions. The immunity of the

² The name of the Mechanism has not yet been decided.

Director may be waived by the Conference of Parties. The immunity of the other personnel may be waived by the Director³.

Article 9 — The Conference of Parties

The Conference of Parties shall:

- a) determine its own rules of procedure and, at each meeting, elect its officers;
- b) establish the regulations of the Supplementary Compensation Mechanism and the Guidelines for Compensation;
- c) appoint the Director and determine the terms of his or her employment and, to the extent this is not delegated to the Director, the terms of employment of the other employees of the Supplementary Compensation Mechanism;
- d) delegate to the Director, in addition to powers given in Article 11, such powers and authority as may be necessary or desirable for the discharge of the duties of the Supplementary Compensation Mechanism and revoke or modify such delegations of authority at any time;
- e) decide the period for, and the amount of, initial contributions and fix the contributions to be made to the Supplementary Compensation Mechanism for each year until the next meeting of the Conference of Parties;
- f) in the case where the aggregate limit on contributions according to Article 13 has been applied, determine the global amount to be disbursed to the victims of all events occurring during the time period with regard to which Article 13 was applied;
- g) appoint the auditors;
- h) vote budgets and determine the financial arrangements of the Supplementary Compensation Mechanism including the Guidelines on Investment, review expenditures, approve the accounts of the Supplementary Compensation Mechanism, and consider the reports of the auditors and the comments of the Director thereon;
- i) examine and take appropriate action on the reports of the Director, including reports on claims for compensation, and decide on any matter referred to it by the Director;
- j) decide whether to apply Article 26 and set the maximum amount of such assistance and the further conditions for it, if necessary;

³ The Articles of Agreement of the International Monetary Fund and the International Development Association, and the Convention Establishing the Multilateral Investment Guarantee Agency, grant the following to Executive Directors, and officers and employees:

- i) immunity from legal process with respect to acts performed by them in their official capacity;
- ii) not being local nationals, the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange restrictions as are accorded by the States Parties concerned to the representatives, officials and employees of comparable rank of other States Parties; and
- iii) the same treatment in respect of travelling facilities as is accorded by the States Parties concerned to representatives, officials and employees of comparable rank of other States Parties.

- k) determine which States non-party and which inter-governmental and international non-governmental organizations shall be admitted to take part, without voting rights, in meetings of the Conference of Parties and subsidiary bodies;
- l) establish any body necessary to assist it in its functions, including if appropriate, an Executive Committee consisting of representatives of States Parties, and define the powers of such body; and
- m) consider any matter relating to the Convention that a State Party has referred to it.

Article 10 — The meetings of the Conference of Parties

1. The Conference of Parties shall meet once a year, unless a Conference of Parties decides to hold its next meeting at another interval. The Director shall convene the meeting at a suitable time and place.
2. An extraordinary meeting of the Conference of Parties shall be convened by the Director:
 - a) at the request of no less than one-fifth of the total number of States Parties;
 - b) if an aircraft has caused damage falling within the scope of this Convention, and the damages are likely to exceed the applicable limit of liability according to Article 4 of the Convention by more than 50 percent of the available funds of the Supplementary Compensation Mechanism;
 - c) if the aggregate limit on contributions according to Article 13 has been reached; or
 - d) if the Director has exercised the authority according to Article 11, paragraph 1 d).
3. All States Parties shall have an equal right to be represented at the meetings of the Conference of Parties and each State Party shall be entitled to one vote.
4. A majority of the States Parties is required to constitute a quorum for the meetings of the Conference of Parties. Decisions of the Conference of Parties shall be taken by a majority of the votes cast. Decisions under Article 9, subparagraphs a), b), c), d), j) and l) shall be taken by a majority consisting of two-thirds of the votes.

Article 11 — The Secretariat and the Director

1. The Supplementary Compensation Mechanism shall have a secretariat led by a Director. The Director shall hire personnel, supervise the secretariat and direct the day-to-day activities of the Supplementary Compensation Mechanism. In addition, the Director:
 - a) shall report to the Conference of Parties on the functioning of the Supplementary Compensation Mechanism and present its accounts and a budget;
 - b) shall collect all contributions payable under this Convention, administer and invest the funds of the Supplementary Compensation Mechanism in accordance with the Guidelines on Investment, maintain accounts for the funds, and assist in the auditing of the accounts and the funds in accordance with Article 18;

- c) shall handle claims for compensation in accordance with the Guidelines for Compensation, and prepare a report for the Conference of Parties on how each has been handled;
- d) may, where appropriate, decide to temporarily take action under Articles 19, paragraph 3, and 20 until the next meeting of the Conference of Parties; and
- e) shall decide any other matter delegated by the Conference of Parties.

2. The Director and the other personnel of the Secretariat shall not seek or receive instructions in regards to the discharge of their responsibilities from any authority external to the Supplementary Compensation Mechanism. Each State Party undertakes to fully respect the international character of the responsibilities of the personnel and not seek to influence any of its nationals in the discharge of their responsibilities.

Article 12 — The Contributions to the Supplementary Compensation Mechanism

The contributions to the Supplementary Compensation Mechanism shall be the mandatory amounts collected in respect of each passenger and each [tonne] of cargo departing on an international commercial flight from an airport in a State Party. Where a State Party has made a declaration under Article 2, paragraph 2, such amounts shall also be collected in respect of each passenger and each [tonne] of cargo departing on a commercial flight between two airports in that State Party. The operator shall collect the mandatory amounts and remit them to the Supplementary Compensation Mechanism.⁴

Article 13 — Aggregate limit on collection of contributions

The total amount of contributions collected by the Supplementary Compensation Mechanism within a period of two consecutive years shall not exceed three times the maximum amount of compensation according to Article 19, paragraph 2, of this Convention.

Article 14 — Basis for fixing the Contributions⁵

1. Contributions shall be fixed having regard to the following principles:
 - a) the objectives of the Supplementary Compensation Mechanism should be efficiently achieved;
 - b) competition within the air transport sector should not be distorted; and
 - c) the competitiveness of the air transport sector in relation to other modes of transportation should not be adversely affected.

⁴ It needs to be considered whether, for the purpose of collection and remittance of contributions, the word “operator” sufficiently covers the concept of “carrier”.

⁵ The final clauses are likely to provide a threshold for the entry into force defined in order to ensure that the number of passengers and the amounts of cargo is sufficient for the financial viability of the Supplementary Compensation Mechanism.

2. When fixing the contributions, the Conference of Parties shall ensure their uniform and non-discriminatory application to all States Parties and their operators, passengers and consignors or consignees of cargo regardless of when they become Parties, and also with regard to states not yet parties. The contributions collected in respect of a State Party may not be used to provide compensation for an event which occurred prior to the entry into force of the Convention for that State Party.

3. On the basis of the budget drawn up according to Article 11, paragraph 1 a), the contributions shall be fixed having regard to:

- a) the upper limit for compensation set out in Article 19, paragraph 2;
- b) the need for reserves where Article 19, paragraph 3 is applied;
- c) claims for compensation, measures to minimize or mitigate damages and financial assistance under the Convention;
- d) the costs and expenses of administration, including the costs and expenses incurred by meetings of the Conference of Parties;
- e) the income of the Supplementary Compensation Mechanism; and
- f) the availability of additional funds for compensation pursuant to Article 18, paragraph 4.

Article 15 — Initial Contributions and pre-funding

1. At its first meeting, the Conference of Parties shall decide the period and the rate of contributions in respect of passengers and cargo departing from a State Party to be made from the time of entry into force of the Convention for that State Party. If a State Party makes a declaration under Article 2, paragraph 2, initial contributions shall be paid in respect of passengers and cargo departing on flights covered by such declaration from the time it takes effect. The period and the rate shall be equal for all States Parties.

2. Contributions shall be fixed so that the funds available amount to at least [25 %][100 %] of the limit of compensation set out in Article 19, paragraph 2, within four years. If the funds available are deemed sufficient in relation to the likely compensation or financial assistance to be provided in the foreseeable future and amount to at least [50 %][100 %] of that limit, the Conference of Parties may decide that no further contributions shall be made until the next meeting of the Conference of Parties, provided that both the period and rate of contributions shall be applied in respect of passengers and cargo departing from a State in respect of which the Convention subsequently enters into force.

Article 16 — Collection of the Contributions

1. The Conference of Parties shall establish in the Regulations a transparent, accountable and cost-effective mechanism supporting the collection and remittal of contributions. When establishing the mechanism, the Conference of Parties shall endeavour not to impose undue burdens. Contributions which are in arrears shall bear interest as provided for in the Regulations.

2. Where an operator does not remit contributions it has collected to the Supplementary Compensation Mechanism, the Director shall take appropriate measures against such operator with a view to the recovery of the amount due. Each State Party shall ensure that an action to recover the amount due may be taken within its jurisdiction, notwithstanding in which State Party the debt actually accrued.

Article 17 — Duties of States Parties

1. Each State Party shall ensure that any obligation to collect and remit contributions to the Supplementary Compensation Mechanism arising under this Convention is fulfilled and take any appropriate measures under its law, including imposing such sanctions as it may deem necessary, with a view to the effective execution of any such obligations.

2. Each State Party shall ensure that the following information is provided to the Supplementary Compensation Mechanism:

- a) the number of passengers and quantity of cargo departing on international commercial flights from that State Party; and
- b) the identity of the operators performing such flights.

Where a State Party has made a declaration under Article 2, paragraph 2, it shall ensure that information detailing the number of passengers and quantity of cargo departing on commercial flights between two airports in that State Party, and the identity of the operators performing such flights, is also provided. In each case such statistics shall be *prima facie* evidence of the facts stated therein.

3. Where a State Party does not fulfil its obligations under paragraph 2 of this Article and this results in a loss for the Supplementary Compensation Mechanism, the State Party shall be liable for such loss. The Conference of Parties shall, on recommendation by the Director, decide whether the State Party shall pay for such loss.

Article 18 — The funds of the Supplementary Compensation Mechanism

1. The funds of the Supplementary Compensation Mechanism may only be used for the purposes set out in Article 8, paragraph 2.

2. The Supplementary Compensation Mechanism shall exercise the highest degree of prudence in the management and preservation of its funds. The funds shall be preserved in accordance with the Guidelines on Investment. Investments may only be made in State Parties.

3. Accounts shall be maintained for the funds of the Supplementary Compensation Mechanism. The Auditors of the Supplementary Compensation Mechanism shall review the accounts and report on them to the Conference of Parties.

4. Where the Supplementary Compensation Mechanism is not able to meet valid compensation claims because insufficient contributions have been collected, it may obtain credits from financial institutions for the payment of compensation and may grant security for such credits.

Chapter IV

Compensation from the Supplementary Compensation Mechanism

Article 19 — Compensation

1. The Supplementary Compensation Mechanism shall, under the same conditions as are applicable to the liability of the operator, provide compensation to persons suffering damage in the territory of a State Party, regardless of the State in which the operator had its principal place of business, or if it had no such place of business, its permanent residence. Compensation shall only be paid to the extent that the total amount of damages exceeds the limits according Article 4. Where the operator has its principal place of business, or if it has no such place of business, its permanent residence, in the State Party where the damage occurs, compensation shall only be provided if that State Party has made a declaration according to Article 2, paragraph 2.
2. The maximum amount of compensation available from the Supplementary Compensation Mechanism shall be [3 000 000 000] Special Drawing Rights for each event. Financial support given according to paragraph 3 and distribution of amounts recovered according to Article 25, paragraph 2, shall be in addition to the maximum amount for compensation.
3. If insurance in respect of the damage covered by the Convention is wholly or partially unavailable with respect to amounts of coverage or the risks covered, or is only available at a cost incompatible with the continued operation of air transport, the Conference of Parties may decide that the Supplementary Compensation Mechanism shall in respect of future events causing damage compensable under this Convention, provide financial support to operators for the payment of damages for which they are liable according to Articles 3 and 4. The Conference of Parties may decide on a fee, the payment of which, for the period covered, shall be a condition for access to the protection given by such decision.

Article 20 — Advance Payments and other measures

1. Subject to the decision of the Conference of Parties and in accordance with the Guidelines for Compensation, the Supplementary Compensation Mechanism may make advance payments without delay to natural persons who may be entitled to claim compensation under this Convention, in order to meet their immediate economic needs. Such advance payments shall not constitute recognition of a right to compensation and may be offset against any amount subsequently paid by the Supplementary Compensation Mechanism.
2. Subject to the decision of the Conference of Parties and in accordance with the Guidelines for Compensation, the Supplementary Compensation Mechanism may also take other measures to minimize or mitigate damage caused by an event.

Chapter V

Special Provisions on Compensation and Recourse

Article 21 — Acts or omissions of victims

If the operator or Supplementary Compensation Mechanism proves that the damage was caused, or contributed to, by an act or omission of a claimant, or the person from whom he or she derives his or

her rights, done with intent or recklessly and with knowledge that damage would probably result, the operator or the Supplementary Compensation Mechanism shall be wholly or partly exonerated from its liability to that claimant to the extent that such act or omission caused or contributed to the damage.

Article 22 – Court Costs and other Expenses

The limits prescribed in Articles 4 and 19, paragraph 2, shall not prevent the court from awarding, in accordance with its own law, in addition, the whole or part of the court costs and of the other expenses of the litigation incurred by the plaintiff, including interest. The foregoing provision shall not apply if the amount of the damages awarded, excluding court costs and other expenses of the litigation, does not exceed the sum which the carrier has offered in writing to the plaintiff within a period of six months from the date of the occurrence causing the damage, or before the commencement of the action if that is later than the expiry of such period.

Article 23 — Reduced Compensation

If the total amount of the damages to be paid exceeds the amounts available according to Articles 4 and 19, the total amount shall be awarded preferentially to meet proportionately the claims in respect of death and bodily injury in the first instance. The remainder, if any, of the total amount distributable shall be awarded proportionately among the claims in respect of other damage.

Article 24 – Additional Compensation

1. To the extent the total amount of damages exceeds the limits applicable according to Articles 4 and 19, paragraph 2, persons who have suffered damage may, in accordance with paragraphs 2 and 3 of this Article, claim compensation from the operator.
2. The operator shall be liable for such additional compensation to the extent the person claiming compensation proves that the operator, or, if it is a legal person, its senior management, has
 - a) intentionally committed an act of unlawful interference; or
 - b) contributed to the event by an act or omission, which:
 - i) falls within the regulatory responsibility and actual control of the operator;
 - ii) is, other than the act of unlawful interference, the primary cause of the event; and
 - iii) is done with disregard of a known, probable and imminent risk.
3. For the purposes of paragraph 2 b) iii), the senior management of an operator shall be conclusively deemed not to have disregarded a risk where, as regards the relevant area of security, the operator has adopted the applicable industry standard⁶ and, at the time of the incident, held a valid evaluation certificate relating thereto. The foregoing does not limit other grounds on which the senior management may establish that it has not disregarded such risks.

⁶ The current relevant industry standard is the IATA Operational Safety Audit standard.

Article 25 — Right of Recourse

1. Subject to paragraph 2, neither an operator nor the Supplementary Compensation Mechanism shall have a right of recourse against any person, except if that person or, if it is a legal person, its senior management, has intentionally committed an act of unlawful interference.
2. The Supplementary Compensation Mechanism shall have a right of recourse against the operator for compensation subject to the conditions set out in Article 24, provided that no such claim may be enforced until all claims made under Article 3, paragraph 1, and Article 24, paragraph 1, have been completed.
3. Any amount recovered under paragraph 2 of this Article shall, in the first instance, be used to provide compensation for damages resulting from the event which gave rise to the recourse action, which exceed the maximum amount specified in Article 19, paragraph 2.

Chapter VI

Assistance in case of events in States non-party

Article 26 — Assistance in case of events in States non-party

Where an operator, which has its principal place of business, or if it has no such place of business, its permanent residence, in a State Party, is liable for damage occurring in a State non-party, the Conference of Parties may decide, on a case by case basis, that the Supplementary Compensation Mechanism shall provide financial support to that operator. Such support may only be provided in respect of damage that would have fallen under the Convention if the State non-party had been a State Party. The financial support shall not exceed the maximum amount for compensation set out in Article 19, paragraph 2. If the solvency of the operator liable is threatened even if support is given, such support shall only be given if the liable operator has sufficient arrangements protecting its solvency.

Chapter VII

Exercise of Remedies and Related Provisions

Article 27 — Exclusive Remedy

1. Without prejudice to the question as to who are the persons who have the right to bring suit and what are their respective rights, any action for compensation for damage due to an act of unlawful interference, however founded, whether under this Convention or in tort or in contract or otherwise, can only be brought against the operator and shall be subject to the conditions and limits of liability set out in this Convention. No claims shall lie against any other person for compensation for such damage.
2. Paragraph 1 shall not apply to an action against an individual who has intentionally committed an act of unlawful interference.

Article 28 — Conversion of Special Drawing Rights

The sums mentioned in terms of Special Drawing Right in this Convention shall be deemed to refer to the Special Drawing Right as defined by the International Monetary Fund. Conversion of the sums into national currencies shall, in case of judicial proceedings, be made according to the value of such currencies in terms of the Special Drawing Right at the date of the judgement. The value in a national currency shall be calculated in accordance with the method of valuation applied by the International Monetary Fund for its operations and transactions. The value in a national currency, of a State Party which is not a Member of the International Monetary Fund, shall be calculated in a manner determined by that State to express in the national currency of the State Party as far as possible the same real value as the amounts in Article 4.

Article 29 — Review of Limits

1. Subject to paragraph 2 below, the sums prescribed in Articles 4 and 19 shall be reviewed by the Director, by reference to an inflation factor which corresponds to the accumulated rate of inflation since the previous revision or in the first instance since the date of entry into force of the Convention. The measure of the rate of inflation to be used in determining the inflation factor shall be the weighted average of the annual rates of increase or decrease in the Consumer Price Indices of the States whose currencies comprise the Special Drawing Right mentioned in Article 28.

2. If the review referred to in the preceding paragraph concludes that the inflation fact has exceeded 10 per cent, the Director shall inform the Conference of Parties of a revision of the limits of liability. Any such revision shall become effective six months after the meeting of the Conference of Parties, unless a majority of the States Parties register their disapproval. The Director shall immediately notify all States Parties of the coming into force of any revision.

Article 30 — Forum

1. Subject to paragraph 2 of this Article, actions for compensation under the provisions of this Convention may be brought only before the courts of the State Party where the damage occurred.

2. Where damage occurs in more than one State Party, actions under the provisions of this Convention may be brought only before the courts of the State Party the territorial airspace of which the aircraft was in or about to leave when the event occurred.

3. Without prejudice to paragraphs 1 and 2 of this Article, application may be made in any State Party for such provisional measures, including protective measures, as may be available under the law of that State.

Article 31 — Intervention by the Supplementary Compensation Mechanism

1. Each State Party shall ensure that the Supplementary Compensation Mechanism has the right to intervene in proceedings brought against the operator in its courts.

2. Except as provided in paragraph 3, the Supplementary Compensation Mechanism shall not be bound by any judgement or decision in proceedings to which it has not been a party.

3. If an action is brought against the operator in a State Party, each party to such proceedings shall be entitled to notify the Supplementary Compensation Mechanism of the proceedings. Where such notification has been made in accordance with the law of the court seized and in such time that the Supplementary Compensation Mechanism had time to intervene to the proceedings, the Supplementary Compensation Mechanism shall be bound by a judgement or decision in proceedings even if it has not intervened.

Article 32 — Recognition and Enforcement of Judgements

1. Subject to the provisions of this Article, judgements entered by a competent court under Article 30 after trial, or by default, shall when they are enforceable in the State Party of that court be enforceable in any other State Party as soon as the formalities required by that State Party have been complied with.

2. The merits of the case shall not be reopened in any application for recognition or enforcement under this Article.

3. Recognition and enforcement of a judgement may be refused if:

- [a] its recognition or enforcement would be manifestly contrary to public policy in the State Party where recognition or enforcement is sought;
- b) the defendant was not served with notice of the proceedings in such time and manner as to allow him to prepare and submit a defence;
- c) it is in respect of a cause of action which had already, as between the same parties, formed the subject of a judgement or an arbitral award which is recognised as final and conclusive under the law of the State Party where recognition or enforcement is sought;
- d) the judgement has been obtained by fraud of any of the parties;
- e) and to the extent that the judgement awards damages, including exemplary or punitive damages, that do not compensate a third party for actual harm suffered; or
- f) the right to enforce the judgement is not vested in the person by whom the application is made.]

4. Where a judgement is enforceable, payment of any costs recoverable under the judgement shall also be enforceable.

Article 33 — Regional and multilateral agreements on the recognition and enforcement of judgements

1. State Parties may enter into regional and multilateral agreements regarding the recognition and enforcement of judgements consistent with the objectives of this Convention, provided that such agreements do not result in a lower level of protection for any third party or defendant than that provided for in this Convention.

2. State Parties shall inform each other, through the Depositary, of any such regional or multilateral agreements that they have entered into before or after the date of entry into force of this Convention.
3. The provisions of Chapter VII of this Convention shall not affect the recognition or enforcement of any judgement pursuant to such agreements.

Article 34 — Period of Limitation

1. The right of compensation according to Article 3 shall be extinguished if an action is not brought within three years from the date of the event which caused the damage.
2. The right of compensation according to Article 19 shall be extinguished if an action is not brought, or a notification pursuant to Article 31, paragraph 3, is not made, within three years from the date of the event which caused the damage.
3. The method of calculating such three year period shall be determined by the law of the court seized of the case.

Article 35 — Death of Person Liable

In the event of the death of the person liable, an action for damages lies against those legally representing his or her estate and is subject to the provisions of this Convention.

CHAPTER VIII

Application of the Convention

Article 36 — State Aircraft

This Convention shall not apply to damage caused by state aircraft. Aircraft used in military, customs and police services shall be deemed to be state aircraft.

Article 37 — Nuclear Damage

No liability shall arise under this Convention for damage caused by a nuclear incident if the operator of a nuclear installation is liable for such damage under either the Paris Convention of 29 July 1960 on Third Party Liability in the Field of Nuclear Energy or the Vienna Convention of 21 May 1963 on Civil Liability for Nuclear Damage, or any amendment or addition thereto which is in force.

[Final Provisions to be inserted]

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APPENDIX C

DRAFT CONVENTION ON COMPENSATION FOR DAMAGE CAUSED BY AIRCRAFT TO THIRD PARTIES

Chapter I

Principles

Article 1 — Definitions

For the purposes of this Convention:

- a) “An act of unlawful interference” means an act which is defined as an offence in the *Convention for the Suppression of Unlawful Seizure of Aircraft*, signed at the Hague on 16 December 1970, or the *Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation*, signed at Montreal on 23 September 1971, or any amendment or Protocol thereto which is in force among the State Parties concerned.
- b) An aircraft is considered to be “in flight” at any time from the moment when all its external doors are closed following embarkation or loading until the moment when any such door is opened for disembarkation or unloading.
- c) “Operator” means the person who was making use of the aircraft at the time the damage was caused, provided that if control of the navigation of the aircraft was retained by the person from whom the right to make use of the aircraft was derived, whether directly or indirectly, that person shall be considered the operator. A person shall be considered to be making use of an aircraft when he or she is using it personally or when his or her servants or agents are using the aircraft in the course of their employment, whether or not within the scope of their authority.
- d) “Person” means any natural or legal person, including a State.
- e) “State Party” means a State for which this Convention is in force.
- f) “Third Party” means a person other than the operator, passenger or consignor or consignee of cargo; in the case of a collision, “third party” also means the operator, owner and crew of the other aircraft and the passenger or consignor or consignee of cargo on board the other aircraft.

Article 2 — Scope¹

1. This Convention applies to damage to third parties which occurs in the territory of a State Party caused by an aircraft in flight other than as a result of an act of unlawful interference when the operator of the aircraft has his principal place of business, or if he has no such place of business, his permanent residence, in another State Party.
2. If a State Party so declares to the Depository, this Convention shall also apply to such damage which occurs in the territory of that State Party when the operator of the aircraft has his principal place of business, or if he has no such place of business, his permanent residence, in that State Party.
3. For the purposes of this Convention a ship or aircraft in or above the High Seas including the Exclusive Economic Zone shall be regarded as part of the territory of the State in which it is registered. Drilling platforms and other installations permanently fixed to the soil in the Exclusive Economic Zone or the Continental Shelf shall be regarded as part of the territory of the State which has jurisdiction over such platform or installation.

Chapter II

Liability of the Operator and Related Issues

Article 3 — Liability of the Operator

1. The operator shall be liable for damage sustained by third parties upon condition only that the damage was caused by an aircraft in flight.
2. The operator shall not be liable for damages arising under paragraph 1 of this Article to the extent that they exceed for each such third party (250 000 – 500 000) Special Drawing Rights if the operator proves that:
 - a) such damages was not due to its negligence or other wrongful act or omission or that of its servants or agents; or
 - b) such damages was solely due to the negligence or other wrongful act or omission of another person.
3. There shall be no right to compensation under this Convention if the damage is not a direct consequence of the event giving rise thereto, or if the damage results from the mere fact of passage of the aircraft through the airspace in conformity with existing air traffic regulations.
4. Environmental damage shall be compensable, if and insofar as such compensation is provided for under the law of the State Party in the territory of which the damage occurred.
5. Punitive, exemplary or any other non-compensatory damages shall not be recoverable.

¹ The connecting factor of the operator to a specific State may need further consideration if relevant definitions are changed in ICAO.

6. Damages due to death, bodily injury and damage to property shall be compensable. Damages due to mental injury shall be compensable if caused by a recognisable psychiatric illness resulting either from bodily injury or from a reasonable fear of exposure to death or bodily injury.

Article 4 — Events involving two or more operators or other persons

1. Where two or more aircraft have been involved in an event causing damage to which this Convention applies, the operators of those aircraft are jointly and severally liable for any damage suffered by a third party.

2. If two or more operators are liable, the recourse between them shall depend on their respective limits of liability and their contribution to the damage.

3. No operator shall be liable for a sum in excess of the limit, if any, applicable to its liability.

Article 5 — Court Costs and other Expenses

The court may award, in accordance with its own law, the whole or part of the court costs and of the other expenses of the litigation incurred by the plaintiff, including interest. The foregoing provision shall not apply if the amount of the damages awarded, excluding court costs and other expenses of the litigation, does not exceed the sum which the carrier has offered in writing to the plaintiff within a period of six months from the date of the occurrence causing the damage, or before the commencement of the action, if that is later than the expiry of such period.

Article 6 — Advance Payments

If required by the law of the State where the damage occurred, the operator shall make advance payments without delay to natural persons who may be entitled to claim compensation under this Convention, in order to meet their immediate economic needs. Such advance payments shall not constitute a recognition of liability and may be offset against any amount subsequently paid as damages by the operator.

Article 7 — Insurance

Having regard to Article 3, States Parties shall require their operators to maintain adequate insurance or guarantee covering their liability under this Convention. An operator may be required by the State Party into which it operates to furnish evidence that it maintains adequate insurance or guarantee. In doing so, the State Party shall apply the same criteria to operators of other State Parties as it applies to its own operators.

Chapter III

Recourse and exoneration

Article 8 — Acts or omissions of victims

If the operator proves that the damage was caused, or contributed to, by an act or omission of a claimant, or the person from whom he or she derives his or her rights, done with intent or recklessly and with knowledge that damage would probably result, the operator shall be wholly or partly exonerated from its liability to that claimant to the extent that such act or omission caused or contributed to the damage.

Article 9 — Right of Recourse

[Subject to Article 10 *bis*,] [n]othing in this Convention shall prejudice the question whether a person liable for damage in accordance with its provisions has a right of recourse against any person.

Chapter IV

Exercise of Remedies and Related Provisions

Article 10 — Exclusive Remedy

Any action for compensation for damage to third parties caused by an aircraft in flight brought against the operator, or its servants or agents, however founded, whether under this Convention or in tort or otherwise, can only be brought subject to the conditions and such limits of liability as are set out in this Convention without prejudice to the question as to who are the persons who have the right to bring suit and what are their respective rights.

[Article 10 *bis* – Exoneration of Status Liability]

[Neither the owner, lessor or financier retaining title or holding security of an aircraft, not being an operator, nor their servants or agents, shall be liable for damages under this Convention or the law of any State Party.]

Article 11 — Conversion of Special Drawing Rights

The sums mentioned in terms of Special Drawing Right in this Convention shall be deemed to refer to the Special Drawing Right as defined by the International Monetary Fund. Conversion of the sums into national currencies shall, in case of judicial proceedings, be made according to the value of such currencies in terms of the Special Drawing Right at the date of the judgement. The value in a national currency shall be calculated in accordance with the method of valuation applied by the International Monetary Fund for its operations and transactions. The value in a national currency, of a State Party which is not a Member of the International Monetary Fund, shall be calculated in a manner determined by that State to express in the national currency of the State Party as far as possible the same real value as the amounts in Article 3.

Article 12 — Review of Limits

1. Subject to paragraph 2 below, the sums prescribed in Article 3, shall be reviewed by the Depositary, by reference to an inflation factor which corresponds to the accumulated rate of inflation since the previous revision or in the first instance since the date of entry into force of the Convention. The measure of the rate of inflation to be used in determining the inflation factor shall be the weighted average of the annual rates of increase or decrease in the Consumer Price Indices of the States whose currencies comprise the Special Drawing Right mentioned of Article 11.

2. If the review referred to in the preceding paragraph concludes that the inflation fact has exceeded 10 per cent, the Depositary shall notify the States Parties of a revision of the limits of liability. Any such revision shall become effective six months after the notification to the States Parties, unless a majority of the States Parties register their disapproval. The Depositary shall immediately notify all States Parties of the coming into force of any revision.

Article 13 — Forum

1. Subject to paragraph 2 of this Article, actions for compensation under the provisions of this Convention may be brought only before the courts of the State Party where the damage occurred.

2. Where damage occurs in more than one State Party, actions under the provisions of this Convention may be brought only before the courts of the State Party the territorial airspace of which the aircraft was in or about to leave when the event occurred.

3. Without prejudice to paragraphs 1 and 2 of this Article, application may be made in any State Party for such provisional measures, including protective measures, as may be available under the law of that State.

Article 14 — Recognition and Enforcement of Judgements

1. Subject to the provisions of this Article, judgements entered by a competent court under Article 13 after trial, or by default, shall when they are enforceable in the State Party of that court be enforceable in any other State Party as soon as the formalities required by that State Party have been complied with.

2. The merits of the case shall not be reopened in any application for recognition or enforcement under this Article.

3. Recognition and enforcement of a judgement may be refused if:

- [a] its recognition or enforcement would be manifestly contrary to public policy in the State Party where recognition or enforcement is sought;
- b) the defendant was not served with notice of the proceedings in such time and manner as to allow him to prepare and submit a defence;
- c) it is in respect of a cause of action which had already, as between the same parties, formed the subject of a judgement or an arbitral award which is recognised as final and conclusive under the law of the State Party where recognition or enforcement is sought;

- d) the judgement has been obtained by fraud of any of the parties;
- e) and to the extent that the judgement awards damages, including exemplary or punitive damages, that do not compensate a third party for actual harm suffered; or
- f) the right to enforce the judgement is not vested in the person by whom the application is made.]

4. Where a judgement is enforceable, payment of any costs recoverable under the judgement shall also be enforceable.

Article 15 — Regional and multilateral agreements on the recognition and enforcement of judgements

1. State Parties may enter into regional and multilateral agreements regarding the recognition and enforcement of judgements consistent with the objectives of this Convention, provided that such agreements do not result in a lower level of protection for any third party or defendant than that provided for in this Convention.
2. State Parties shall inform each other, through the Depositary, of any such regional or multilateral agreements that they have entered into before or after the date of entry into force of this Convention.
3. The provisions of Chapter IV of this Convention shall not affect the recognition or enforcement of any judgement pursuant to such agreements.

Article 16 — Period of Limitation

1. The right to compensation according to Article 3 shall be extinguished if an action is not brought within two years from the date of the event which caused the damage.
2. The method of calculating such two year period shall be determined in accordance with the law of the court seized of the case.

Article 17 — Death of Person Liable

In the event of the death of the person liable, an action for damages lies against those legally representing his or her estate and is subject to the provisions of this Convention.

CHAPTER V

Application of the Convention

Article 18 — State Aircraft

This Convention shall not apply to damage caused by state aircraft. Aircraft used in military, customs and police services shall be deemed to be state aircraft.

Article 19 — Nuclear Damage

No liability shall arise under this Convention for damage caused by a nuclear incident if the operator of a nuclear installation is liable for such damage under either the Paris Convention of 29 July 1960 on Third Party Liability in the Field of Nuclear Energy or the Vienna Convention of 21 May 1963 on Civil Liability for Nuclear Damage, or any amendment or Convention thereto which is in force.

[Final Provisions to be inserted]

APPENDIX D

LEGAL COMMITTEE – 33RD SESSION

(Montreal, 21 April – 2 May 2008)

**PROVISIONAL AGENDA OF THE
33RD SESSION OF THE LEGAL COMMITTEE**

Item 1: Adoption of the Agenda

Note: Rule 11 a) of the *Rules of Procedure of the Legal Committee* (Doc 7669-LC/139/5) provides: “The Committee shall fix the final agenda of the session at its first meeting.”

Item 2: Report of the Secretariat

Note: All documents relating to this Agenda Item will be issued as subdivisions of LC/33-WP/2.

Item 3: Compensation for damage caused by aircraft to third parties arising from acts of unlawful interference or from general risks

Note: This is the **main item** to be considered by the Legal Committee; the Committee will study this item on the basis of the texts prepared by the Council Special Group on the Modernization of the Rome Convention of 1952 and related documents. All documents relating to this subject will be issued as subdivisions of LC/33-WP/3.

Item 4: Consideration of other items on the General Work Programme of the Legal Committee

Note: The Committee will consider reports on the following items in its General Work Programme:

- Acts or offences of concern to the international aviation community and not covered by existing air law instruments: LC/33-WP/4-1.
- Consideration, with regard to CNS/ATM systems including global navigation satellite systems (GNSS) and the regional multinational organisms, of the establishment of a legal framework: LC/33-WP/4-2.
- International interests in mobile equipment (aircraft equipment): LC/33-WP/4-3.

- Review of the question of the ratification of international air law instruments: LC/33-WP/4-4.
- *United Nations Convention on the Law of the Sea* – Implications, if any, for the application of the Chicago Convention, its Annexes and other international air law instruments: LC/33-WP/4-5.

Item 5: Review of the General Work Programme of the Legal Committee

Note: See LC/33-WP/5.

Item 6: Election of the Chairman and Vice-Chairmen of the Committee

Note: Rule 6 of the *Rules of Procedure of the Legal Committee* provides: “The Committee shall elect at the end of every second session, from among the representatives of States, a Chairman and the First, Second, Third and Fourth Vice-Chairmen. Such officers shall hold office from the time of adjournment of the session when they were elected until the end of the session during which their successors are duly elected. They shall not be eligible for re-election for the next succeeding term for the same position.” See LC/33-WP/6.

Item 7: Date, place and agenda of the 33rd Session of the Legal Committee

Note: See LC/33-WP/7.

Item 8: Report on work done at the Session

APPENDIX E

LEGAL COMMITTEE – 33RD SESSION

(Montreal, 21 April – 2 May 2008)

**LIST OF INTERNATIONAL ORGANIZATIONS TO BE INVITED TO PARTICIPATE
IN THE 33RD SESSION OF THE LEGAL COMMITTEE**

- Air Crash Victims Families Group (ACVFA);
- Airports Council International (ACI);
- Asociación Latino Americana de Derecho Aeronáutico y Espacial (ALADA);
- Aviation Working Group (AWG);
- Civil Air Navigation Services Organization (CANSO);
- European Community (EC);
- European Organisation for the Safety of Air Navigation (EUROCONTROL);
- Hague Conference on Private International Law (HccH);
- International Air Transport Association (IATA);
- International Federation of Air Line Pilots' Association (IFALPA);
- International Law Association (ILA);
- International Maritime Organization (IMO);
- International Union of Aviation Insurers (IUAI);
- London Aviation Market Brokers Committee (LMBC); and
- United Nations (UN).

— END —