

# Client Bulletin

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## IATA Establishes Uniform Limit Of Liability For Transportation Of Cargo Across All Routes

The International Air Transport Association (IATA) recently amended the recommended Air Waybill Conditions of Contract, also known as Resolution 600b. Of particular interest is the establishment of a universal liability limit for all air transportation of cargo.

Effective July 1, 2010, IATA carriers' conditions of contract should include a liability limit of 19 Special Drawing Rights (SDRs)<sup>1</sup> per kilogram of damaged, delayed or destroyed cargo. The limit is intended to apply to all carriage of cargo by IATA member carriers and to all interline transportation.

This change is significant because it creates a standard liability limit regardless of the route of transportation. Previously, carriers were subject to an array of liability limits depending on the Convention and/or Protocol that governed the specific transportation. These liability limits ranged among \$20, 17 SDRs and 19 SDRs per kilogram of lost or damaged cargo depending on the route of transportation.

Under the new Resolution 600b, a carrier's liability is limited to a single amount for all routes. For transportation governed by the Warsaw or Montreal Convention, or if the carrier's general conditions of carriage and applicable tariffs permit, a shipper may still increase the limit by declaring a higher value for carriage and paying a supplemental charge, if so required.

The amendment is binding on all IATA carriers. Pursuant to IATA Resolution 600a, carriers may wait to transition to the new air waybill (AWB) until the time of their next AWB printing, but in no event later than 18 months from the declaration of effectiveness of the amendment – in this case, January 1, 2012.

In the meantime, carriers should amend their conditions of carriage to reflect the new liability limit.

The stated purpose of the amendment is to relieve carriers from the burden of implementing varying liability limits that depend on the route of transportation, enabling carriers and shippers to resolve claims with more certainty. Additionally, the new limit is identical to the limit now provided by the Montreal Convention, which has been ratified by more than ninety countries and is applied more frequently than the Warsaw Convention. IATA also encourages more countries to ratify the Montreal Convention and adhere to its terms. The amendment further creates a more uniform liability regime by standardizing the liability limit for transportation that is not governed by either Convention.

An obvious drawback for air carriers is that the change increases the liability limit with respect to transportation governed by the Warsaw Convention, and, thus, will raise the cost of some settlements and judgments.

In summary, carriers should now change their conditions of carriage to a single limit of liability for transportation of cargo across all routes. This change will standardize carriers' liability exposure but will likely increase costs in the short term.



If you have any questions or would like any further information regarding the amendments to Resolution 600b, please contact:

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<sup>1</sup> Special Drawing Rights is a currency created and calculated by the International Monetary Fund (IMF). The value of SDRs changes daily and may be found at <http://www.imf.org>.