

Notes and Questions to Accompany
In re Oil Spill of the Amoco Cadiz off the Coast of France on March 16, 1978

1. The *Amoco Cadiz* court awarded the French plaintiffs prejudgment interest for 13 years. Assuming that interest is compounded annually, write an expression that can be solved for the period for which prejudgment interest was awarded.

2. The *Amoco Cadiz* opinion notes that French law provides for simple rather than compound prejudgment interest. British law is similar. Suppose that U.S. courts also followed this rule for the period of time you determined in response to question 1. What "multiplier" would have been awarded in the *Amoco Cadiz* case? How much would this have saved Amoco, on a base damages award to the French plaintiffs of \$61 million?

3. Prime rate loans typically call for payments of interest quarterly in arrears. In effect, the compounding period is quarterly. What is the annual yield to the lender from 11.9% annual interest, compounded quarterly? By how much would this adjustment have increased the amount owed by Amoco?

OPTIONAL:

4. a. The plaintiffs claimed that the average prime rate during the prejudgment period was 11.9%. In fact, interest rates were very high at the beginning of the period and much lower later in the period. Suppose that the court had done a year-by-year calculation, using the actual average prime rate for each year instead of the average prime rate over the period. Would this have helped or hurt Amoco?

b. Suppose instead that the prime rate had been low early in the period, and high late in the period. Would a year-by-year calculation have helped or hurt Amoco?

c. To estimate how much of a difference a year-by-year calculation would make, we need some numbers. Assume that the annual average prime rate for the prejudgment period is as given below (these are not the actual numbers). What would the multiplier have been? Is it correct to use the average prime rate over the prejudgment period to calculate prejudgment interest?

Year	Prime Rate (%)
1	20
2	18
3	17
4	17
5	16
6	13
7	11
8	9
9	8
10	7
11	7
12	6
13	5.7