



U.S. Department
of Transportation
**Federal Aviation
Administration**

DEC 21 2006

William W. Spitler
Director of Flight Operations/Chief Pilot
General Motors
Worldwide Travel Service
Mail Code: 482-900-001
Detroit Motors Airport Bldg. #530
Detroit, MI 48242

Dear Mr. Spitler:

This responds to your letter dated July 11, 2006, requesting an interpretation of section 91.501(b)(5) of the Federal Aviation Regulations as it applies to reimbursement after the organizational separation of a wholly owned subsidiary, General Motors Acceptance Corporation, "GMAC," from its parent organization General Motors Corporation, "GM."

You explained that GM currently operates a fleet of seven Gulfstream aircraft under part 91 and provides passenger transportation to its wholly owned subsidiary GMAC with internal charge backs as reimbursement. GM has operational control of the aircraft. Full time GM employees maintain the aircraft. Full time GM employees are the crew of the aircraft.

You explained that after the separation of GM and GMAC, GM will retain a "less than 50%" ownership stake in GMAC and will relinquish a significant amount of control over GMAC. Significant cross functional agreements will support the continuation of numerous business activities related to the sale and leasing of GM vehicles.

You ask whether in the changed circumstances, flights that are within the scope of and incidental to the business of GM be conducted under 91.501(b) (5) with reimbursement from GMAC to GM.

Our response is limited to what you have described as the "changed circumstances" scenario, wherein GM and GMAC, formerly a parent and wholly owned subsidiary, change their relationship to corporations with GM having a less than 50 percent ownership stake in GMAC.

Section 501(b) (5) was devised for companies that have a corporate parent-subsidary relationship, whose aircraft are used for carriage within the scope of, and incidental to, the business of the company. Section 501(b) (5) does not permit reimbursements from corporations that are "related" when that relationship does not rise to the level of a parent and subsidiary.

In order to determine whether section 501(b)(5) could apply to the contemplated operations, we would have to be able to conclude, based on objective evidence, that the parent subsidiary relationship will continue after the separation of GM and GMAC. Stock ownership alone is not determinative. Your statement that "a significant amount of cross functional agreements will support the continuation of numerous business activities related to the sale and leasing of GM vehicles" does not rise to the level of objective evidence that would support a determination that a parent subsidiary relationship will continue. We would need information about the organizational relationship between GM and GMAC. We would also need objective evidence about the degree of control exercised by GM over GMAC. Finally we would also like to have statements concerning whether, under the relevant state laws, GM and GMAC continue to have a parent/subsidiary relationship.

This response was written by Cecile O'Connor of my staff, if you have further questions please do not hesitate to call me at (202) 267-3073.

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca B. MacPherson", with a long horizontal flourish extending to the right.

Rebecca B. MacPherson
Assistant Chief Counsel
for Regulations