



EQUIPMENT FINANCE GROUP

Commercial Aircraft Finance Team

New FAA Re-Registration Rules

On February 28, 2008, the United States Federal Aviation Administration (the "FAA") published proposed changes to its regulations issued under Part 47 relating to aircraft registration. Under the FAA's proposal, all presently issued certificates of aircraft registration, and all newly issued (and all reissued) certificates would have a three-year expiration date. If the registration certificate for any aircraft is not renewed within 90 days of its scheduled expiration date, then registration of such aircraft would expire.

Under the FAA's proposal, all presently issued certificates of aircraft registration, and all newly issued (and all reissued) certificates, would have a three-year expiration date.

The significant adverse consequences of this change could include:

(1) considerable administrative costs to airlines and lessors as they reregister the hundreds of aircraft in their fleets, and substantial administrative costs for airline lessors and financiers to monitor their airline clients' fulfillment of these reregistration requirements;

(2) grounding of aircraft if not properly or timely reregistered, including associated costs of schedule disruption and passenger dislocation, as well as disruptions caused by the inability of aircraft to fly internationally while the reregistrations are being processed;

(3) lack of insurance coverage if aircraft continue to fly while not properly reregistered; and

(4) loss of perfection of security interests in deregistered aircraft (including the inability of secured parties to prevent operators from reregistering in other jurisdictions without recordation of relevant security interests).

The well-intentioned rationale for this new registration protocol primarily rests on the FAA's mandated responsibility to better track aircraft ownership so as to enhance its ability to monitor aircraft that may be used for domestic drug trafficking and terrorist activities.

While the aircraft finance community—the U.S. airlines, operating lessors and mortgage financiers (and other interested parties)—wholeheartedly support the FAA's law enforcement efforts, this new reregistration requirement will impose an enormous administrative compliance cost on both airlines and financiers, and

perhaps chill the (already difficult) environment in the United States for aircraft finance.

The FAA is accepting comments (see below) regarding the proposed regulations through May 28, 2008. We urge you to submit comments individually or through any industry group with which you may be affiliated (such as IATA, ATA, ISTAT or ELFA), expressing your thoughts regarding these regulations. ■

Appendix

1. To see FAA rationale and background information, see: <http://www.rotor.com/portals/12/RotorNews/March%2008/Aircraft%20Reg.pdf>
2. To see Proposed Regulations, see: http://rgl.faa.gov/Regulatory_and_Guidance_Library/rgNPRM.nsf/0/0f806e40ad8cabce862573fd006db5f7!OpenDocument&ExpandSection=-3
3. To submit a comment, refer to Docket Number FAA-2008-0188 (Re-Registration and Renewal of Aircraft Registration) and communicate as follows:
 - (a) By e-mail, go to <http://www.regulations.gov> and follow the online instructions;
 - (b) By mail, Docket Operations, M-30, U.S. Department of Transportation, 1200 New Jersey Avenue, SE, Room W12-140, West Building Ground Floor, Washington, D.C. 20590-0001; or
 - (c) By fax, Docket Operations, 202-493-2251.

Equipment Finance Group

The attorneys in the firm's Equipment & Aircraft Finance Group represent lessees, lessors, financiers and related parties, both domestic and international, in a broad range of equipment finance transactions, including those involving aircraft, railcars, locomotives, vessels, computers, medical equipment, industrial production equipment, satellites, cars and trucks.

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