

The latest trends in business aviation and drones

...what every in-house counsel, owner and/or lender needs to know

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Topics

- Business aviation (Carlo Vairo)
 - Ownership and operating structures in Canada and the U.S.
 - Avoiding pitfalls in aircraft acquisitions in Canada and the U.S.
 - Tax and importation issues
 - Trending issues: Cabotage rules and 90 day rule
- Drones (Kathryn McCulloch)
 - Current regulations in Canada
 - Proposed amendment regulations
 - Insurance – is it necessary?
 - How can my company start using drones now?

Business aviation



Carlo Vairo

Ownership and operating structures in Canada and the U.S.

- Canada
 - Private vs. commercial operations
 - Flight department vs. management services
 - Transport Canada's 90 Day Rule
- U.S.
 - Part 91 vs. Part 135
 - Advantages and disadvantages of N-registration in Canada and vice versa



Avoiding pitfalls in aircraft acquisitions in Canada and the U.S.

- Importance of knowing the aircraft you are buying
 - modifications may make importation and certification in Canada costly and time consuming
- Considerations when buying foreign registered aircraft
 - Liens;
 - Deregistration; and
 - Eligibility for importation to the destination country (for certificate of airworthiness)



Tax and importation issues

- Picking the right and most tax-friendly location to close a cross-border sale – some tax tips to consider
- Importation requirement for aircraft coming into Canada

Cabotage rules (Canada)

- Canada (for foreign registered aircraft):
 - (1) Economic cabotage (enforced by Canadian Transportation Agency (CTA)); and
 - (2) Customs/tax cabotage (enforced by Canada Border Services Agency (CBSA) pursuant to Memorandum D2-1-1.

Cabotage rules (U.S.)

- U.S. (for Canadian registered aircraft):
 - (1) Canadian registered Aircraft, when operated in the U.S., would be governed by the U.S. Department of Transportation (DOT) restrictions on non-U.S. registered “foreign civil aircraft” (under regulation 14 CFR Section 375). These restrictions prohibit non-U.S. registered foreign civil aircraft from taking any form of compensation (such as reimbursable payments for inter-company operations from subsidiaries or parent entities (which practice is permitted by the CTA in Canada) and “time sharing” by senior executives and directors of such entities) for flights operated point-to-point in the U.S. This is effectively considered to be cabotage by the DOT; and
 - (2) Any other cabotage rules may exist, speak to our U.S. aviation attorneys.

Drones



Kathryn McCulloch

Drones

- Current regulations in Canada
- Proposed amended regulations
- Insurance – is it necessary?
- How can my company start using drones now?



Current regulatory framework

- **Distinction between commercial and recreational uses**
- **All ops require an SFOC, except for:**
 - Recreational under 35kg
 - Commercial under 25kg, if operation qualifies for an exemption
- **Exemptions for commercial operations**
 - Drones 1kg or less
 - Drones 1kg – 25kg

Text of the Current Regulations can be found at:

<https://www.tc.gc.ca/eng/civilaviation/drone-safety.html>

Amended regulations – Highlights

1. Operations will be **regulated based on risk**
2. **Pilot knowledge** and licencing requirements will be formalized
3. **SFOCs** will (almost) be a thing of the past
4. Drones must be **Transport Canada compliant**

Proposed regulation based on risk

- Micro (less than 250g)
- **Very Small (250g to 1kg)**
- **Small (Limited Operations/Rural) (1kg to 25kg)**
- **Small (Complex Operations/Urban) (1kg to 25kg)**
- BVLOS/Large (more than 25kg)



<http://www.gazette.gc.ca/rp-pr/p1/2017/2017-07-15/html/reg2-eng.php>

Insurance – is it necessary?

YES

- **Required by Transport Canada for commercial operations**
- **Protection from damages/loss to drone and equipment**
- **Protection from third party liability**
- **Credibility with business partners and affiliates**

How does my company start using drones now?

- **Decide whether flight department will be established or contractors will be used to conduct flights**
 - Investing in a fleet
 - Pilots
 - Frequency of use
 - Insurance coverage
 - Cost efficiency
- **When hiring contractors, consider:**
 - Experience and track record
 - Insurance
 - Whether pilots are employees or freelancers
 - Who will own the data generated?

Questions



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Thank you



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