



International Civil Aviation Organization

WORKING PAPER

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ASSEMBLY — 36TH SESSION

LEGAL COMMISSION

Agenda Item 47: Work Programme of the Organization in the legal field

**CONVENTION ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT AND ITS
PROTOCOL RELATED TO MATTERS SPECIFIC TO AIRCRAFT EQUIPMENT**

(Presented by the Kingdom of Saudi Arabia)

EXECUTIVE SUMMARY

The two documents (Convention and Protocol) have undoubtedly exceeded the limits of the national scope adopted by the Geneva Convention of 1948 Concerning International Recognition of Rights in Aircrafts and the Rome Convention of 1933 on the Unification of Certain Rules Relating to the Precautionary Attachment of Aircraft. They also provide positive benefits for both creditors and debtors by establishing international guarantees through which debtors could receive financial credits against the aircrafts and parts thereof and, by the same, creditors could protect their rights when debtors fail payment.

*Strategic
Objectives:*

*Financial
implications:*

References:

1. ANALYSIS

1.1 The two documents provide the following benefits:

- a) creation of an international interest registry, with priority on other interests on parts of the aircraft or on the aircraft itself;
- b) improvement of financial returns of the parties to air transport industry;
- c) facilitating financing of aircraft modernization and consequently improving civil aviation safety;
- d) availing valuable private sector resources for infrastructure development of all countries, particularly, developing countries;
- e) facilitating resale of airframes, aircraft engines and helicopters through the aircraft international register, transfer of financing balances, preservation of the parties rights and consequently promoting commercial activities;
- f) playing an important role in the resale and exchange of expensive aircraft engines and spare parts through simplified registration procedures in the international register. Preserving the rights of the financing institution without cancelling the mortgages. Transferring property and establishing new mortgage between debtors and the new owner through the international register and the civil aviation authorities concerned in the country against symbolic fees; and
- g) implementing the Convention will reduce mortgage risks and positively affect the global financing market.

1.2 However, a number of issues will have to be tackled when the supervisory authorities proceed with the international register, including the need to establish an equitable and fair balance between creditors and debtors. As a matter of fact, facilitating loans may not be in the interest of the debtor (airline companies). Debtors' financial interest obligations may place them on the loser end. Facilitating lending terms and access to loans is at present in the benefit of the creditor only. As a matter of fact, simplification of financing and banking procedures and reduction of administrative and legal costs should lead to reducing insurance costs on loans, decreasing interest rates on loans and increasing debtors returns (airline companies). Therefore, it is clear that the supervisory authority responsible for the creation of the international register has an important role to play in ensuring an equitable balance, namely helping developing countries by providing them with the necessary facilities and technical know how needed for the use of the international register and to benefit from the advantages of both the Convention and the Protocol.

2. ACTION PROPOSED TO THE ASSEMBLY

2.1 To take note of the content of this working paper and invite member states that have not yet approved the Convention and the Protocol to do so for the benefit of both debtors and creditors.