

OCTOBER 30, 2009

sanjose.bizjournals.com

# Stone blasts Schwarzenegger for veto on airline valuation bill

**BY DAVID GOLL**

**SAN JOSE** – Santa Clara County Assessor Larry Stone predicts a return to chaos in the valuation of commercial aircraft by 2011 if Gov. Arnold Schwarzenegger doesn't rescind his veto of a bill that would have extended a uniform state-wide valuation system that took effect four years ago.

"I don't know for sure why he vetoed (AB 311)," Stone said of a bill approved by the state Legislature. "It seems like he used one source of information for his veto decision, since only one airline opposed the bill."

Stone said the pre-2005 practice of each county coming up with its own system of aircraft valuation led to "chaos" and periodic litigation from airlines contesting those amounts — upon which their tax bill to each county is based.

The airline opposing AB 311 — industry kingpin Southwest Airlines — accounts for more than half the flights at Mineta San Jose International Airport. It is lobbying to have aircraft valued at an even lower rate than they are under the uniform statewide system Schwarzenegger approved in 2005, according to Stone. The current valuation rate, which expires at the end of next year, uses the Airline Price Guide publication wholesale value, minus 10 percent. Southwest, Stone contends, wants its growing fleet of aircraft valued at 20 percent below the level set by the Airline Price Guide, regarded as the Kelly Blue Book of the airline industry.

Stone said Southwest was the only air-



**Larry Stone**

line that objected to AB 311. Southwest officials say the current system is unfair.

"The current methodology has the unintended consequence of not being competitively fair," said Marilee McInnis, Southwest spokeswoman. "Southwest is flying newer, more environmentally friendly aircraft and being taxed for doing so, while other airlines see benefit to flying older aircraft, according to

the (Airline Price Guide). We are getting unfairly assessed for our commitment to the people of California and to the environment. In 2007, the APG abruptly revalued Boeing 737s that resulted in an additional \$2.2 million tax to Southwest without explanation or sharing of what constituted the revaluation."

In his letter to the governor, Stone compared how aircraft flying in and out of Santa Clara County would be valued today if the uniform valuation method hadn't been adopted. Using the Airline Price Guide and industry price trends, Stone said planes flown by Alaska Air-

lines would have been valued \$2 million higher. Southwest's local fleet would have seen its valuation increase \$17 million.

Stone said he expects a new bill similar to AB 311 will be introduced in the state Legislature next year. McInnis said Southwest will cooperate.

"We have asked for all stakeholders to come to the table to talk about the unfair and unintended consequences of the methodology and reach a consensus," she said.

**DAVID GOLL** can be reached at 408.299.1853 or [dgoll@bizjournals.com](mailto:dgoll@bizjournals.com).