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The UPDATE Report

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ASA
AVIATION SUPPLIERS ASSOCIATION

REGULATORY UPDATE

In the last issue, we discussed the major highlights of the Part 21 manufacturing rule that is currently out for public comment. This issue will analyze a few key features of the proposed rule that are likely to affect ALL distributors. All ASA members would be affected by the proposed rule, and all ASA members should file comments with the FAA seeking changes in the text of the proposed rule.

Proposed Manufacturing Rule Changes Will Affect Distributors

The new proposed section 21.9, entitled "Replacement and Modification Parts," states:

(a) If a person knows, or should know, that a replacement or modification part is reasonably likely to be installed on a type-certificated product, the person may not produce that part unless it is—
(1) Produced under a type certificate;
(2) Produced under an FAA production approval;
(3) A standard part;
(4) A commercial part, administered in a manner acceptable to the FAA; or
(5) Produced by an owner or operator for maintaining or altering that owner or operator's product.

(c) Except as provided in paragraphs (a)(1) through (a)(4) of this section, a person may not sell or represent a part as suitable for installation on an aircraft type-certificated under §§ 21.25(a)(2) or 21.27 unless that part—
(1) Was declared surplus by the U.S. Armed Forces;
(2) Was intended for use on that aircraft model by the U.S. Armed Forces; and
(3) The person determines it is in a condition for safe operation.

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INSIDE:

MESSAGE FROM ASA'S PRESIDENT

THE UPDATE Report

is the monthly newsletter of the Aviation Suppliers Association.

OUR COMMITMENT

ASA is committed to providing timely information to help members and other aviation professionals stay abreast of the changes within the aviation supplier industry.

The UPDATE Report is just one of the many benefits that ASA offers members. To learn more about our valuable educational programs, please contact ASA.

The UPDATE Report Staff

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Dear Members,

Yesterday, I had the privilege of attending a retirement luncheon for a friend of the Association, Harry Schaefer. The luncheon was held by his colleagues at the Office of Inspector General. There were many tributes to Harry. His colleagues relished in roasting Harry and telling of the pranks he pulled. Even though we laughed at the stories, I walked away from the luncheon realizing that Harry is a true American hero. He, of course, would be embarrassed by that notion but all you have to do is look at his personal and professional life to realize what a special person he is. Harry conducted his professional life with honor, dignity and commitment to government service. Harry is leaving the Office of Inspector General due to a mandatory retirement age law. Harry served two tours of duty in Vietnam; was a police officer and detective with the Miami-Dade Police Department; after 9/11 transfer to TSA to help U.S. airport security; and returned to DoT-OIG to finish his government career. Harry never shied away from the tough issues or assignments and was committed to making a difference and ensuring safety for the public. As was demonstrated at the ASA conferences, Harry has a great sense of humor. I remember when he started off a presentation by hand cuffing one of the members, albeit they were personal friends, but it was funny to all. Harry attributed his ability to work and accomplish his professional goals to his strong, stable home environment. He is committed to his wife, children and grandchildren. Harry promised everyone that we will be seeing him in the future, as he is too young to retire. ASA looks forward to continued support from Harry.

Last month, a long time friend passed away. Bill Cote died from colon cancer. Bill was the person that Harry jokingly hand cuffed. Bill talked about it for days. Jason wrote an article about Bill in this newsletter. Bill's death is difficult for so many of us because he was a friend and a gentleman. Many of us from ASA attended the memorial service and/or the funeral, and it was obvious to us just how much Bill enjoyed his time working with the Association and its members. It is difficult to write about Bill since his friendship meant more than my words can express.

For those of you that were scheduled to attend the Seattle, Los Angeles or Chicago workshops, thanks for your patience and understanding as we reschedule the dates. As Jason showed us, even he can get sick.

Take care,
Michele Dickstein

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Subsection 'c' of this section generally prohibits the distribution of aircraft parts as we know it today. Distributors would be prohibited from selling a part for installation on a type certificated aircraft. They would also be prohibited from representing a part as suitable for installation on an aircraft.

The purpose of the regulation is to prohibit all forms of distribution except the distribution of parts deemed acceptable to the FAA. The problem with the regulation is two-fold. First, the regulation is poorly drafted, and as a consequence, no form of aircraft parts distribution is permitted except distribution by manufacturers (and also distribution of certain U.S. military surplus parts). Second, even if it had been better drafted, the list of parts that are acceptable under this clause is too narrow, and it excludes many airworthy parts that are absolutely necessary to the continued functioning of the aviation community.

Issue One

The prohibitions of subsection 'c' permit two exceptions. The exceptions were meant to be broad, but instead they are surprisingly narrow. Persons who are covered under subsections (a)(1) through (a)(4) are permitted to distribute (sell and represent) aircraft parts. But those sections are limited only to persons who produce aircraft parts. If you are the manufacturer, then subsections (a)(1) through (a)(4) apply to you, but most distributors are not covered by those subsections. So the reference to subsections (a)(1) through (a)(4) appears to permit distribution of aircraft parts by those who hold production approval, but it does not include any permission for distributors.

Some may argue that the reference to (a)(1) through (a)(4) is meant to reflect the sort of parts that may be distributed; however that prohibition of subsection 'c' is applied against persons ("a person may not sell …") and not against the parts.

Further, the exception for military surplus parts also prevents the sale of such (military surplus) parts by anyone but a certificate holder, because that provision requires the seller to determine that the part is in a condition for safe operation. The determination that a part is in a condition for safe operation is an inspection, which is a species of maintenance under 14 C.F.R. § 1.1. Only a certificate holder authorized under 14 C.F.R. § 43.3 may make such a determination.

Practically every member of ASA will be in violation of this regulation as it is written. The rule makes distribution of aircraft parts (when represented as aircraft parts) illegal, and there is no provision in the rule that would permit distributors to sell existing aircraft parts in their inventories. Cutting off distributors from the ability to make sales of aircraft parts would cripple the civil aviation industry, because there is not an effective mechanism for distributing aircraft parts that could take the place of the existing civil aviation distribution system.

This proposed rule would have a very serious effect on current inventories. In the "AeroStrategy 2005 Inventory & Logistics Survey," Aerostrategy reported that the 81 companies that had responded to its survey held inventories with market value of 15.4 billion dollars. Based on these responses, Aerostrategy estimated that there is $44 billion in

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aircraft parts inventory out in the marketplace. The effect of a prohibition on selling this would be tremendous. This effect cannot be justified under a cost-benefit analysis because, while it is difficult to exactly quantify the benefits of this prohibition, there is no reasonable benefit of the ban on selling and representing aircraft parts that could reasonably offset the cost of making this aircraft parts inventory valueless.

In order to resolve this problem, ASA recommends removing proposed subsection 21.9(c) entirely from the final rule. ASA does not recommend rewording this subsection because of the additional problem described below.

Issue Two

There is a further, more insidious problem with the way that the proposed section 21.9 of the regulations is drafted. Even if it were redrafted so as to make it legal for distributors to sell the parts described in subsections (a)(1) through (a)(4), it would still cripple civil aviation.

The reason that revising the language of proposed subsection 21.9(c) would not fix the problems is because the cross-referenced subsections, 21.9(a)(1) through 21.9 (a)(4), do not reasonably represent the entire range of parts that are sold and installed on aircraft.

There are many parts that are sold and installed in aircraft today that do not neatly fit into one of the pigeonholes established by the proposed subsections 21.9(a)(1) through 21.9 (a)(4). For example, those pigeonholes do not reflect the current industry-accepted definition of commercial parts. Instead the proposal seeks to redefine the term “commercial parts” in a much narrower fashion than it is currently defined today. Today, the term ‘commercial parts’ has no regulatory definition, but it is generally used to describe the class of parts that fall outside of the FAA’s regulatory scope under 14 C.F.R. § 21.303(a). That section requires that a person who manufactures a part “for sale for installation in a type certificated product” must obtain FAA production approval, unless the part fits into one of several narrow exceptions (owner-produced parts and standard parts).

Many parts are excluded from the scope of 14 C.F.R. § 21.303(a). As a matter of policy, the FAA would not have the resources to directly oversee every company that produces anything that finds its way onto an aircraft. Furthermore, many companies that produce parts for general use do not specifically intend that their parts be installed on aircraft and therefore they would not apply to the FAA for production approval. Thus, 14 C.F.R. § 21.303(a) excludes certain types of parts from FAA production oversight including (not a complete list):

(a) Parts made for other industries but known to be the right parts for use in aircraft. This would include things like commercially-available light-bulbs, fabrics, etc. This would also include some parts for older types of aircraft where the manufacturer may no longer be available or may no longer be producing the replacement parts necessary, but alternatives are known to be available from other sources (this can include things like spark plugs or other items generally made for other types of non-aviation products). These are the parts generally known as “commercial parts.”

(b) Parts fabricated in the course of maintenance. These parts have been held to be fabricated as a part of the maintenance activity and not “for sale,” which is why no PMA is needed when a repair station fabricates a detail part that will be installed as a part of a larger maintenance activity.

(c) Parts finished in the course of maintenance. Some parts are left ‘unfinished’ by the manufacturer. For example, necessary fastener holes in the part might not be drilled by the manufacturer, because the holes need to be aligned with the installation and are therefore better drilled by the installer. The part is intended to be ‘finished’ at the time it is installed. This is arguably a manufacturing process, but the fabrication elements are performed in the context of the installation and therefore are not considered to be fabrication of a part for sale.

Although the FAA does not engage in production oversight of these parts, the FAA still has oversight over these parts when they affect aviation safety. In all of these cases, the installer bears the ultimate burden to assure that the parts will return the aircraft into which they are installed to an appropriate (airworthy) condition. E.g. 14 C.F.R. § 43.13(b). And when the parts are used on a U.S.-registered

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aircraft, then the installer is subject to FAA oversight. See 14 C.F.R. § 43.1 (scope of the maintenance provisions generally includes US-registered aircraft), 14 C.F.R. § 43.3 (maintenance on aircraft subject to the maintenance scope clause may only be performed by certain persons authorized by the FAA).

The proposed definition reads as follows:

(3) Commercial part means a part that the design approval holder designates a commercial part and that the FAA finds—
(i) Is not specifically designed or produced for applications on aircraft; and
(ii) Is produced only under the commercial part manufacturer's specification and marked only with the commercial part manufacturer's markings;

Coupling the proposed definition of 'commercial part' with the limits on selling or representing parts as suitable for aircraft, you find that most commercial parts would no longer be considered commercial because (1) they would not be specifically designated as a commercial part by the manufacturer, and (2) there would be no explicit finding by the FAA of the sort required in the definition.

This would create immediate problems for all aircraft. There would be no immediate source of commercial parts because there would be no lists of commercial parts. Manufacturers would be faced with a daunting task.

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This would create permanent problems for older types that are no longer actively supported. If the manufacturer no longer makes the aircraft, then there would be no commercial incentive for the manufacturer to devote resources.

This would create serious competitive chaos in the industry. In many cases, the original manufacturer of a part that was described in the type design may no longer produce that part. In other cases, the original manufacturer of a part that was described in the type design may have changed the part numbering scheme. Because these parts are not directly regulated by the FAA, there is no restriction on commercial parts manufacturers that would prevent them from making such changes (and the proposed rule does not impose or recommend any such restriction). When such changes happen today, it is normal for the production approval holder to lag significantly behind in updating their documents like the illustrated parts catalog. Many people in the industry have complained that the major manufacturers are unable to keep their illustrated parts catalogs updated today. This new proposal would create a monumental burden to keep their data updated and to constantly be making new applications to the FAA every time there was a change in a commercial part (remember, such changes are often outside the control of the production approval holder). But there is no regulatory obligation for the production approval holder to apply to the FAA for changes to these commercial parts in their designs. Faced with a monumental potential burden, and no legal obligation to actually undertake that burden, it is likely that production approval holders will not undertake that burden, especially for older types that are no longer in active production.

This means that a single commercial parts manufacturer can ground a fleet of aircraft by changing a part number or otherwise changing the marking scheme of the part. There is no safety reason that justifies the FAA establishing such a commercially unstable situation.

There are additional problems with this proposal. It also means that no competitor can enter the market. Under today's rules, if one indicator light bulb is manufactured by a commercial parts manufacturer (that is, by a manufacturer who does not specifically intend that the light bulb be offered for sale for installation in a type certificated product), but an alternative light bulb would meet the same requirements and would also return the aircraft to a condition at least equal to its original condition, then the alternative vendor's part may be freely used. This keeps the cost of these items low. The FAA's proposal would allow production approval holders to grant monopolies over certain parts to certain vendors by designating them as commercial parts and then refusing to designate any alternative as a commercial part. This sort of delegation of authority is contrary to U.S. antitrust policy. Although an alternative vendor could obtain a PMA, this would mean that the first vendor was not required to obtain PMA, but is permitted to sell the part as a commercial part, while the second had to overcome a high market entry barrier (the PMA application process) to enter the market, creating a non-level playing field in the parts aftermarket. The realities of such 'commercial' parts are that the individual parts are generally not subject to individual testing when they are submitted as part of the type design, so the competitive playing field would truly be uneven.

Because this change would give the production approval holders the power to grant or deny market entry, it would also subject production approval holders to tremendous potential liability under the existing U.S. competition laws.

The proposal creates a tremendous potential burden on production approval holders, one that they can ill-afford to support. They would waste tremendous man-hours on obtaining FAA findings concerning 'commercial parts' that have been recognized in the past to reflect very little safety value, and they would have to continue applying for such findings every time a commercial parts vendor changed its marking scheme in any way. If the production approval holders do not shoulder that tremendous burden, then the commercial marketplace suffers needlessly under this proposed rule. Rather than for safety reasons, aircraft may be grounded because of commercial issues concerning availability of parts, since there would be no legally available commercial part when the commercial parts manufacturer changes its marking scheme so that the part no longer is the one that was previously subject to the FAA's findings, so no one would be able to sell those parts to aircraft owners for use on their aircraft. Either way, the industry loses, and safety is negatively affected (because the safe parts are not legally able to be used), rather than being positively affected.

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To remedy this issue, ASA plans to recommend to the FAA that it return to the existing construction of commercial parts: a commercial part is a modification or replacement part that was not manufactured for sale for installation on a type certificated product.

Issue Three

The FAA has also proposed to apply the manufacturing standards of Part 21 to any manufacturer if the manufacturer knows or should know that its part is reasonably likely to be installed on a type certificated product. The FAA's lawyers tried to advance this interpretation of the regulations in the Pacific Sky Supply case in 1993. The Administrator rejected this interpretation of the regulations at that time.

Now, 13 years later, the FAA is seeking to implement the FAA Counsel's litigation position as a regulatory standard. This standard provides no additional safety benefit – it is a change designed solely to allow the FAA to win enforcement cases.

Aside from the fact that it needlessly modifies a standard that has served the industry well (thus causing a likelihood of confusion in the industry as the industry grapples with the new legal standard), this change would have detrimental effects on the industry in that it would mean that any manufacturing company that has knowledge that its parts are being installed in aircraft – even if the installation is without the sanction or permission of the manufacturer – would be in violation of the regulation by virtue of fabricating its parts. Thus, if Champion manufactures certain spark plugs without a PMA, and someone puts Champion on notice that certain reciprocating engine maintenance facilities are installing these spark plugs in vintage aircraft engines because they have the same form fit and function as the spark plugs used in the original models, then Champion will *know* that its part are *reasonably likely* to be purchased by maintenance personnel and installed on type certificated products. Further fabrication of such spark plugs – even though they are primarily intended for installation on automobiles – would subject Champion to liability under this new formulation of the standard applicable to manufacturing violations under proposed section 21.9(a).

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Non-aviation industry manufacturers are important to the U.S. economy. They are also important sources of parts for certain types of aircraft products that are no longer actively supported by their manufacturers (including those whose manufacturers have gone out of business). The FAA should return the legal standard of proof applicable to cases to the legal standard that has been working for the industry for 50 years.

Issue Four

Taking this rulemaking as a whole, the FAA is proposing to stealthily regulate the distribution industry - an industry worth billions of dollars (based on Aerostrategy figures and also based on the 1.7 billion dollar sales price of Aviall) - by casually including language in a proposed rule aimed at manufacturers.

The issues discussed in Issues One and Two, above, are not problems in the current rules because the existing rules do not restrict the distribution of parts. Under the existing Federal Aviation Regulations, the FAA regulates manufacturers who produce parts with the intention that those parts be offered for sale for installation on a type certificated product. 14 C.F.R. § 21.303. The FAA also regulates the installation of parts, requiring that upon installation, the installation return the product to a condition at least equal to original or properly altered condition. 14 C.F.R. § 43.13(b). In the past the FAA has not directly regulated the distribution of parts due to the fact that the regulatory structure does not require it, and commercial pressure ensures a high level of quality in the industry. Thus this is a newly created problem in the proposal.

ASA objected during the Aviation Rulemaking Advisory Committee process to efforts to end modern aircraft parts distribution through the manufacturing rules. ASA was successful in most of these objections, and ASA also filed minority comments in opposition to these efforts. The FAA seems to have resurrected notions that were rejected by the FAA and ARAC during the ARAC process.

ASA will continue to fight any proposed rule whose effect would be to put distributors out of business.

The Notice of Proposed Rulemaking is available online at:
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2006_register&docid=fr05oc06-23

The FAA has also published draft guidance documents that will be used to interpret the new rules. These other important documents are available online:

- DRAFT AC 21-PAH: Issuance of Production Approvals Under Subparts G, K, and O
- DRAFT AC21-TRANS, Transition Document for 14 CFR Part 21
- DRAFT AC21-SUBPART L, Issuance of Export Airworthiness Approvals Under 14 CFR Part 21 Subpart L
- DRAFT AC45-2D, Identification and Registration Marking
- Additional Information on Availability of FAA Draft Documents

The notice of proposed rulemaking was published on October 3, 2006, and comments are currently due on January 3, 2007. Industry rumors suggest that the FAA may grant a request from the manufacturing companies to extend the comment period beyond this initial date but to be safe, ASA is advising companies to submit their comments on this proposed rule before the end of the year. This rule could have a devastating effect on the businesses of all ASA members.

Bill Cote, ASA Member, Dead at the Age of 70

As I was walking through National Airport, the public address system announced that the threat level has been elevated to orange. I suspect that the threat level for aviation security may never reach the safest level, green.

I started thinking about how that same sort of system might characterize aircraft safety parts. Aircraft parts safety, today, would have to be characterized as steadily holding on green. One of the reasons that we enjoy such a high level of safety assurance when it comes to aircraft parts is Bill Cote.

In the early days of the ASA Accreditation Program, we noticed that a lot of companies had quality assurance manuals that looked suspiciously like the manual Bill Cote had written. We also noticed that many companies had adopted the quality philosophies that Bill had espoused. The reason for this was simple – Bill Cote was sharing his knowledge. Bill was not acting as a paid consultant nor was he publishing technical papers on quality systems theory. He was much more personal than that. It became well known in the industry that if you needed to talk to someone about how to improve your quality system, Bill would help you out. He would share his manual with you so you had a template from which to work. He would answer your questions. He would brainstorm with you on ways to correct problems and improve safety.

Bill was one of the "elder statesmen" of the aviation quality industry. He was the sort of guy that you felt you could trust the moment you met him. He always listened with respect, and his advice was sound and logical. He never preached; instead his advice was the sort that flowed out of a conversation naturally.

Bill was a proud member of the ASA Quality Assurance Committee since its inception and he spent several terms on the ASA Board of Directors; but ultimately these titles are meaningless unless you use the positions to help improve the industry. Bill used his position to help promote the ideals of aircraft parts quality and safety to which he had committed his life. He was an instrumental part of the team that drafted the ASA-100 standard. To this day, ASA-100 remains the most popular mechanism for accreditation of aircraft parts distributors. Bill Cote helped guide the Association to a leadership position in promoting higher levels of aircraft parts distribution quality.

Bill's contributions to the places he worked were no less important. He started his career at Pan Am, and after the air carrier's demise he went to the AGES Group (now Volvo Aero). It is a mark of his importance to the company that Bill remained with the company for years after his expected retirement point. Every time he was ready to retire, they would say "just one more year." And Bill would oblige. Finally, he was determined to retire once and for all.

Even after he retired, Bill Cote remained an active participant in the industry. He kept in contact with friends, discussed quality paradigms, and even consulted a little bit (finally getting paid for the advice he'd always shared with the industry). He met with the ASA Board to discuss the future of aviation parts distribution quality systems.

Having lost such an icon to the safety community, you might expect that the industry's "green-level" safety characterization to waver; but that expectation would be wrong. Because the greatest gift that Bill Cote gave to the industry was that he served as a mentor and friend to an entire generation of aviation quality professionals. He leaves behind his wife Judy, two sons, a step-daughter and nine grandchildren. He also leaves behind an entire industry of friends who will remember his friendship, his sound advice and his quiet but steady commitment to sharing the gospel of aviation quality.

Because of Bill Cote's warmth and generosity, because he spent so many years selflessly helping others, we can rest assured that the torch has been passed, and that the important ideals of aircraft parts safety and quality remain well entrenched in the industry.

The threat level for aircraft parts safety remains green.

Berry Amendment Update: Sourcing for Parts Containing Strategic Metals

If you are selling parts to the Department of Defense or to any Defense contractors, then the Berry Amendment affects you!

First promulgated in the 1940s, the Berry Amendment requires the United States government to "buy American." It was originally promulgated to require the government to purchase foods only from U.S. sources. Like all good laws, it included exceptions and loopholes; for example, naval ships in foreign ports were permitted to take on fresh food that was not grown in the United States.

In 1971, the Berry Amendment was expanded to include specialty metals. It applies to the following specialty metals:

(1) Steel--
- (A) with a maximum alloy content exceeding one or more of the following limits: manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or
- (B) containing more than 0.25 percent of any of the following elements: aluminum, chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, or vanadium.

(2) Metal alloys consisting of nickel, iron-nickel, and cobalt base alloys containing a total of other alloying metals (except iron) in excess of 10 percent.
(3) Titanium and titanium alloys.
(4) Zirconium and zirconium base alloys.

The Berry Amendment required that when the Department of Defense purchases items made from these specialty metals, that the specialty metals must have come from a U.S. source or from a qualifying country. The list of qualifying countries is: Australia, Belgium, Canada, Denmark, Egypt, Germany, France, Greece, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK and Northern Ireland, Austria and Finland.

In particular, the Berry Amendment applied to aircraft parts.

Recently, some of the exceptions issued by the Air Force had to be rescinded on the grounds that they were inappropriately issued. This was done under pressure from the U.S. specialty metals industry. The result of this action was that the industry noticed that there was simply not enough specialty metals produced in the United States to meet current needs.

The aviation industry, the electronics industry and several other industries joined together to lobby Congress to try to rescind the Berry Amendment as it applied to specialty metals. They met with mixed success, because the specialty metals industry mounted an effective counter-lobbying effort, in which they accused the large aviation manufacturers of 'selling out' by seeking to buy titanium from Russian sources. The largest single producer of titanium in the world is a Russian company – it alone produces more titanium that the entire U.S. marketplace produces. The aviation manufacturers were not as effective in communicating the message that the Berry Amendment had essentially failed to protect the U.S. industries and that even with the protections of the Berry Amendment (or perhaps because of them), the U.S. producers of many specialty metals had failed to innovate and thereby had lost ground to their foreign competitors.

Public Law 109-364 (2006) was signed into law on October 17, 2006. It establishes new standards for specialty metals and represents (at best) a partial solution to the problem. It removes specialty metals from their traditional place as part of the Berry Amendment at 10 U.S.C. § 2533a. This does not mean that the "buy American" provisions for specialty metals have been fully removed, though. Instead, a new section has been added to the law (10 U.S.C. § 2533b) to address specialty metals as a separately-regulated category. This new provision still enforces "buy American" provisions with respect to specialty metals used in the aviation industry.

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Under the new law, the Department of Defense is still generally restricted from buying aircraft parts made from specialty metals unless the metals were melted and produced in the United States. There is still a caveat that allows the Secretary of Defense and the Secretaries of the Armed Forces (e.g. the Secretary of the Air Force) to waive the prohibition in limited cases. In order to waive the limitation, the affected Secretary must determine that compliant specialty metal of satisfactory quality and sufficient quantity, and in the required form, cannot be procured as and when needed. This new formulation removed a caveat in the original Berry Amendment language about the ability to obtain metal of satisfactory quality and sufficient quantity at market prices.

Small procurements – those worth less that $100,000 – are still exempted from the "buy American" limitations (as they had been exempted from the Berry Amendment). But government contacts worth more than this must comply with the new law and contractors will need to flow-down compliance to their subcontractors.

An important exception has been added to this new provision. The "buy American" limitations no longer apply to procurements of commercially available electronic components with small (de minimis) amounts of specialty metal content. This is welcome news to ASA members dealing in commercially available electronic components; however the new law specifically establishes that the provisions apply to procurements of commercial items for aircraft. This was an important point because manufacturing lobbyists were seeking to exempt commercial items.

In order to help "bridge-the-gap," a one-time exception authority has been established for pre-existing non-compliant items if the Defense contracting officer accepts them. But the contractor must be in the process of establishing a compliance program to make sure that future contracts are serviced with compliant materials (U.S.-produced specialty metals).

UNAPPROVED PARTS NOTIFICATION

SUSPECTED UNAPPROVED PARTS PROGRAM OFFICE, AVS-20
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HERNDON, VA 20171

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

http://www.faa.gov/aircraft/safety/programs/sups/upn/

No. 2002-00062
November 3, 2006

AFFECTED PARTS
Various aircraft parts.

PURPOSE
The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding the unapproved status of aircraft parts sold by Standby Parts, Inc., an aircraft parts distributor.

BACKGROUND
Information received during joint investigations conducted by the Federal Aviation Administration (FAA), the Department of Transportation – Office of Inspector General, and the Federal Bureau of Investigation revealed that between September 1999 and April 2002, Standby Parts, Inc. (Standby Parts), a parts distributor previously located at 120 Penn Street, El Segundo, CA 90245, sold aircraft parts using fraudulently produced documents.

Evidence indicated that Standby Parts made or caused to be made invoices, part certifications, and FAA 8130-3 Airworthiness Tags that contained false statements regarding the actual condition of aircraft parts. Between September 1999 and April 2002, Standby Parts purchased various aircraft parts known to be in a “repairable” or “as is” condition. Through Daniel Larue Booker, an FAA Designated Airworthiness Representative (DAR), and George G. Thompson, owner of TATCO, a repair station, Standby Parts obtained FAA 8130-3 tags that falsely represented the parts as being in a new condition. Some of the parts inspected and approved for return to service by TATCO were outside the repair station’s ratings and limitations. Some of the FAA 8130-3 tags issued by Daniel Booker were for parts never inspected by the DAR.

RECOMMENDATIONS
Regulations require that type-certificated products conform to their type design and be properly maintained. Aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors should inspect their aircraft and/or parts inventory for aircraft parts sold by Standby Parts between September 1999 and April 2002. If any are found installed on aircraft, appropriate action should be taken. If any are found in existing aircraft stock, it is recommended that they be quarantined to prevent installation until a determination can be made regarding their eligibility for installation.

FURTHER INFORMATION
Further information concerning this investigation, and guidance regarding the above-referenced parts, can be obtained from the FAA Flight Standards District Office (FSDO) shown below. The FAA would appreciate any information regarding the discovery of the above-referenced parts from any source, the means used to identify the source, and the actions taken to remove the parts from aircraft and/or stock.

This notice originated from the FAA Los Angeles FSDO, 2250 East Imperial Highway, Suite 140, El Segundo, CA 90245, telephone (310) 215-2150, FAX (310) 649-5680; and was published through the FAA Suspected Unapproved Parts Program Office, AVS-20, telephone (703) 668-3720, FAX (703) 481-3002.

Unapproved Parts Notices are official notices published by the Federal Aviation Administration and republished here as a service to our readers. ASA is not responsible for the content of these notices.

Quantum Control

Business Software *Integrated with the* StockMarket

Inventory Management*

The cornerstone for the Quantum Control system. The parts summary screen provides a central viewpoint for all information and activity related to a given part.

The StockMarket

Quantum users can search, buy, and sell parts with other Quantum Users in real time without leaving the software. Inventory postings are automatic and can include details such as serial numbers, images, time life and prices.

Quotation Processing*

Manages the customer quotation process and the recording of supplier responses from outgoing RFQs.

Vendor Quotes*

Provides a tool to locate sources for part procurement and send out requests for quotes to multiple vendors, including multiple lines.

Sales Orders*

Manages the customer order process to include back order management, invoice preparation and product returns.

Invoice Management*

Provides the opportunity to manage the invoice process by viewing system wide for open sales orders and determining if these can be expedited or consolidated with existing invoices, etc.

Purchase Orders & Requests*

Manages the purchasing process including requestrouting and approval by dollar amount and employeeposition. Manages purchasing activity for stock, non-stock and exchange.

Purchase Management*

Provides the capability to manage purchasing activities by being able to review all parts needed for procurement based upon sales order requirements and below minimum level stock quantities.

Integrated Accounting

The Accounting Module includes General Ledger, Accounts Receivable, Accounts Payable, and more - all integrated with Sales, Purchasing, Repair, Exchange, Work Order and Invoicing modules.

Physical Inventory*

Manages the physical inventory process. Generates count sheets for manual or barcode counting efforts.

Receiving and Inspection*

The receiving module is a powerful tool for efficient, cost-saving receiving, intermediate and final inspection, and defect recording.

Shipping Management

Manages the shipping and order consolidation process to include user defined stages and statuses. Creates custominvoices, packing slips and certification forms within one shipment.

Demand Planning

Optimizes material and production planning by analyzing historical usage and projecting future demand. Recommends minimum and maximum order quantities based on lead time and forecasted demand.

Lot Costing

Manages lot purchases and assemblyteardowns. Provides total tracking of acquisition costs, overhaul expenses, component part sales, profit margins and full traceability.

Data Services

Provides flexible tools to manage the process of both importing and exporting data to/from the Quantum database. Integration points include ILS, USA Info, Partsbase and AvRef.

Management Reports*

Produces hard copy and screen oriented reports supporting all modules throughout the system.

Crystal Reports 11 Pro

Create flexible, feature-rich reports allowing unlimited reporting from Quantum, using the de facto standard for business reporting today.

Aircraft Maintenance

Manages on wing maintenance and includes Engineering Configuration Management, Maintenance Program Management, Maintenance Recording, Technical Records and Flight Log Processing Modules.

Shop Control

Manages the completeComponent and Assembly Repair and Overhaul process. Includes real-time Cost and Schedule Management functions that put you in complete control of your shop's activity.

Manufacturing

The Manufacturing Module addresses all aspects of the manufacturing process including product lines, floor control, inspections, materials planning, purchasing and outside servicing.

Repair Orders*

Manages the preparation, pulling from inventory, shipping and receiving of components sent out for repair. The Repair Order module provides historic as well as current repair cost per component, detailed by parts, labor and miscellaneous charges.

Contact Management

This module provides a tool for sales, service or support centers to record, track, status and assign contact activity. Email list management and broadcasting is also included.

Document Imaging

Provides the ability to attach images or documents against part number, stock line, work order, and company.

Company Management*

Contains both customer and vendor information including pre-defined settings such as payment terms, preferred method of shipping, discounts, tax and more. It can also group vendors and suppliers for marketing purposesand provide detailed history information for each vendor and supplier.

Internet Quantum™ (iQ)

The Internet Quantum module (iQ), utilizes Stock Market technology to allow customers to login to your website and view, RFQ, or purchase from your existing stock in real-time. Information such as condition, time & cycles remaining, tag info, scanned documents, delivery time and more is available to assist users in their purchasing decisions.

Max-Q

With Max-Q you get Aviation's leading Business Application, Quantum Control, implemented with the latest database technology from Oracle to provide the ultimate in database Security, Reliability, Scalability and Performance.

Bar Coding

Prints bar codes and allows for the scanning of physical inventory to track and manage stock and account for all parts when shipping, receiving, etc.

Repair Manual Tracking

Tracks all publications and revision dates and review dates. Provides for manual effectivity by part, customer and ATA. Integrated with the Shop Control module providing specific manual requirements for individual work orders.

Rental and Leasing

The Rental and Leasing module has the versatility to handle all of your rental and leasing transactions including flight-time based billing.

GFI Faxmaker

This is a fax manager that supports "background" faxing from all Quantum users by using a service based system. This is a third party MAPI complant fax manager supporting multiple fax servers and Citrix.

AVREF Catalog Files

The AVREF Catalog System provides the latest OEMpricing information along with access to Government MCRL cross reference data. Completely integrated with the Quantum Inventory Module.

*Standard Quantum Module

Ask About Our Referral Program

Component Control ~ 619.696.5400 ~ info@componentcontrol.com ~ 1731 Kettner Blvd., San Diego, Ca, 92101

UNAPPROVED PARTS NOTIFICATION

SUSPECTED UNAPPROVED PARTS PROGRAM OFFICE, AVS-20
13873 PARK CENTER ROAD, SUITE 165
HERNDON, VA 20171

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

http://www.faa.gov/aircraft/safety/programs/sups/upn/

No. 2006-00157
November 15, 2006

AFFECTED PARTS
Aircraft accessories and instruments.

PURPOSE
The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts suppliers and distributors regarding improper maintenance performed on aircraft accessories and instruments.

BACKGROUND
Information received during a Federal Aviation Administration (FAA) suspected unapproved parts investigation revealed that Fat Angel Aviation Services, Inc. (Fat Angel), located at 737 South Point Blvd. Suite G, Petaluma, CA 94954, improperly maintained and approved for return to service aircraft accessories and instruments. Fat Angel formerly held Air Agency Certificate No. OFGR270L with Accessory Class 1 and 2 ratings, and Limited rating (specialized services). The FAA has not been able to determine the total number of parts affected or the timeframe in which the improper maintenance occurred. Discrepancies noted in Fat Angel practices included, but are not limited to, the following:

- Maintaining and approving for return to service various instruments without holding an instrument rating.
- Approving for return to service instruments and accessories described as having been repaired without being inspected or repaired using acceptable methods, techniques, and practices.
- Performing instrument and accessory repairs without using required approved data.
- Failing to maintain instruments and accessories in accordance with Continuous Airworthiness Maintenance Program manuals.
- Failing to properly document instrument and accessory repairs.

RECOMMENDATIONS
Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, manufacturers, maintenance organizations, and parts suppliers and distributors should inspect their aircraft, aircraft records, and/or parts inventories for any aircraft instruments or accessories that were approved for return to service by Fat Angel.

If these instruments or accessories are found installed on aircraft, appropriate action should be taken. If instruments or accessories are found in existing inventory, it is recommended that they be segregated to prevent installation until their eligibility for installation is determined.

A partial list of instruments and accessories that have been approved for return to service by Fat Angel can be viewed at http://www.faa.gov/aircraft/safety/programs/sups/upn/media/2006/UPN 2006-00157 Partial Parts List.doc.

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FURTHER INFORMATION
Further information concerning this investigation, and guidance regarding the above-referenced instruments and accessories, can be obtained from the FAA Flight Standards District Office (FSDO) given below. The FAA would appreciate any information concerning the discovery of the above-referenced instruments and accessories from any source, the means used to identify the source, and the actions taken to remove the instruments or accessories from aircraft and/or stock.

This notice originated from the FAA Oakland FSDO, 1420 Harbor Bay Parkway, Suite 280, Alameda, CA 94502, telephone (510) 748-0122, fax (510) 748-9559; and was published through the FAA Suspected Unapproved Parts Program Office, AVS-20, telephone (703) 668-3720, fax (703) 481-3002.

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CONTACT US!

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Regulatory Workshop Series NEW DATES!

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2007

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February 6.....Chicago, IL
TBA.....Seattle, WA

Hazmat Training NEW DATES!

December 15-16.....Miami, FL
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2007

January 11-12.....Los Angeles, CA
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