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TECHNOLOGY

Drone Ban? Corporations Skirt Rules

Fliers Claim Tests or Outsource Flights; Insurers Just 'Raise the Rates'

By **JACK NICAS**

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U.S. regulators proposed long-awaited rules this week that would lift a virtual ban on commercial drones likely next year, but some of the world's biggest companies already have been benefitting from the devices.

Mining giants Rio Tinto PLC and Barrick Gold Corp. have used drones to map their mines in California and Nevada, for example, while big consumer brands including Walmart Stores Inc., BMW AG, General Mills Inc. and Nike Inc. have aired U.S.-made commercials employing video shot by drones.

All of their activities involved drones flown without the approval of the Federal Aviation Administration, which bars the commercial use of unmanned aircraft without its permission. This week the FAA proposed replacing that near-ban with a simple approval process and operational limits for commercial drone flights. The agency is expected to finalize those rules late next year.

Meantime, some large corporations have been chancing violating federal policy because they say drones can lower their costs, capture data previously not available, and give them aerial views of their operations that help them better plan projects and operate more efficiently. The firms' drone flights illustrate how eager companies are to use the devices—even in the face of an official ban—and suggests the likely boom in commercial drone use once the new rules are final.

“Officially [the FAA’s] stance is, You can’t do that. But they say you can’t drive 70 miles

per hour on a 50-mile-per-hour freeway,” said Peter Sosnowski, preconstruction director for Webcor Builders, a commercial construction company and San Francisco unit of Japanese firm Obayashi Corp. Webcor has used drones to map two big U.S. construction sites, he said. “Until someone gets caught and penalized, drone businesses will continue to do business as is.”



Some corporations that have employed craft without FAA permission said they were testing drones. *PHOTO: REUTERS*

Some corporations that have employed craft without FAA permission, like Rio Tinto and Barrick Gold, said they were testing drones, albeit for several months at a time. Others said it was their vendors who used the drones. Those who commented said they adhere to strict safety rules and generally used the devices in isolated areas, where they pose virtually no risk to the public.

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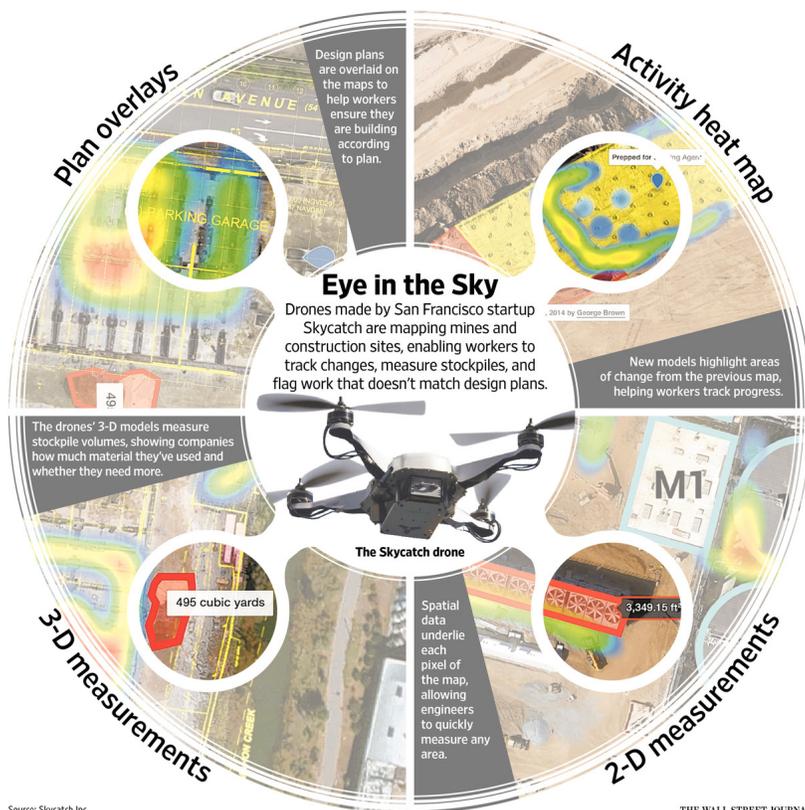
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The FAA said it would “investigate any reports of unsafe and unauthorized [unmanned-aircraft] operations, including incidents identified by the media.” The agency added that it would generally consider penalties against the actual operators of a drone, but that it could seek fines from other individuals involved depending on their relationship with the operator.

Commercial construction companies including Balfour Beatty PLC, Webcor and DPR Construction, have employed drones to map projects and monitor progress. The devices zigzag above the sites on automated routes and snap thousands of photos that can be used to assemble three-dimensional models of job sites.

DPR's drones, made by San Francisco startup Skycatch Inc., create new 3-D models almost every day, enabling Skycatch software to highlight changes, measure stockpile volumes, and flag any construction that doesn't match design plans.

"We have a 200-acre site that is really hard to get everywhere and see what's going on. On a project like that, it's very useful," said Atul Khanzode, DPR's head of construction technology. Mr. Khanzode declined to name the projects on which DPR is using drones. DPR is one of the lead contractors on Apple Inc.'s new 175-acre campus in Cupertino, Calif.



Like some of its peers, DPR relies on what it perceives as loopholes in the FAA rules to explain why it uses drones despite the restrictions. Mr. Khanzode said DPR is simply buying data from Skycatch and not operating the actual drones. "Our contracts are around data analysis and not how that data is gathered, whether they use airplanes or they use drones," Mr. Khanzode said.

Skycatch Chief Executive Christian Sanz says his company gives clients such as DPR the drones free and

leases them the base stations that hold the drones. The companies then hire Skycatch employees to operate the drones, he said, though they largely fly autonomously after a

human chooses a site for mapping.

The FAA has granted 26 companies exemptions from its current commercial-drone ban, including BP PLC and ConocoPhillips , which use the devices to help map operations in Alaska. Other big firms have applied for such approvals, including Chevron Corp. , BNSF Railway Co., and State Farm Mutual Automobile Insurance Co.

CNN has used drones to film reports in Poland and the Philippines, but FAA rules have stopped the news agency from using the devices in the U.S. CNN now aims to use one of the FAA-approved drone operators for a coming project in the U.S.

Smaller businesses also have acknowledged unapproved uses of drones, including farmers monitoring their wheat crop, car dealerships shooting promotional videos, and real-estate agents photographing beachside villas. The FAA has sent dozens of letters scolding commercial drone users but issued just a handful of penalties for violating its policy.

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Outside the U.S., governments have approved thousands of commercial drone operators, and big firms are in turn adopting the technology. BASF SE , the world's largest chemical company, uses drones to inspect its plants' smokestacks in Germany. Japanese conglomerate Hitachi Ltd. plans to use drones to inspect infrastructure, while Japanese manufacturer Komatsu Ltd. plans to use them to help automate its bulldozers.

German shipper Deutsche Post DHL AG and Chinese e-commerce giant Alibaba Group Holding Ltd. also have tested drones to deliver medicine and ginger tea outside the U.S. Some U.S. firms, tired of waiting for the FAA, have moved their drone business abroad, like Google Inc., which tested its delivery drones in Australia.

Hyundai Motor Co. last year hired a firm called Drone Dudes to film a commercial of one of its sedans cruising over the pristine Bonneville Salt Flats in Utah. Carol Lombard, head of production for advertising agency Innocean Worldwide, which filmed the commercial, said her company often uses drones because they cost about a quarter as much as a helicopter and can capture similar footage. She said the agency always ensures it uses drones on closed sets over private property.

“Insurance will cover it,” she said. “Even if it’s not an FAA-approved [drone], they’ll just the raise the rates.”

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