FLIGHT Internationa), / January 1977 6

AIR TRANSPORT

maintains that the problem has been
solved by putting on more cabin
crew so that the stewardess/passenger
ratio is the same at any time as on
other Pan Am flights. He says that passengers have found very little difference in service and claims that "if anything, we're feeding them too much."

Although Iran Air has not discussed its New York-Tehran service with Flight, the airline claims that it has boosted load factors to 75 per cent, "and if you go any higher than that, you are short of capacity." Pan Am, according to Mr Roy, has increased its volume on the route, despite the Iran Air non-stop, and does not feel any immediate need to offer competi-tive non-stops.
Pan Am now offers New York-Tehran passengers a non-stop service with a change of aircraft in Rome, or a through-plane service with stops at London and Frankfurt. Pan Am con-siders New York-Tehran as part of its round-the-world service and has decided that it is better to make intermediate stops. The Frankfurt-Tehran market is large and Pan Am expects it to grow by 300 per cent in 1977.

Flag loyalty also lessens the impact of Iran Air's non-stop competition,

" » BREAK in the Warsaw regime f \ could cost members in the

region of $50 million per annum in insurance premiums." This remark, from Mr Knut Hammarskjold's open-ing address to the 1976 lata AGM, indicates the significance of insurance to the economy of the air transport industry.
US courts, in which the Warsaw system does not apply, have dealt through "products liability" cases (as they are: known in the US) with Japanese citizens killed in the Soviet Union, 18 nationalities killed in the THY DC-10 accident, British-made components, French engines, Japan-ese-built aircraft and Scandinavian navigational equipment.
What is more, every international airline and most of the world's domestic airlines are subject to US court jurisdiction as long as their names are in the phone book. Every question of aviation liability is ultimately tested in American courts, and US approval is vital if the War-saw system is to survive.
An overhaul of the international air transport insurance system, based on the 1933 Warsaw Convention, is long overdue. The Warsaw principle of limited but virtually automatic lia-

even though it is about 2^hr quicker than Pan Am's service via Frankfurt. Says William Roy: "There are a lot of people who prefer to fly Pan Am even with a stop." There is also a large segment of the market which Pan Am could not possibly tap. This includes Iranian Government officials, who must travel on Iran Air, and a great many students who travel on a special Iranian Government student fare of three cents a mile.

Pan Am would like to fly New York-Tehran non-stop eventually, according to Roy, but it has only five SPs and has already committed them to other routes for 1977. In addition to daily non-stops to Tokyo from New York and the West Coast, Pan Am started non-stop services between San Fran-cisco and Sydney in early December. A spokesman for Qantas tells Flight that he knows of no plan by his air-line to offer a competitive non-stop. Pan Am also began New York-Bahrain non-stops in early December. There is no direct competition on the route, but Pan Am believes that Bahrain will soon occupy the position once held by Beirut as "gateway to the Middle East" and does not want the Concorde service from London to achieve pre-eminence.

South African Airways, already using SPs on other routes, has an-nounced plans for a non-stop New York-Johannesburg service, a chal-lenge which Pan Am is declining for the time being.

bility for injury or death of a pas-senger is regarded as vital, but the Warsaw system has now become very complex. A number of supplementary conventions and protocols have been added, not all of which have been ratified by every lata state. Late in 1975 the International Conference on Air Law in Montreal decided to develop a new system, and lata is co-operating with Icao on this.
The current basic hmits were de-fined by the Guatemala Protocol of 1971, which set a figure of $100,000 in the supposedly inflation-proof 1933 Poincare franc. This is now equiva-lent to $117,000. Alternatives to the Poincare franc suggested at Guate-mala included a rate fixed to the price of gold or the US dollar.
The Montreal conference encour-aged the development of supple-mental insurance plans in individual countries. The US Government in-sisted that any US plan should be privately financed, and agreement has been reached with the Prudential Insurance Company on a scheme which would provide an extra $200,000 of compensation, plus continuing medical expenses. It would be financed by a $2 surcharge on ticket sales. Montreal also agreed that the

International Monetary Fund special drawing rights (SDR) unit would be

used as the basis for insurance payments.
One aspect of the Montreal plan is however inhibiting its acceptance in the USA. Unlike the original War-saw Convention, the Montreal Proto-cols provide for no extraordinary pay-

ments. That is to say, they are unbreakable, while the Warsaw limits

could be exceeded in the case o "gross negligence." A group of law-yers in the USA have specialised in obtaining extraordinary damages on these grounds, collecting payment fo their services by commission rathe than fee. These lawyers are opposin ratification by Congress of the Montreal Protocols and the US supplement.
Manufacturer liability is another important aspect of insurance. In the USA the liability of manufacturers for their products has been readily understood. It has been a feature o the American legal scene for many years, but British manufacturers go their first taste of the principle when the Viscount was sold and flown in the United States in the 1950s.

To-day, due to vast improvements in accident-investigation techniques, it is possible for the manufacturer of a relatively insignificant component to be found liable for an accident in-volving loss of life. Even if such an

accident occurred, say, between Kathmandu and Rangoon, it might nevertheless be possible for the manufacturer and thereby his insurers to en
up defending suits for products liability in the USA. Are the manufac-
turers prepared for such a case? US! lawyer comments: "There are many things manufacturers can do t improve their position in the court-room and one is to improve thei records. They couldn't tell me wha quality-control tests were performed to the articles in question. These record must be kept as long as' the machin or equipment is around, and must b complete." A major European carrie was surprised to find in a US cour that internal notes, not fully known to itself, had been unearthed by th opposition lawyers.
Nor is it any good buying a policy to cover products liability for $5 mil-lion and then finding yourself saddled

with a $17 million claim, as has happened. One European engine manfacturer told a broker: "Why do I

need products coverage? I make good product. If not, the aircraft manufacturer would not have chose my engines for his aircraft." Six months later he was faced with a $1 million suit in a US court.

The days of million-dollar indivi-dual passenger settlements are up the industry. If the airlines canno

make the Warsaw system hold, insuance premiums may have to rise sustantially. Leading insurers have

already warned that rates are too low even without worldwide unlimited liability.

Preserving the Warsaw regime