

The Honorable Read Van de Water  
May 16, 2003  
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While your March 20, 2003 interpretation would be inclusive of the type of operations permitted by FAA as non-commercial under Section 91.501(b)(5), we believe that the limitation to a “wholly-owned subsidiary” is unnecessarily restrictive to ensure the non-commercial status of these aviation activities and does not take into account that corporate structures today involve “subsidiaries” which are less than 100% owned by the parent.

**Interchange Arrangement (Section 91.501(b)(6) and (c)(2))**

This is another way to spread the costs of operating a company airplane through what is essentially a barter arrangement where Company A swaps time on its airplane for *equal time* on Company B’s airplane. Under an interchange arrangement, the company operating the more expensive airplane can be reimbursed for the difference between the fully-allocated costs attributable to the airplanes being swapped on an equal time basis.

Interchanging is a useful business aviation tool to permit each party to the interchange agreement to maximize the utilization of its own aircraft and gain access to the other party’s aircraft when needed. As examples: Company A’s aircraft may be “in maintenance;” Company A may require additional “lift” during peak periods to accommodate its business travel needs; or Company B’s airplane may be more suitable in terms of capacity, range, and cost for a particular flight proposed by Company A. If Company A has an interchange agreement with Company B, and Company B’s aircraft is available, Company B can provide its airplane to Company A and recover the fully-allocated cost of such operations through the “barter” and “boot” features of the interchange concept.

**2. Joint Ownership (Section 91.501(b)(6) and (c)(3))**

Yet another way for a company to spread costs while retaining its non-commercial status in the FAA eyes is through joint ownership. This is a form of co-ownership involving an *operating joint owner* (the owner furnishing the crew) and one (or more) *non-operating joint owners* (the owners being transported) each of which must appear as a “registered owner” on the FAA certificate of registration. Under this arrangement the operating joint owner can carry the officials and guests of the non-operating joint owner on a fully-allocated cost recovery basis.

Joint ownership has also benefited business aviation by enabling companies which, individually, cannot afford to own and operate an airplane, to join forces and share the substantial capital costs of acquiring the airplane. One of the joint owners would then be